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R O X A S A N D C O M P A N Y , I N C .  
( F O R M E R L Y C A D P G R O U P  
C O R P O R A T I O N )

(Company's Full Name)

7 T H F L O O R C A C H O G O N Z A L E S B U I L D I N  
1 0 1 A G U I R R E S T R E E T L E G A S P I  
V I L L A G E M A K A T I C I T Y

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

ATTY. PETER D.A. BAROT

810-8901

**SEC Form 17-A (2013)**

September 30  
Month Day  
Fiscal Year

**For period ending September 30, 2013**

Form Type

4<sup>th</sup> Wednesday of February  
Month Day  
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

**3,459**

Total No. of Stockholders

Total Amount of Borrowings

₱8,433.6 million

Domestic Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

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

1. For the fiscal year ended: **30 September 2013**
2. SEC Identification Number: **834**
3. BIR Tax Identification No. : **000-269-435-000**
4. Exact name of issuer as specified in its charter: **ROXAS AND COMPANY, INC.**
5. **Philippines**  
Province, Country or other jurisdiction of  
Incorporation or Organization
6. (SEC Use Only)  
Industry Classification Code
7. **7<sup>th</sup> Floor Cacho-Gonzales Building, 101 Aguirre Street  
Legaspi Village, Makati City 1229**  
Address of Principal Office
8. **(632) 810-89-01 to 06**  
Registrant's telephone number, including area code
9. CADP GROUP CORPORATION  
6<sup>th</sup> Floor Cacho-Gonzales Building, 101 Aguirre Street  
Legaspi Village, Makati City 1229  
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC as of 30 June 2010

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Authorized Capital Stock	
Common	<b>₱3,375,000,000.00</b>
No. of shares subscribed & outstanding:	
Common	1,921,501,095

Amount of debt outstanding as of 30 September 2013 None registered

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

Yes []      No []

1,921,501,095 common shares are listed on the Philippine Stock Exchange.

12. Check whether the issuer:

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

Yes [] No []

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

Yes [] No []

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

Assuming that the number of stockholdings of non-affiliates as of 31 December 2013 is 429,770,455 common shares and assuming further that the market bid price of the shares as of same date is ₱3.00 then the aggregate market value of the voting stocks held by non-affiliates as of said date is ₱1,289,311,365.

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

(a) Incorporated by reference in Part III on Financial Information is the Consolidated Financial Statements of Roxas and Company, Inc. for the fiscal year ending 30 September 2013.

## PART I – BUSINESS

### 1. Business Development.

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

On 23 June 2009, the Securities and Exchange Commission (SEC) approved the merger between RCI (SEC Registration No. 102373), the *absorbed* corporation, and CADPGC (SEC Registration No. 834), the

surviving corporation. The merger took effect on 29 June 2009. The SEC likewise allowed the surviving corporation, CADPGC, to change its corporate name to Roxas and Company, Inc. (the “Company”).

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

### Sugar-Related Businesses

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

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

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

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

For the first time in five years, RHI, through CADPI, entered into the export market outside the US to address its oversupply of sugar generated from the crop year. As mandated by the Sugar Regulatory Administration (SRA), RHI exported raw sugar to Japan and South Korea in August 2011. The surplus in sugar production came on the heels of the US announcement that it will not purchase more than its annual sugar export quota from the Philippines. A slowdown in demand from some local industrial users which shifted to high fructose corn syrup and premixes for blending in their own products also contributed to the oversupply.

### Real Estate

Since most of the real property development projects of Roxaco are already completed, it is looking into undertaking other projects for expansion and development. In 2012, it began the development of the first townhomes project in Nasugbu, Batangas – the Landing Townhomes.

Roxaco is also expanding its Orchards project with the launch of Phase II for The Orchards at Balayan Subdivision, also in Batangas. Roxaco will continue developing Anya Resort and Residences into a boutique resort with the construction of various resort amenities and residential villas. In December

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

## **2. Business.**

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

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

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

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

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

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

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

### **Business Units and Operations**

The Company directly owns (a) 100% of Roxaco Land Corporation (Roxaco), the real estate company of the Roxas Group, and (b) 35% of the total issued and outstanding shares of RHI, under which are the various sugar-operating companies.

#### Sugar-Related Businesses

Roxas Holdings, Inc.’s wholly-owned sugar manufacturing subsidiaries are Central Azucarera Don Pedro, Inc. (CADPI) and Central Azucarera de la Carlota, Inc. (CACI). RHI also has a 45% equity investment in

Hawaiian Philippine Company (HPCo.), a sugar mill in Silay, Negros Occidental [referred to as the “Sugar Group”].

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

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

### Real Estate

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

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

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

FHMPMC is a management company with expertise in managing hotels, resorts and full and limited service companies. Roxaco has a 63% equity interest in FHMPMC.

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

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

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

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

In December 2013, Roxaco entered a joint venture with Vanguard Hotels Group to explore the “Budget Hotel” industry in the Philippines. The joint venture is designed for both parties to put up and operate a minimum of five (5) budget hotels in the country.

## Principal Products and Services

### Sugar-Related Businesses

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

### *Tolling/Refining*

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

### *Bioethanol*

The Sugar Group, through Roxol, supplies bioethanol fuel to oil companies which are mandated to blend ten percent (10%) ethanol in their gasoline under the Biofuels Act of 2006.

At the same time, Roxol is designed to produce potable and industrial alcohol to serve the demands of the alcoholic beverage and personal care markets.

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

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

The principal products, markets, relative contribution to sales and revenues of CADPI, CACI and Roxol are as follows:

<u>CADPI</u>		<u>CACI</u>		<u>Roxol</u>	
Raw sugar	26%	Raw sugar	65%	Anhydrous alcohol	94%
Refined sugar	65%	Refined sugar	31%	Ethyl alcohol	0%
Molasses	4%	Molasses	4%	Molasses	6%
Tolling	5%				

### Real Estate

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

Its joint venture projects include:

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

Anya Resort and Residences, a 57,907 square meter-property located in Tagaytay City. This is a low density boutique resort-type of residential subdivision being developed by Roxaco in joint venture with landowner VJ Properties, Inc.

On its own, Roxaco developed the following projects:

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



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

## **Business Development**

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

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

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

## Sugar-Related Businesses

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

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

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

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

For the first time in five years, RHI, through CADPI, entered into the export market outside the US to address its oversupply of sugar generated from the crop year. As mandated by the Sugar Regulatory Administration (SRA), RHI exported raw sugar to Japan and South Korea in August 2011. The surplus in sugar production came on the heels of the US announcement that it will not purchase more than its annual sugar export quota from the Philippines. A slowdown in demand from some local industrial users which shifted to high fructose corn syrup and premixes for blending in their own products also contributed to the oversupply.

### Real Estate

Since most of the real property development projects of Roxaco are already completed, Roxaco is looking into undertaking other projects for expansion and development. These include a second residential open lot and house and lot project also in Nasugbu and Phase II for The Orchards at Balayan Subdivision, also in Batangas. Roxaco will continue developing Anya Resort and Residences into a boutique resort with the construction of various resort amenities and residential villas. Recently, Roxaco concluded a joint venture agreement with Vanguard Hotels Group to explore the “Budget Hotel” industry in the Philippines.

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

#### Sugar-Related Businesses

The Sugar Group sells and distributes sugar and molasses to local markets through direct selling to various traders and consumers. It is not chiefly dependent on one or few major customers and/or related parties in the distribution of their products.

Roxol sells bioethanol fuel to local or domestic markets through direct selling to oil companies. It is also capable of producing and directly selling potable and industrial alcohol to local or domestic markets, particularly the pharmaceutical and alcohol companies. It is not dependent on one or few major customers and/or related parties in the distribution of its products.

### Real Estate

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

### **Competition**

#### Sugar-Related Businesses

The Roxas sugar group supplies sugar to various traders and entities engaged in pharmaceutical, food and beverage businesses. CADPI and CACI are top raw sugar producers in the industry and have the most modern sugar equipment/facilities in the country. Entities engaged in the same line of business are Batangas Sugar Central in Batangas and Victorias Milling Co., Binalbagan-Isabela Sugar Company and Hawaiian-Philippine Company in Negros. CADPI and CACI do not have records indicative of the relative sizes and financial and market strengths of the said companies.

Roxol supplies bioethanol fuel to oil companies. It is also capable of producing and selling potable and industrial alcohol to pharmaceutical and alcohol companies. Roxol is one of the few bioethanol fuel and

alcohol producers in the country today. The other entities engaged in the same line of business are San Carlos Bioenergy, Inc. and Leyte Agri Corp.

### Real Estate

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

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

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

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

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

#### Sugar-Related Businesses

CADPI secures its sugar cane principally from planters in Batangas. Its principal suppliers of other materials and services are: Lucky Fourteen Trucking, Nasugbu Management and Services Corp., H.T. Mining Products Resources Corp., Falcon Yarn Mfg. Corporation, Unibag Mfg. Corporation, Prosperity Manufacturing Co., MJW Trading, Arvin International Mktg., Inc., Up Town Industrial Sales, Inc., Philippine Biomass Feedstock Corporation, DM Trading & Industrial Services, Reagan Industrial Sales, Allied Specialty Chem. Corp., Agro Industrial & Mill Supply Corp., Aspen Industrial Sales Corp., All Asian Countertrade, Inc., Fabcon Philippines, Inc., Arlo P. Brucal Construction and General Services, Debisco Enterprise Inc., Artemis Salt Corporation, Siemens Incorporated and Bearing Center & Machinery.

CACI secures its sugar cane from various planters/traders in Negros Occidental. Its affiliate, Najalin Agri Ventures, Inc., supplies a small percentage of the sugar cane requirements of the company. Its major suppliers of materials and services are: E&E Marketing & Lumber Dealer, Unibag Manufacturing Corporation, Petron Corporation, Reagan Industrial Sales, Inc., Bacolod Welding Mfg. Corp., Negros Integrated Industrial Corp., Negros A-1 Gas Corporation, A.L.H. Lime Factory, Agro Industrial & Mill Supply Corp., Negros Metal Corporation, Baronessa Metal Corporation, High Purity Technologies, Inc. Edison Electric Integrated, Inc. Astrade Enterprises, Pryce Gases, Inc., Milco Malcolm marketing, MMC Engineering Works Dealer, J B Materum Trading and Lubri-Chem Philippines Distributors, Inc.

Roxol secures its molasses from CAC and from the planters and traders in Negros Occidental. Its principal suppliers of other materials and services are: Venus Trucking Services, Inc., Philippine Biomass Feedstock Corporation, North Negros Growers Multi-Purpose Cooperative, DM Trading & Industrial Services, Inc.,

Southern Negros Joint Venture Corporation, Negros Dynamic Ventures Trading Corporation, Greenchips Wood supply, Almark Chemical Corporation, Atom Chemical company, Inc., Hawaiian-Philippine Company, Nalco Philippines, Inc., Negros Chemtrust Industrial Corp., Totalhead Sales & Services, E & E Marketing & Lumber Dealer, Mabini Limers & Farmers MPC, RDM Insulators & Engineering Values, American Packing Industrial Corp. and Allied Specialty Chemical Corporation.

Real Estate

Roxaco secured the services of Triple A contractors like J.C. Rodriguez Construction Corporation and BSP & Company, Inc. for its major real estate developments.

**Transactions with and/or Dependence on Related Parties**

Sugar-Related Businesses

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

Roxol’s principal customer for its ethanol product is Seaoil Philippines, Inc., Flying V, Shell, and Chevron.

Real Estate

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

**Patents, Trademarks and Copyrights**

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

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

<b>Company</b>	<b>Trademarks</b>
Roxas Holdings, Inc.	<ul style="list-style-type: none"> <li>• RHI doing business as CADP Group and Device</li> </ul>
Central Azucarera Don Pedro, Inc.	<ul style="list-style-type: none"> <li>• Central Azucarera Don Pedro, Inc. and Device</li> <li>• Nature Sweet (Stylized)</li> <li>• Don Pedro Emblem</li> <li>• G Special Raw Sugar</li> </ul>
Central Azucarera de La Carlota, Inc.	<ul style="list-style-type: none"> <li>• Central Azucarera de La Carlota, Inc.</li> <li>• Cane Best</li> <li>• Primeraw Special Raw Sugar</li> </ul>
Roxol Bioenergy Corporation	<ul style="list-style-type: none"> <li>• Roxol Bioenergy Corporation and Device</li> </ul>

On the other hand, the Company's real property arm, Roxaco, has applied for the registration of the trademark for its project "Anya Resort and Residences" and Device. The application is currently on process.

## **Need for Government Approvals of Principal Products or Services**

### Sugar-Related Businesses

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

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

### Real Estate

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

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

### Sugar-Related Businesses

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

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

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

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

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

The major regulating influence in the Philippine sugar industry is SRA Sugar Order Number 1, Series of 1987, which deals, specifically, with the allocation of Philippine sugar. Specifically, the Order allocated the country's total domestic sugar into the following categories: "A" for export to the U.S., "B" for domestic sugar, and "C" for reserve sugar. Finally, there is category "D" for export to other

foreign markets. The allocation is determined by the SRA Board at the beginning of every crop year and the same ultimately affects the total amount of raw sugar available for domestic refineries and for direct consumption.

#### *Value Added Tax System*

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

#### *Executive Order No. 313*

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

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

#### *Executive Order No. 420*

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

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

#### *Executive Order No. 431*

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

*Executive Order No. 268*

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

*Executive Order No 295*

Executive Order 295 issued on 3 March 2004 modified the nomenclature and rates of import duty on sugar (Heading 17.01) under Section 104 of the Tariff and Customs Code of 1978, as amended. Under the Executive Order, sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be levied the MFN (Most Favored Nation) rates of duty therein prescribed. Moreover, the Order provides that sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be imposed the ASEAN CEPT rates of duty therein prescribed subject to qualification under the Rules of Origin as provided for in the Agreement on the CEPT Scheme for the ASEAN Free Trade Area signed on 28 January 1992.

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

*Republic Act No. 9367*

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

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

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

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

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

Joint Administrative Order (JAO) No. 2008-1, Series of 2008 was issued by the Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Energy (DOE), Department of Environment and Natural Resources (DENR), Department of Finance (DOF), Department of Labor and Employment (DOLE), Department of Science and Technology (DOST), Department of Trade and Industry (DTI), Department of Transportation and Communications (DOTC), National Biofuels Board (NBB), National Commission on Indigenous Peoples (NCIP), Philippine Coconut Authority (PCA) and Sugar Regulatory Administration (SRA) on 8 October 2008. The JAO was issued to provide the guidelines governing the biofuel feedstock production and biofuels and biofuel blends production, distribution and sale of biofuels. The objectives of the guidelines are to develop and utilize indigenous renewable and sustainably-sourced clean green energy sources to reduce dependence on imported oil, to mitigate toxic and greenhouse gas (GHG) emissions, to increase rural employment and income, to promote the development of the biofuel industry in the country and to encourage private sector participation and to institute mechanisms which will fast track investments in the biofuel industry and to promote biofuel workers' welfare and protection, among others.

### Real Estate

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

The Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, provides that revenue from construction of real estate is recognizable only upon completion of the project, except when (a) such contract qualifies as construction contract which is to be accounted for under PAS 11, *Construction Contracts*, or (b) it involves rendition of services in which case revenue is recognized based on stage of completion. The Securities and Exchange Commission has deferred the application of IFRIC 15 until the final Revenue Standard is issued by the IASB and after an evaluation on the requirements and guidance in the said Standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

### **Research and Development**

CADPI contributes Php2.00 per Lkg. of sugar produced to the Philippine Sugar Research Institute Foundation, Inc. (PHILSURIN) in compliance with SRA Sugar Order No. 2, Series of 1995. During the last five (5) years, CADPI contributed about Php22 million to research and development and this amount constitutes 0.03% of its revenues. For the last crop year, the company contributed P1.96 million or about 0.04% of the revenue.



Likewise, CACI contributes Php2.00 per Lkg. to PHILSURIN. For the last crop year the company allocated Php2.5 million or about 0.09% of the total revenue. During the last five (5) years, CACI contributed about Php17.93 million to research and development and this amount constitutes 0.10% of its revenues.

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

#### Sugar-Related Businesses

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

Waste minimization implementation in CADPI began in 1993 with the activation of an Interior Pollution Management Appraisal Team. A significant reduction in wastewater needing treatment was achieved through segregation, characterization, and good housekeeping. An active PMA Team tasked to address the environmental concerns of the sugar factory complemented the expansion and modernization program of the company. CADPI received the following recognition/awards for its pioneering efforts in waste management:

1. Zero Basura Olympics Master Award and Championship in Composting Award – awarded by the Philippine Business for Social Progress (PBSP) ZBO for Business 2010 “A Race to Conquer Garbage in 300 Days” competition during the Earth Day celebration on 22 April 2010.
2. Plaque of Recognition – awarded by Nestle Philippines on 23 November 2006 for having exemplified its commitment to Sustainable Development by its well-balanced approach in achieving excellence in its business, social and environmental responsibility.
3. Award of Recognition - awarded by the DENR on 29 June 1994 for its pioneering initiative in waste minimization in an industrial plant.
4. Most Environmental Friendly Sugar Mill Award - awarded by the Philippine Sugar Millers Association, Inc. (PSMA) and the Association of Integrated Millers (AIM) on 17-19 August 1994.
5. Plaque of Appreciation - for its pioneering efforts in Waste Minimization by the Pollution Control Association of the Philippines, Inc. (PCAPI) during the PCAPI Convention on 27 April 1995.
6. Mr. Jeffrey G. Mijares, a Pollution Control Officer III of the Company was adjudged as one of the recipients of the Ten Outstanding Pollution Control Officers (PCO) Award (TOPCO) for the year 1998.

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

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

3. Wet Scrubbers for the steam boilers.

For the fiscal year ending September 30, 2013, CADPI spent about ₱5.9 million in its pollution management program.

On the other hand, CACI has a Pollution Control Department tasked to handle its pollution control activities. The total involvement and concern of CACI in its pollution control has earned it the following awards:

1. Likas Yaman Award for Environmental Excellence, as Best Partner in the Industry (National Winner) - awarded by the DENR on 10 June 1996.
2. Likas Yaman Award, Best Partner in the Industry in Western Visayas (Regional Winner) - awarded by the DENR on 28 June 1996.
3. Most Environment Friendly Company in Western Visayas, Region VI - awarded by the DENR on 30 June 1995.
4. Recipient of a Resolution of Appreciation from the Sanggunian Bayan of Pontevedra, Negros Occidental for a Zero-Pollution of Pontevedra River located at the downstream portion of the company's premises.

For the fiscal year ending September 30, 2013, CACI spent about ₱31.8 million for the maintenance and improvement of its pollution control program.

Roxol shall implement a zero-discharge system through the wastewater methane capture component of its ethanol plant which is covered by Environmental Compliance Certificate No. ECC-R6-0809-254-9999 issued by the DENR. Roxol has spent about ₱222.5M for its waste treatment facility consisting of the following components: (i) Upflow anaerobic Sludge Blanket (UASB); (ii) Degasser; (iii) Lamella clarifier; (iv) Covered lagoons; (v) Evaporator and dryer; (vi) Boiler wet scrubber; (vii) Cooling tower; and (viii) Condensate polishing unit.

#### Real Estate

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

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

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

As of 30 September 2013, the Company had one (1) executive and three (3) employees.

Roxaco, on the other hand, had two (2) executives and twenty-seven (27) employees. Nine (9) of these Roxaco employees are based in Nasugbu, Batangas and one (1) in a satellite office in Balayan, Batangas. The rest are based in its administrative and corporate offices in Makati City.

As of 30 September 2013, RHI had (12) executive officers.

As of 30 September 2013, CADPI had four hundred thirty (430) regular employees. The company has a standing Collective Bargaining Agreement (CBA) with the Batangas Labor Union (BLU) for a period of five (5) years from 01 July 2011 to 30 June 2016.

CACI, on the other hand, had five hundred thirty six (536) regular employees as of 30 September 2013. The company has a Collective Bargaining Agreement (CBA) with the Mag-Isa Mag-Ugyon Asosasyon Sang Mamumugon Sa Central Azucarera de la Carlota (MAMCAC) for a period of five (5) years from June 2010 to May 2015. For the past three (3) years, the labor unions of CADPI and CACI have not staged a strike.

Roxol had fifty one (51) regular employees as of 30 September 2013. Roxol is not unionized.

### **Property**

The Company is the owner of a big tract of land located in Nasugbu, Batangas with land area of more or less 2,900 hectares, and with total appraised values of ₱4.624 billion as of 30 September 2012. Of these, approximately 2,514.76 hectares were covered by the Comprehensive Agrarian Reform Program (CARP).

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

In total, RCI has around 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARP, including the 21.1236-hectare property declared exempt by the Supreme Court in its Decision dated 05 September 2011 in GRN 169331.

The Company is likewise the registered owner of a 1,030 sqm condominium unit located at the 7<sup>th</sup> Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₱179,506 while fair market value is pegged at ₱ 59.74 Million as of 30 September 2013. This property and 7,770 sqm of land in Nasugbu, Batangas are presently mortgaged to secure certain loan obligations.

### **Sugar-Related Businesses**

The company is the owner of a parcel of land located in Nasugbu, Batangas valued at ₱2 billion, Philippine currency. The land is now currently leased to CADPI for a period of one (1) year from January 2013 to December 2013 subject to renewal on terms that are mutually agreeable to both parties. The land is also presently mortgaged to secure certain loan obligations.

The company likewise invested in properties in Bacolod, Negros Occidental and in Barrio Remanente, Nasugbu Batangas with aggregate value of ₱19 million.

CADPI is the owner of sugar milling and refining facilities, machineries and furniture and fixtures, transportation equipment and tools located in Nasugbu, Batangas. As of 30 September 2013, these properties are valued, net of depreciation, at Php3.562 billion. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

CACI is the owner of sugar milling facilities including parcels land located in Barangay Consuelo, La Carlota City and in the Municipalities of La Castellana and Pontevedra in Negros Occidental as well as improvements, machineries, furniture and fixtures, transportation equipment and tools. As of 30 September 2013, these properties are valued, net of depreciation, at Php3.411 billion. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

Roxol is the owner of a bioethanol plant, parcels of land located in Brgys. La Granja, Esperanza and Cubay, La Carlota City, Negros Occidental and improvements, machineries, fixtures and transportation equipments. As of 30 September 2013, these properties are valued, net of depreciation, at Php1.536 billion. These properties are presently mortgaged to banking institutions to secure certain loan obligations.

NAVI is the owner of a parcel of land in Brgy. Nagasi, La Carlota City, Negros Occidental including various buildings, improvements, machinery and other equipment. As of 30 September 2013, the properties are valued, net of depreciation, at Php170.4 million.

#### Real Estate

As of 30 September 2013, Roxaco's real estate inventories, consisting of real estate properties for sale, raw land and land improvements, were valued at ₱387.943 million (historical cost). Of these, properties with total area of 677,522 sqm and carrying costs of ₱178.8 million were used as collateral to secure certain loan obligations of the Company.

#### **Legal Proceedings**

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

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

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

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

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

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

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

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

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

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

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

<sup>2</sup> Agapito Rom, et. al. vs. Roxas and Company, Inc., G.R. No. 169331.

<sup>3</sup> These cases are: (i) DAR Adm. Case No. A-9999-100-97, which is an application for exemption from CARP coverage of a 45.97 hectare property in Brgy. Aga on the ground that the said property has a slope of at least 18%. The DAR granted RCI’s application. However, the farmer-beneficiaries filed a Motion for Reconsideration, to which RCI filed an opposition; (ii) Petitions for the cancellation of CLOA No. 6646 covering a 21-hectare property. These cases stemmed from a Certificate of Finality issued by DAR exempting the subject property from CARP coverage. The Provincial Adjudicator of Batangas (PARAD) decided in favor of the Company and cancelled the CLOA. The farmers’ Motion for Reconsideration was subsequently denied by the PARAD. The cases are now with the Department of Agrarian Reform Adjudication Board (DARAB) in view of the appeal filed by the farmers; and (iii) DAR Case Nos. R-0401-0021 to 0058-2009 stems from a final and executory Supreme Court ruling exempting from CARP coverage a 30.1685-hectare property in Barangay Banilad, Batangas. As such, the Company filed with the PARAD Petitions for cancellation of CLOA 5189 insofar as the exempted area is concerned.

On 22 October 2012, the DAR published a Notice of Coverage over approximately 2,514.76 hectares of the Company's properties. The Company has filed its Protest with the DAR against this wrongful coverage.

Sugar-Related Businesses

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

Real Estate

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

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

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

**PART II – SECURITIES OF THE REGISTRANT**

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

**1. Market Information.**

The Company has 1,921,501,095 common shares listed and traded in the Philippine Stock Exchange under the trading symbol "RCI".

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

	High	Low
October –December 2011	2.10	1.10
January-March 2012	3.20	1.26
April-June 2012	2.85	1.51
July-Sept 2012	2.25	1.51
October 2012-December 2012	3.50	1.68
January 2013-March 2013	2.39	2.25
April 2013-June 2013	3.00	2.27
July 2013-Sept 2013	2.25	1.51
October 2013-December 2013	5.35	4.83
January 15, 2014	4.34	4.34

(a) Holders. There were 3,440 holders of the Company's listed shares as of 31 December 2013 The top twenty (20) holders of the Company's common shares as of said date were:

	<b>STOCKHOLDERS</b>	<b>NATIONALITY</b>	<b>TOTAL SHARES</b>	<b>%</b>
1	SPCI Holdings, Inc,	Philippine National	642,779,593	33.45%
2	Antonio J. Roxas	Filipino	500,000,000	26.02%
3	Pesan Holdings, Inc.	Philippine National	326,921,001 <sup>4</sup>	17.01%
	Creighton Overseas Coporation	Philippine National	250,358,217	13.04
5	PCD Nominee Corporation	Philippine National	137,634,504	7.16%
6	PCD Nominee Corporation	Other Alien	19,044,535	0.99%
7	Pesan Holdings, Inc.	Philippine National	13,606,519	0.71%
8	Rizal Commercial Banking Coporation	Philippine National	3,048,161	0.16%
9	Antonio Roxas Chua	Filipino	2,379,610	0.12%
10	Mari Carmen R. de Elizalde	Filipino	1,361,241	0.07
11	Santiago R. Elizalde	Filipino	1,210,930	0.06%
12	Carlos Antonio R. Elizalde	Filipino	1,200,320	0.06%
	Francisco Jose R. Elizalde	Filipino	1,200,320	0.06%
13	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.06%
14	Pedro E. Roxas	Filipino	937,892	0.05%
15	Equitable Securities FAO Iñigo	Filipino	933,810	0.05%
16	Severo A. Tuason & Company, Inc.	Filipino	537,000	0.03%
17	Dolores Teus De M Vara De Rey	Filipino	488,020	0.02%
18	Concepcion Teus Vda. De M. Vara De Rey	Filipino	445,650	0.02%
19	Pan Malayan Mgmt. & Investment Corporation	Filipino	337,559	0.02%
20	Ma. Del Pino Ruiz	Filipino	336,700	0.02%
	<b>SUBTOTAL</b>		<b>1,906,239,982</b>	<b>99.21%</b>
	OTHER STOCKHOLDERS		15,261,113	0.79%
	<b>GRAND TOTAL</b>		<b>1,921,501,095</b>	<b>100.00%</b>

## 2. Dividends.

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

<sup>4</sup> This does not include the 1,271,559 shares beneficially owned by Pesan Holdings, Inc. (PHI) but owned on record by the PCD Nominee Corporation, the top 9 stockholder. Mr. Pedro E. Roxas is the controlling stockholder of Pesan Holdings, Inc. (PHI). In total, Mr. Pedro E. Roxas owns, directly and indirectly, 536,681,945 RCI shares representing 18.43% of the subscribed capital stock.

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

### **3. Recent Sales of Unregistered Securities.**

#### **(a) Securities Sold.**

There was no recent sale of unregistered or exempt securities.

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

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

#### **(b) Exemption from Registration Claimed.**

On 30 June 2009, the Company filed with the Securities and Exchange Commission a Notice of Exempt Transaction (SEC Form 10.1) for the 1,365,990, 294 new and unlisted shares (taken from the increase in the authorized capital stock) that were issued by the Company in connection with the merger of RCI and CADPGC.

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

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

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

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

Shareholders have no pre-emptive rights to any issue of shares, of whatever class by the corporation unless otherwise decided by the Board of Directors for the best interest of the corporation (Art. VIII,



CADPGC Amended Articles of Incorporation). There is no provision in its charter or by-laws which would delay, defer or prevent a change in control of the Company.

### **3. Management's Discussion and Analysis or Plan of Operation**

#### **FULL FISCAL YEAR 2012-2013**

On February 2, 2011, the Board of Directors (BOD) of the company and its subsidiaries (Roxas Group or Company) approved the amendment on the Group's By-Laws changing the accounting period from fiscal year ending June 30, to September 30 of each year. The change in accounting period of the Company was approved by the Securities and Exchange Commission (SEC) on March 3, 2011. The change in accounting period of the Company's subsidiaries was approved by SEC on various dates in 2011.

In December 2011, the Group's management started to implement new business strategies and action plans to improve operations and ensure long-term viability of the business.

Management directed all cost and profits centers to implement cost efficiency measures which resulted in a reduction in certain overhead expenses by at least 10% from last year and an increase in margins for this fiscal year 2012. Management also directed the plants to achieve operating efficiencies which also contributed to the increase in margins this fiscal year.

Management also negotiated with its creditor banks which resulted in the change of the interest rate from a fixed rate to a floating rate and additional three-year grace period on principal payments

#### Results of Operation

The Group's consolidated revenues for the fiscal year ended September 30, 2013 amounted to ₱ 6.172 billion. This is 21% lower than the ₱7.77 billion revenues generated in 2012 due to softening of the market. Consolidated raw sugar sales for the fiscal year ending September 30, 2013, amounted to ₱1.577 billion while refined sugar sales totaled ₱3.728 billion. The rest came from alcohol, molasses and real estate sales and refining services.

Cost of sales amounted to ₱4.494 Billion, 25% lower than last year's ₱5.997 billion due to lower sales volume.

As a result, gross profit amounted to ₱1.678 billion with improved gross profit rate of 27% against last year's 23%.

Operating expenses for the period amounted to ₱716.3million. This is 21% better than last year's ₱902.2 million. The decrease is due to lower salaries and wages due to the redundancy program, lower provision for doubtful accounts and provisions for taxes.

Equity in net earnings went up by 44% to ₱68.03 million for the fiscal year ending September 30, 2013, from ₱47.19 million for the fiscal year ending September 30, 2012, due to lower cost of production of an associate company.

Selling expenses amounted to ₱40.4 million this year, 49% lower than ₱78.5 million incurred last year. This is due to lower salaries as a result of the redundancy program.

Net Interest costs amounted to ₱416.4 million, 17% lower than last year's ₱502.7 million. This is due to reduction in debts levels, lower interest rates and the change in the interest rate from fixed rate to a floating rate as negotiated by Management with creditor banks.

Other Income amounted to ₱85.1 million, 272% better than ₱62.3 million loss as restated figure for 2012. In September 2012, RCI executed a Deed of Assignment, Warranties and Undertaking covering 75.12 hectares of land in Hacienda Palico located at Brgy. Cogonan, Nasugbu, Batangas for a total consideration of ₱12.0 million transferring ownership to farmer beneficiaries by way of expropriation by the Philippine Government. The property is carried at fair value of ₱202.6 million as of September 2012 report. On June 6, 2013, the company received the compensation on the expropriated property. The expropriation was recognized as 2012 transaction which required prior period adjustment in 2013 recognizing the loss on expropriation amounting to ₱190.1 million, the difference between the fair value and the compensation received from the government.

Overall, the group registered a consolidated net income of ₱419.8 million, 5% lower than last year's restated figure of ₱442.3 million. This is equivalent to an earning per share of ₱0.09 and ₱0.07 in September 30, 2013 and 2012, respectively.

For the Fiscal Year ending September 30, 2013, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to ₱1.689 billion compared to ₱1.421 billion for the fiscal year September 30, 2012.

### **Financial Condition**

Consolidated resources of the Group stands at ₱20.365 billion and ₱19.511 for the period ending September 30, 2013 and 2012 respectively. Consolidated current assets went up from ₱2.694 billion to ₱4.132 billion. On the other hand, consolidated current liabilities went down from ₱2.683 billion to ₱2.059 billion.

The Group's current ratio went up from 1.00:1.00 in September 2012 to 2:01 in September 2013. Debt to equity ratio for the period ending September 30, 2013 is at 0.98:1 which is far way the allowable 2.33:1 ratio required in the debt covenant with the banks.

The Group likewise has existing credit lines/facilities with banks to meet working capital requirements. Unused working capital lines as at September 30, 2013 and September 30, 2012 from local banks amounted to ₱3.459 billion and ₱892 million, respectively.

Book value per share is ₱3.53 and ₱3.39 as at September 30, 2013 and 2012, respectively.

There are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to results in the Company's material liquidity problem;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from

continuing operations;

- Significant elements of income or loss that arose from continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

Cash and cash equivalents amounted to ₱199 million both as at September 30, 2013 and 2012.

Total receivables, went up by 63% from ₱895 million in September 2012 to ₱1.456 billion as of September 2013. This is due to sales generated at latter part of fourth quarter in 2013 due to the softening of the market.

Total inventories as at September 30, 2013 was ₱1.551 billion, 99% higher than the ₱779 million inventory level as at September 30, 2012. The increase was due to higher refined sugar inventory (resulting from market softening) and alcohol.

Real estate for sale and development increased by 14% from ₱341 million as at September 2012 to ₱388 million as at September 2013. This is mainly to land acquisition and development costs incurred for Anya Resorts.

The 12% increase in prepayments amounting to ₱538 million was due to accumulated VAT input taxes on capital expenditures / plant expansion and ethanol plant construction.

Investment in shares of stock of an associate increased to ₱758 million from ₱712 million in previous period due to equity in net earnings of an associate, HPCo. this year.

Net pension plan assets decreased by 4% to ₱127 million this year from ₱132 million last year.

Deferred Tax Assets decreased from ₱151 million in 2012 to ₱36 million in 2013 due to expiration of tax benefit of net loss carry over for 2011.

Other non-current assets decreased to ₱17 million from ₱38 million due to reclassification of long-term portion of CADPI employees' loans to current portion.

Trade and other payables decreased to ₱781 million as of September 30, 2013 or a 7% decrease from ₱840 million as of September 30, 2012 due to higher trade payables and accruals.

Short-term borrowings amounted to ₱1.064 billion as of September 2013, 35% lower than the ₱1.638 billion level in 2012 due to payments and conversion to long term debts. On the other hand, total long-term borrowings amounted to ₱7.37 billion, 18% higher than last year due to availments and conversion.

The net pension benefit obligation decreased from ₱87 million to ₱15 million due to payments made to the fund.

Total equity posted at ₱10.281 billion as at September 30, 2013, this is slightly higher than ₱9.89 billion as of September 30, 2012.

### ***Batangas Operations***

CADPI's raw production for crop year 2012-2013 decrease slightly to 2.706 million Lkg. versus 2.803 million Lkg. in prior crop year. Total tonnage for the period reached 1.418 million tons cane compared to 1.549 million tons cane milled last year. However, sugar recovery increased from 1.81 Lkg/TC to 1.91 Lkg/TC.

Refined sugar production went up to 2.395 million Lkg. versus 2.270 million Lkg. or 6% increase due to efficient plant operation and higher sugar recovery in Lkg/TC.

### ***Negros Operations***

CAC's raw production for crop year 2012-2013 increased by 12% to 4.119 million Lkg. versus 3.688 million Lkg. in prior crop year, due to good weather condition and efficient plant operations. Total tonnage for the period reached 1.921 million tons cane compared to 1.877 million tons cane milled last year. Sugar recovery increased, from 1.965 Lkg/TC to 2.137 Lkg/TC, also due to favorable weather condition during the planting season of crop year 2012-2013.

### **Top Five Performance Indicators- Sugar Group**

As maybe concluded in the foregoing description of the business of the Group, the Company's financial performance is determined to a large extent by the following key results:

- Raw sugar production – a principal determinant of consolidated revenues and computed as the gross amount of raw sugar output of CADPI and CACI as consolidated subsidiaries and pertains to production capacity, ability to source sugar canes and the efficiencies and productivity of manufacturing facilities.
- Refined sugar production – the most important determinant of revenues and computed as the gross volume of refined sugar produced by the CADPI refinery both as direct sales to industrial customers and traders or as tolling manufacturing service, limited by production capacity and by the ability of the Group to market its services to both types of customers.
- Raw sugar milling recovery – a measure of raw sugar production yield compared to unit of input and is computed as the fraction of raw sugar produced (in Lkg bags) from each ton of sugar cane milled (Lkg/TC).
- Earnings before interest, taxes, depreciation and amortization (EBITDA) – the measure for cash income from operation and computed as the difference between revenues and cost of sales and operating and other expenses, but excluding finance charges from loans, income taxes and adding back allowances for depreciation and other non cash amortization.
- Return on Equity – denotes the capability of the Group to generate returns on the shareholders' fund computed as a percentage of net income to total equity.

The table below, presenting the top five performance indicators of the Group in three (3) fiscal years, shows the financial and operating results:

<b>Performance Indicator</b>	<b>2012-2013</b>	<b>2011-2012</b>	<b>2010-2011</b>
Raw sugar production	6.825 M bags	6.491 M bags	6.109 M bags
Refined sugar production	2.395 M bags	2.258 M bags	2.137 M bags
Ethanol Production	15.127 M ltrs.	11.123 M ltrs.	
Milling recovery	2.040 Lkg/TC	1.895 Lkg/TC	1.880 Lkg/TC
EBITDA	P1.763 billion	P1.615 billion	P793 million
Return on equity	8%	11%	-7%

#### Top Five Performance Indicators – Property Group

As maybe concluded in the foregoing description of the business of Roxaco, the company's financial performance is determined to a large extent by the following key results:

Realized gross profit (RGP) on sale of developed real estate (lots only). This is recognized in full when the collection of the total contract price reached 25%. At this stage, it is reasonably assured that the risks and rewards over the developed assets have been transferred to the lotbuyer.

Number of lots sold. The lot sold and its terms of sale will determine when would be recognized and how much is the potential income to the Company.

Collection efficiency on trade receivables. Income recognition is a factor of collection, plus the interest income component.

Earnings before interest, taxes and depreciation - This is the measure of cash income from operations.

Return on Equity – denotes the capability of the Company to generate returns for the shareholders. The table below, presenting the top five performance indicators of Roxaco in three fiscal years, shows general improvement in the financial and operating results:

<b>Performance Indicator</b>	<b>2012-2013</b>	<b>2011-2012</b>	<b>2010-2011</b>
Realized gross profit on real estate sales	₱ 48.8 Million	₱ 54.3 Million	₱ 25.0 Million
Number of lots sold / reserved	121 unit residential / 164 memorial	85 lots residential / 127 memorial	194 lots
Collection efficiency	99%	99%	98%
EBITDA	(₱ 2,353 million)	₱ 25.5 million	₱ 15.10 million
Return on equity	(1.97%)	2.35%	1.95%

#### Key Variable and Other Qualitative and Quantitative Factors

1. The company is not aware of any known trends, events or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.
2. The company is not aware of any events that will trigger direct or contingent financial

obligation that is material to the Company, including any default or acceleration of an obligation.

3. The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
4. Description of material commitments for capital expenditures. The Group had an allocation of 184 million in capital expenditures for crop year 2012-2013 of which P111 million is for CADPI for the integrated mill and refinery operations, P39 million for CACI and P35 million for RBC.
5. The company is not aware of any known trend, events or uncertainties that will have material impact on sales.
6. The company is not aware of causes for any material changes from period to period in the financial statements.

#### **Plan of Operation- Sugar Group**

In line with the continuing efforts of the sugar operations, ensure continuing viability of its business and address the adverse effects of the volatility of the sugar and alcohol strategies, among others:

- Carrying out marketing programs to generate additional revenues from sales of alcohol , sugar and allied products and services
- Increasing mill share to minimize sourcing of raw sugar from third parties; and
- Implementing cost reduction program in its, such as but not limited to the reduction of personnel, fuel cost by reducing downtime, improving plant facilities to enable efficient plant utilization and miximizing the use of cheaper fuel alternatives, etc.
- miximizing the use of cheaper fuel alternatives, etc.

#### **Plan of Operation – Property Group**

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

- Complete the land development of the two (2) current Batangas residential projects, Landing Townhomes and Orchards Ph2.
- Complete the development of phase one (open lot phase) of Anya Resort and Residences and turn over to the homeowners’ association.
- Formally launch Anya Resort and Residences phase two and break ground for the construction of the resort core.
- Aggressively pursue acquisition of new properties within greater Metro Manila for potential low-to-medium-density residential development.
- Form Joint Venture with Vanguard Hotels for the construction and operation of five Go Hotel properties within Metromanila.

## FULL FISCAL YEAR 2011-2012

In December 2011, the Group's management started to implement new business strategies and action plans to improve operations and ensure long-term viability of the business.

Management directed all cost and profits centers to implement cost efficiency measures which resulted in a reduction in certain overhead expenses by at least 10% from last year and an increase in margins for this fiscal year 2012. Management also directed the operating companies to achieve operating efficiencies which also contributed to the increase in margins this fiscal year.

Management also negotiated with its creditor banks of the Sugar Group which resulted in the change of the interest rate from a fixed rate to a floating rate and additional three-year grace period on principal payments

### Results of Operations

Consolidated Revenues for the fiscal year ending September 2012 reached ₱7.769 billion or 3% lower than the ₱7.978 billion achieved in the fiscal year ending June 2011. On the other hand, consolidated revenues for the short period ending September 2011 amounted to ₱ 1.426 billion. Revenues from sugar related business accounts for 99% of the revenues of the Group while 1% is from the real estate business.

Cost of sales amounted to ₱5.997 billion for the fiscal year ending September 30, 2012, a decrease of 22% from the audited figure of ₱7.727 billion for the fiscal year ending June 30, 2011. This is due to lower production cost and lower cost of buying raw sugar. Cost of sales for the short period July to September 30, 2011 amounted to ₱1.855 billion.

Operating expenses for the fiscal year ending September 30, 2012 amounted to ₱ 980 Million 46% higher than the ₱ 671 Million for the period ending June 30, 2011. This increase is due to the redundancy program, provision for doubtful accounts and provisions for taxes. For the interim period ending September 30, 2011, operating expenses amounted to ₱ 190 million.

Equity in net earnings went down by 74% to ₱ 47 million for the fiscal year ending September 30, 2012, compared to ₱ 180 million for the fiscal year ending June 30, 2011, due to lower sugar sales and production and low cane tonnage of an associate company. On the other hand, it was equity in net of loss ₱ 8 million the period July-September 30, 2011.

Net interest costs decreased to ₱ 490 million this fiscal year compared to ₱ 625 million for the fiscal year period ending June 30, 2011 due to the Management negotiations with the creditor banks and the change in the interest rate from fixed rate to a floating rate. Net interest cost for the short period July-September 30, 2011 amounted ₱ 187 million.

Income before tax amounted to ₱ 478 million, a big turn-around from the recorded loss before tax of ₱ 778 million and ₱ 773 million for the fiscal year ending June 30, 2011 and short period ending September 2011.

The Group's net benefit from income tax was ₱ 154 million versus provision for taxes of ₱4 million and ₱5 million for the fiscal year ending June 30, 2011 and interim period July-September 30, 2011,

respectively.

The Group ended the period with a net Income of ₱ 632 million versus net losses of ₱ 783 million and ₱ 778 million for the fiscal year ending June 30, 2011 and short period July to September 30, 2011, respectively. This translates to an earning per share of ₱ 0.14 in September 30, 2012 and a loss per share of ₱ 0.18 both for the fiscal year ending June 30, 2011 and the short period July to September 30, 2011.

For the fiscal year ending September 30, 2012, the Group recorded the highest Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in the amount of ₱ 1.613 billion. This is a great improvement compared to ₱ 217 million for the fiscal year ending June 30, 2011 and negative EBITDA of ₱ 397 million for the short period July to September, 2011.

### Financial Condition

Roxas and Company, Inc. and subsidiaries', (the Group) consolidated total assets reached ₱ 19.701 billion at the end of 2012 compared to ₱20.654billion restated figures as of September 2011.

Consolidated current assets went down from ₱ 3.337 billion to ₱ 2.687 billion as of September 30, 2012 and 2011, respectively. Likewise, consolidated current liabilities went down from ₱ 10.571 billion last year to ₱ 2.682 billion this year.

The Group's current ratio went up from 0.32:1.00 in September 2011 to 1.00:1.00 in September 2012. Debt to equity ratio stood at 0.95:1.0 as of 2012 from 1.22:1.00 as of 2011.

The Group likewise has existing credit lines/facilities with banks to meet working capital requirements. Unused working capital lines as at September 30, 2012 and September 30, 2011 from local banks amounted to ₱907 million and ₱ 862 million, respectively.

Book value per share is at ₱ 3.46 and ₱ 3.20 in September 2012 and 2011, respectively.

Cash and cash equivalents went down from ₱ 359 million in September 2011 to ₱ 199 million in September 2012, due to payments of short-term borrowings. This is ₱ 204 million lower than June 30, 2011 balances. Short term loans were ₱ 1.638 billion, ₱ 2.831 billion and ₱3.286 billion as of September 30, 2012 and 2011 and June 30, 2011, respectively.

Total Receivables increased by 39% from ₱ 646 million in September 2011 to ₱ 901 million in September 2012. This is due to the re-entry of institutional buyers. The same is 20% higher than the ₱ 749 million balance as of June 2011.

Inventories as of September 2012 was at ₱ 779 million. This is 52% lower than the ₱ 1,639 billion balance as of September 2011 and 70% lower than June 2011 level. The decrease was attributable to lower raw sugar inventory level and sugar withdrawal of customers.

Real estate for sale and development amounted to ₱ 340 million, 4% higher than September and June balances. The increase is attributable to development costs incurred for new real estate projects, namely Anya Resorts and Residences and Landing Townhomes.

Prepayments and other current assets increased by 25% from ₱382 million in September 2011 to ₱479



million in September 2012. The increase is due to higher creditable withholding taxes from ₱190 million in 2011 to ₱258 million in 2012 as the Sugar Group subsidiaries were in a taxable loss and/or minimum corporate income tax position this year. In addition, there were creditable withholding taxes paid as pre-requisite for transfer of title to real estate buyers. Likewise, input VAT and other prepaid taxes were higher in the current year due to the expansion project and ethanol plant construction. Total prepayments and other assets as of June 2011 amounted to ₱ 380 million.

Property, plant and equipment slightly decreased from ₱11.5 billion in September 2011 to ₱11.1 billion in 2012 due to depreciation, partly offset by ₱230 million appraisal increase on land.

Investment in shares of stock of associates amounted to ₱712 million from ₱ 831 million in previous period due to declaration of cash dividend of an associate, HPCo. this year. Equity in net earnings for the year amounted to ₱47 million compared to ₱18 million equity in net loss in September 2011. Investment in shares amounted to ₱ 849 million in June 2011.

Net pension plan assets of the Group amounted to ₱ 132 million as at September 2012 and 2011.

Other non-current assets increased by 13% to ₱38 million from ₱33 million due to software development costs partly offset by reclassification of long-term portion of CADPI employees' loans to current portion.

Accounts payable and accrued expenses increased by 13% from ₱ 682 million in September 2011 to ₱ 767 million in September 2012 due to accrual of expenses. The same is 26% higher than the ₱610 million level in June 2011.

Customers' deposit substantially went down by 58% from ₱ 174 million in September 2011 to ₱73 million in September 2012. This is due to customer's withdrawal of sugar and application of deposits to real estate sales. Customers' deposits amounted to ₱ 135 million as of June 2011.

Due to the three year grace period granted by creditor banks of the Sugar Group, the possible violation of the negative covenants for the FY 2011-2012 was prevented. As a result the non-current portion of the Group's long-term loan borrowings amounting to ₱ 6.06 billion as of the fiscal year ending September 30, 2012 was presented in the Noncurrent Liabilities of the Balance Sheet. The reclassification last year was a consequence of the breach of the negative covenant on the Debt Service Coverage Ratio (DSCR) because of the losses recorded during the fiscal year. As of September 30, 2012, the Sugar Group met the minimum DSCR required under the long-term loan agreements with certain creditor banks.

Since the loss is just a temporary set-back brought about by the volatility of the prices and which did not affect the capability of the Group to service its maturing obligations with the banks, the Group was able to obtain from the creditor banks their waivers for the breach of the covenant on the DSCR for the interim period ended September 30, 2011.

The net pension benefit obligation of the sugar subsidiaries increased to ₱ 86 million due to the redundancy program initiated by the company.

Deferred income tax liabilities, net increased to ₱795 million or 2% higher compared to ₱ 776 million last year and 3% higher than the period ending June 30, 2011 of ₱ 771 million. This was due to

recognition of deferred tax liability on the revaluation increment on properties of RHI.

Total equity posted at ₱ 10.08 billion as at September 2012 and June 2011. This is 8% higher than ₱ 9.3 billion as of September 2011.

## **CROP YEAR ENDING JUNE 30, 2011 VERSUS JUNE 30, 2010**

### **FULL FISCAL YEAR**

Considering the prevailing high prices of Sugar in the first three quarters of the fiscal year, consolidated Revenues reached ₱7.978 billion or 27% higher than the ₱6.289 billion realized in 2010. The Revenues is also 34% higher than the ₱5.933 billion recorded Revenues in 2009. The Sugar Group contributed 99% or ₱7.910 billion of the Consolidated Revenues while the Property Group accounted for about 1% or ₱0.068 billion.

The soaring prices of raw sugar and the increases in the hauling and energy costs also pushed up the consolidated Cost of Sales that amounted to ₱7.727 billion. The Cost of Sales also includes Impairment Losses of ₱326 million due to marking of Inventories to its market values. The total Cost of Sales is 44% higher than the ₱5.356 billion incurred in 2010 and 54% higher than the ₱5.024 billion reported in 2009. Consequently, Gross Profit Rate declined from 15% in 2010 and 2009 to 3% this year.

However, even if the Revenues jumped by 27%, the whole group was able to reduced the Operating Expenses by 10% from ₱742 million in 2010 to ₱671 million in 2011 due to the conscious effort to cut expenses and to postpone the hiring of replacements of employees who resigned during the year at the holding company level. The Operating Expenses during the year is even lower than the ₱684 million reported Operating Expenses in CY2009.

Interest Expenses however increased from ₱347 million in 2010 to ₱640 this year because the interest charges on the funds used in the expansion projects of the sugar group were already recorded as period costs. These costs were capitalized in the previous years. Interest expenses in 2009 was only at ₱147 million. Interest income during the year slightly decreased from ₱17.606 million in 2010 to ₱15.116 million in 2011. This was attributable to diminishing principal balances of installment contracts receivable of the real estate business. Interest income in 2009 stood at ₱26 million.

Equity in net earnings of associates increased by 24% from ₱145 million in 2010 to ₱180 million this year. This is due to higher income reported by the associate Hawaiian-Philippine Company. It was only at the level of ₱82 million in CY2009.

Other income decreased by 70% from ₱292 million in 2010 to ₱86 million in 2011 because the current number was only for the income generated from scrap sales while previous years carries scrap sales and insurance proceeds for the generator set that exploded in April 2009 which was received in 2010. The Other income however is higher than the ₱61 million reported in 2009.

Because of the abrupt reduction of the sugar prices particularly at the last quarter of the fiscal year, the high cost of sales, the impairment losses and the increase of Interest Expenses, consolidated net loss after tax amounted to ₱783 million from the ₱209 million income after tax as reported in the previous

year. This translates to basic/diluted earnings per share of (₱0.18) compared to ₱0.03 earnings per share in 2010 and ₱0.001 loss in 2009.

### Financial Condition

Roxas and Company, Inc. and subsidiaries', (the Group) consolidated total assets reached ₱22.007 billion at the end of 2011 compared to ₱21.059 Billion in 2010. This translates to 4.5% increase mainly due to higher level of inventories in the Sugar business. The accumulation of inventories was brought about by the general slowdown of sugar withdrawals experienced during the second half of the year. Some institutional sugar users opted to use sugar substitutes and lower-priced sugar pre-mixes due to the prevailing high sugar prices in the local market. Total Assets is 18% higher than the CY 2009 level which was at ₱18.7 billion.

Current assets increased to ₱4.473 billion from ₱3.651 billion in 2010 due to higher values of sugar inventories as mentioned above. In addition, prepayments and other current assets went up from ₱269 million in 2010 to ₱380 million in 2011 due to creditable withholding taxes and input taxes on capital expenditures. These increases were partly offset by the decrease in receivables due to improved collection and implementation of new collection scheme for sugar customers.

Non-current assets increased to ₱17.5 Billion from ₱17.4 Billion resulting from increase in property, plant and equipment and investment in shares of stocks of associates. The former was due completion of capital expenditures while the latter was due to higher share in net income from HPCo. Equity in net earnings for the year amounted to ₱177 million compared to ₱132 million in 2010.

Current liabilities increased from ₱3.467 billion last year to ₱11.124 billion this year. This is largely due to the reclassification of the Long Term Liabilities to Current Liabilities due to the breach of the bank covenant by the Sugar group.. Because of the losses incurred by the sugar group, as of June 30, 2011, the Group did not meet the minimum Debt Service Coverage Ratio (DSCR) required under the long-term loan agreements with certain creditor banks, which constitutes an event of default on such loans. In view of this, the non-current portion of long-term borrowings amounting to ₱6.2 billion is presented as current liabilities as of June 30, 2011. Short term borrowings increased from ₱2.502 billion in 2010 to ₱3.286 billion in 2011. These loans were used to finance the sugar inventories.

Considering that the breach was brought about by the temporary market reversals and did not affect the ability of the companies to service their loans, appropriate waivers of the breach of the covenants were issued by creditor banks before the release of the audited financial statements.

Consequently, Long-term borrowing, net of current portion decreased from ₱6.125 Billion in 2010 to ₱0.027 Billion in 2011.

Accounts payable and accrued expenses went down from ₱717 million in 2010 to ₱610 million as of June 30, 2011. The decrease was attributable to payments of trade payables. Customers' deposits also went down from ₱150 million to ₱135 million due to application of customers' deposits to sales recognized in the period.

The decrease in net pension benefit obligation from ₱41 million to ₱2 million was due to payments during the period.

Total consolidated equity amounted to ₱9.806 billion, a decrease of ₱618 million or 6% from 2010 due to the consolidated net loss during the period.

Current ratio for this year decreased to 0.40:1.00 from 1.05:1.00 last fiscal year due to principally to the reclassification of the non-current portion of long-term borrowings to current liabilities. The Groups leverage position remained within the limits of existing loan covenants. Debt-to-equity ratio stood at 1.24:1.00 in 2011 from 1.02:1.00 in 2010. Unused working capital lines as of June 30, 2011 and 2010 from local banks amounted to ₱747 million and ₱2.814 billion, respectively. Book value per share decreased to ₱3.37 from ₱3.58 last year.

## PART IV – MANAGEMENT AND SECURITY HOLDERS

### 1. Incumbent Directors and Officers of the Issuer

**Pedro E. Roxas** is 57 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and the President and Chief Executive Officer of the Company. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and Roxas Foundation and he is a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

**Antonio J. Roxas** is 71 years old and is a Filipino. Mr. Roxas is a member of the Nomination, Election and Governance Committee. He has been a Director of the Company since 18 October 1995. Mr. Antonio J. Roxas is also the Chairman Emeritus of Roxas Holdings, Inc., and a director of Central Azucarera Don Pedro, Inc. Mr. Roxas was educated at the University of Notre Dame in Indiana, USA where he obtained his diploma in Bachelor of Science in Commerce and was trained at the Standard Chartered Bank of London, the Shell Company in Paris and the Olavarria & Co. and Lowry & Co., Inc. of New York, USA.

**Corazon S. De la Paz-Bernardo** is 72 years old and is a Filipino. Ms. De La Paz-Bernardo is an Honorary President of the International Social Security Association (ISSA), an affiliate of the International Labor Organization and based in Geneva, Switzerland. She had served as President of the ISSA from 2004 to 2010, the first woman and first non-European to be elected as such, since its founding in 1927, and as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman, anywhere in the world, to be elected in 1973 partner of Price Waterhouse International in its over 100-year history. She was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) for twenty years from 1981 to 2001 and was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. de la Paz-Bernardo was Chairperson of Equitable PCI Bank from 2006 until its merger with

Banco de Oro in 2007. She had served as a member of the board of several listed Philippine corporations such as San Miguel Corp., PLDT, Ayala Land and Philex Mining. She is Chairman of NAMFREL, (the National Citizen's Movement for Free Elections) and Vice-Chairperson of Jaime V. Ongpin Foundation. She is also a member of the Cornell University Council, the Board of Trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, the Makati Business Club and other non-governmental organizations. She is past president of the Philippine Institute of Certified Public Accountants (PICPA), and the first woman President of the the Management Association of the Philippines (MAP), the Financial Executives Institute of the Philippines, Inc. (FINEX), the Philippine Fulbright Scholars Association and Cornell Club of the Philippines. She is the recipient of several other awards including, among others, TOWNS (The Outstanding Women in the Nation's Service), and the Outstanding Professional in Public Accounting from the Professional Regulations Commission. Mrs. de la Paz-Bernardo, a Certified Public Accountant, graduated from the University of the East with a Bachelor of Business Administration degree in 1960, Magna Cum Laude, and obtained first place in the same year's CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fullbright grantee and UE scholar.

**Carlos R. Elizalde** is 45 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

**Francisco Jose R. Elizalde** is 47 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

**Guillermo D. Luchangco** is 73 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Investment & Capital Corporation of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Science Park of the Philippines, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc. and Remec Broadband Wireless, Inc. Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

**Renato C. Valencia** is 71 years old and is a Filipino. He was elected as a member of the Board of Directors on 07 October 2010. A former Director of RCI prior to its merger with CADP Group Corporation, he is presently the President & CEO of Roxas Holdings, Inc., Director of Metropolitan Bank & Trust Company, Member of the Phil. Coca-Cola System Council, Chairman of i-People, Inc.,

Director of Anglo-Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, Chairman of Hypercash Payment Systems, Inc., Chairman of Bastion Payment Systems, Inc. and Vice-Chairman of Asia Pacific Network Holdings, Inc.

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

#### Corporate Officers

**Armando B. Escobar** is 53 years old and is a Filipino. He is the Vice President - Chief Finance Officer, Treasurer & Risk Management Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation. He was formerly Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications, Director of Bancnet, Inc. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University, MBA units in University of the Philippines, Executive Business Program in Harvard Business School and Post-Graduate course in Strategic Business Economics Program in University of Asia and Pacific.

**Peter D. A. Barot** is 51 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

**Alejandro S. Casabar** is 33 years old and is a Filipino. He is the Assistant Corporate Secretary and Compliance Officer of the Company. He is also the Legal Services Manager of Roxaco Land Corporation, the real property arm of the Company. He obtained his Bachelor of Laws degree from San Beda College and his Bachelor of Arts degree from the University of the Philippines – College Baguio.

#### d) Significant Employees

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

#### e) Family Relationships

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

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

#### f) Legal Proceedings

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

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

## 2. Executive Compensation

### COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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

	Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation*
		2010-11 <sup>5</sup>			
A	Pedro E. Roxas – Executive Chairman, President and CEO <sup>6</sup>		₱ -	₱ -	₱60,000

<sup>5</sup>Effective 30 March 2011, the Company's fiscal year starts on 01 October of each year and ends on 30 September of the following year.

<sup>6</sup>With the resignation of Mr. Francisco F. Del Rosario, Jr., Mr. Pedro E. Roxas was designated as Acting President and Chief Executive Officer on 07 October 2010 and was subsequently elected as President and CEO on 17 November 2010.

	<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation*</b>
B	Sindulfo L Sumagang – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Fritzie P. Tangkia-Fabricante – AVP for Legal Affairs / Compliance Officer		-	-	-
D	CEO and Top Four Executives		3,108,531	82,500	-
E	All officers & directors as group unnamed		₱3,108,531	₱82,500	₱510,000
		2011-12			
A	Pedro E. Roxas – Executive Chairman, President and CEO <sup>7</sup>		₱ -	₱ -	₱50,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer <sup>8</sup>		-	-	-
C	Fritzie P. Tangkia-Fabricante – AVP for Legal Affairs / Compliance Officer <sup>9</sup>		-	-	-
D	CEO and Top Four Executives		2,890,625	-	50,000
E	All officers & directors as group unnamed		₱2,890,625	₱ -	₱590,000
		2012-13			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱95,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Alezandro S. Casabar – Legal Manager / Compliance Officer		-	-	-
D	CEO and Top Four Executives		3,772,947	-	695,000
E	All officers & directors as group unnamed		₱3,772,947	₱ -	₱790,000

\* Director's fees.

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

c) Estimated Compensation and Bonus for FY 2013-2014

The estimated compensation and bonus of the directors and present officers of the Company for fiscal year 2013-2014 are as follows:

<sup>7</sup> With the resignation of Mr. Francisco F. Del Rosario, Jr., Mr. Pedro E. Roxas was designated as Acting President and Chief Executive Officer on 07 October 2010 and was subsequently elected as President and CEO on 17 November 2010

<sup>8</sup> Mr. Sumagang resigned effective April 15, 2012. Mr. Armando Escobar was appointed VP-CFO effective May 2, 2012.

<sup>9</sup> Atty. Fritzie Fabricante resigned effective February 6, 2012.



	Salary	Bonus	Other Annual Compensation
A Pedro E. Roxas – Executive Chairman, President & CEO	₱ -	₱ -	₱245,000
B Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer	-	-	-
C Alezandro S. Casabar – Legal Services Manager / Compliance Officer	-	-	-
CEO AND top 4 executives	4,110,600	342,500	1,160,000
All Officers and directors as group	₱ 4,110,600	₱342,500	₱1,405,000

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

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

(a) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of 31 December 2013:

<i>Title of Class</i>	<i>Name and Address of Owner/Relationship with Issuer</i>	<i>Name of Beneficial Ownership and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class<sup>10</sup></i>
Common	SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	SPCI Holdings, Inc. <sup>11</sup>	Philippine National	642,779,593 (direct)	33.45%
Common	Antonio J. Roxas 7/F CG Building 101 Aguirre Street, Legaspi Village, Makati City Director	Antonio J. Roxas	Filipino	500,000,000 (direct)	26.02%

<sup>10</sup> The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 2,911,885,870 common shares, the total outstanding shares as of 30 November 2011.

<sup>11</sup> Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, directors of the Company, each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). Collectively, the Board of Directors of SPCI consisting of its 6 shareholders has the power to decide on how the shareholdings of SPCI in the Company shall be voted.

<i>Title of Class</i>	<i>Name and Address of Owner/Relationship with Issuer</i>	<i>Name of Beneficial Ownership and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class<sup>10</sup></i>
Common	Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman President & CEO	Pedro E. Roxas/ Pesan Holdings, Inc.	Filipino/ Philippine National	343,499,188 (direct & indirect)	17.87%
Common	PCD Nominee Corporation	Various Participants	Filipino	137,637,504 (direct)	7.16%
<b>TOTAL</b>				<b>1,874,571,502</b>	<b>97.56%</b>

Except as stated above and in the related footnotes, the Board of Directors and the Management of the Company have no knowledge of any person who, as of 11 November 2013, was directly or indirectly the beneficial owner of, or who has voting power or investment power with respect to, shares comprising more than five percent (5%) of the Company's outstanding common stock.

(2) Security Ownership of Management as of 31 December 2013.

The following table sets forth the number of shares, listed and not listed, owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of 31 December 2013:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>Number and Nature Of Ownership</i>	<i>Percent of Class</i>
Common	Pedro E. Roxas Executive Chairman President / CEO	Filipino	343,499,188 (direct & indirect)	17.87 %
Common	Antonio J. Roxas Director	Filipino	500,000,000 (direct)	26.02%
Common	Carlos Antonio R. Elizalde <sup>12</sup> Director	Filipino	1,200,320 (direct)	0.06%
Common	Francisco Jose R. Elizalde <sup>13</sup>	Filipino	1,200,320	0.06%

<sup>12</sup> Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). SPCI, in turn, owns 642,779,593 or 22.07% of the Company's shares.

	Director		(direct)	
Common	Corazon S. Dela Paz-Bernardo Independent Director	Filipino	1,000 (direct)	- %
Common	Guillermo D. Luchangco Independent Director	Filipino	1,000 (direct)	- %
Common	Renato C. Valencia Director	Filipino	1,000 (direct)	- %
Common	Armando B. Escobar Vice-President / Chief Finance and Risk Management Officer/Treasurer	Filipino	-	- %
Common	Peter D. A. Barot Corporate Secretary	Filipino	-	- %
Common	Alezandro S. Casabar Asst. Corp. Secretary	Filipino	-	- %
<b>Common</b>	<b>Directors and Officers As a Group</b>		<b>845,902,828</b>	<b>44.02%</b>

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

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

e) Change in Control

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

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<sup>13</sup> Please see footnote no. 4.

## PART V - EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits

Certified Consolidated Financial Statements for 2012-2013

(b) Reports on SEC Form 17-C.

1. In a report dated 27 February 2013, the Company disclosed that the shareholders of RCI, in the Annual Stockholders' Meeting, elected the following persons to the Board of Directors of the Company for the fiscal year 2012-2013:

Antonio J. Roxas  
Pedro E. Roxas  
Beatriz O. Roxas  
Francisco Jose R. Elizalde  
Carlos Antonio R. Elizalde  
Eduardo R. Areilza  
Renato C. Valencia  
Guillermo D. Luchangco – Independent Director

The auditing firm of Reyes Tacandong & Co. was also elected as the external auditor of the Company for the fiscal year 2012-2013.

2. In a report dated 11 April 2013, the members of the Board of Directors elected Ms. Corazon S. De La Paz-Bernardo to be an independent director of the Company. The Board also elected the following as officers of the Company:

Pedro E. Roxas	-	Executive Chairman/President & CEO
Armando B. Escobar	-	Vice President/Treasurer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Alejandro S. Casabar	-	Assistant Corporate Secretary Compliance Officer Corporate Information Officer
Virginia R. Alcaide	-	Alternate Corporate Information Officer

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

Audit & Risk Committee

Corazon S. De La Paz-Bernardo	-	Chairman (Independent Director)
Eduardo R. Areilza	-	Member
Francisco Jose R. Elizalde	-	Member

#### Compensation Committee

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

#### Nomination Committee

Pedro E. Roxas	-	Chairman
Carlos R. Elizalde	-	Member
Guillermo D. Luchangco	-	Member (Independent Director)

2. In a report dated 14 May 2013 regular meeting of the Board: (a) approval of the financial reports for the quarter ending 31 March 2013; (b) Increase in the Board of Directors' remuneration/per diem; (c) Performance Bonus Plan of RCI and Roxaco Land Corp. employees; and (d) Authority of Management to begin negotiations with the Department of Agrarian Reform for possible Voluntary Offer to Sell of the following properties: i) 75.0612 hectares in Hacienda Palico; and ii) 26.6955 hectares in Hacienda Caylaway.
3. In a report dated 13 August 2013 regular meeting of the Board: (a) approval of the financial reports for the quarter ending 30 June 2013; and (b) the appointment of Banco de Oro as the new Stock Transfer Agent of the Company.
4. In a report dated 11 September 2013 special meeting approving the filing of additional CARP exemption applications, as well as CLOA cancellation petitions, on vital areas located in Nasugbu, Batangas under the applicable exemption/cancellation statute.
5. In a report dated 13 November 2013 special meeting of the Board: (a) the sale and conveyance of the Company's 279,247,760 shares in Roxas Holdings, Inc. (RHI) in favor of First Pacific Natural Resources Holdings BV, or its assignee, at the price of Php8.00 per share. The shares to be sold represent 31% of RHI's outstanding capital stock; (b) the Company's buyback of 990,384,775 shares from four of its stockholders at the price of Php1.70 per share in a private sale. The shares subject to the buyback represent 34% of the outstanding capital stock of the Company; and (c) the Company's budget for Fiscal Year 2013-2014.
6. In a report dated 13 December 2013 regular meeting of the Board: (a) approval of the Audited Consolidated Financial Statements for the fiscal year ending 30 September 2013; (b) amending Article VI of the Company's Articles of Incorporation reducing the number of directors from nine (9) to seven (7); (c) Management's request for re-confirmation of its plan to explore the government's voluntary offer to sell program (VOS) using 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway under certain conditions. This supersedes all previous proposals relating to the government's VOS program; (d) declaration and payment of cash dividend in the sum of P0.02 per share to all shareholders of record as of 06 January 2014. The cash dividend shall be paid on 30 January 2014; (e) Setting 26 February 2014 as the date of the annual stockholders' meeting; and (f) Fixing 06 January 2014 as the record date for stockholders entitled to notice of, and to vote at, the annual stockholders' meeting.



**A N N E X “A”**  
**A U D I T C O M M I T T E E R E P O R T**

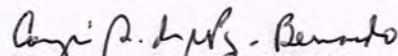
## Audit and Risk Committee Report

27 January 2014

The Board of Directors  
Roxas and Company, Inc.

Further to our compliance with applicable corporate governance laws and rules, we confirmed for the periods from 01 October 2012 to 30 September 2013 that:

- The former Chairperson of the Audit and Risk Committee, Mr. Ramon Y. Dimacali, is an independent director as determined by the Board of Directors. He served as the Chairperson of the Committee until his term ended on 27 February 2013;
- The present Chairperson, Ms. Corazon S. De La Paz-Bernardo, was elected to the Board of Directors during the Organizational Meeting held last 11 April 2013. She is serving as an Independent Director of the Board. She was also appointed as the Chairperson of the Committee on the said date;
- The Committee had four (4) regular meetings during the said period, two of which were presided by the present Chairperson;
- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of Roxas and Company, Inc. as of and for the year ended 30 September 2013 with the Roxas and Co., Inc.'s management, which has the primary responsibility for the financial statements, and with Reyes Tacandong & Co., the Roxas and Company, Inc.'s independent auditor, who is responsible for expressing an opinion on the conformity of the Roxas and Company, Inc.'s audited financial statements with Philippine Financial Reporting Standards (PFRS); and
- Based on the reviews and discussions referred to above, in reliance on the Roxas and Company, Inc.'s management and Reyes Tacandong & Co. and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved, the inclusion of the Roxas and Company, Inc.'s audited financial statements as of and for the year ended 30 September 2013 in the Roxas and Company, Inc.'s Annual Report to the Stockholders and to the Philippines Securities and Exchange Commission (SEC) on Form 17-A.

  
CORAZON S. DE LA PAZ-BERNARDO  
Chairman

(out of the country)  
FRANCISCO JOSE R. ELIZALDE  
Member

(out of the country)  
EDUARDO R. AREILZA  
Member

27 January 2014

**SECURITIES AND EXCHANGE COMMISSION**

Corporation Finance Department  
6<sup>th</sup> Floor, SEC Building  
Greenhills, Mandaluyong City

Attention : **ATTY. JUSTINA F. CALLANGAN**  
Director

Re : **ROXAS AND COMPANY, INC.**  
**(Formerly CADP GROUP CORPORATION)**

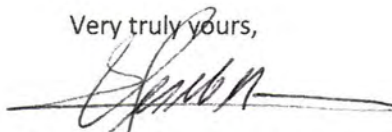
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**Gentlemen:**

Please be informed that at the time of the signing of the Audit and Risk Committee Report attached to the SEC Form 17-A (Annual Report), Mr. Francisco Jose R. Elizalde and Mr. Eduardo R. Areilza were out of the country. We shall secure their signatures once they are available to sign.

We trust you find the foregoing in order.

Very truly yours,



**ALEZANDRO S. CASABAR**

Corporate Information Officer/Compliance Officer





## **A N N E X “B”**

**Statement of Management’s Responsibility for Consolidated Financial Statements**  
**Report of Independent Auditors**  
**Consolidated Balance Sheets**  
**Consolidated Statements of Income**  
**Consolidated Statements of Comprehensive Income**  
**Consolidated Statements of Changes in Equity**  
**Consolidated Statements of Cash Flows**  
**Notes to Consolidated Financial Statements**



# Roxas & Company, Inc.

## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Roxas and Company, Inc., (the Company) is responsible for the preparation and fair presentation of the financial statements for the years ended September 30, 2013 and 2012, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacandong & Co. and Sycip Gorres Velayo and Co., the independent auditors appointed by the stockholders for the period September 30, 2013 and 2012, respectively, have examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Issued in Makati on January 17, 2014.

Signed under oath by the following:

**PEDRO E. ROXAS**  
Chairman/President and CEO

**ARMANDO B. ESCOBAR**  
VP - CFO

SUBSCRIBED AND SWORN to before me this 17th day of January 2014, affiants exhibited to me their respective Community Tax Certificates and government issued IDs, as follows:

	CTC Number	Date Issued	Place Issued	Govt ID
Pedro E. Roxas	10707422	Feb. 20, 2013	Makati City	Passport # EB0094507 Exp 4/12/15
Armando B. Escobar	10713622	Feb. 26, 2013	Makati City	SSS ID 03-6432908-7

Doc. No. 51 ;  
Page No. 12 ;  
Book No. IV ;  
Series of 2014.

**ALEZANDRO S. CASABAR**  
Appointment No. M-454  
Notary Public for Makati City  
Until December 31, 2014  
7<sup>th</sup> Floor CG Building, 101 Aguirre Street  
Legaspi Village, Makati City  
Roll of Attorneys No. 55665  
PTR No. 4230996/01-06-14/Makati City  
IBP LRN No. 07519/04-11-08/Makati Chapter  
MCLE Compliance No. IV-0013193/03-11-13

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

Consolidated Financial Statements  
September 30, 2013  
*(With Comparative Figures for 2012 and 2011)*

With independent auditor's report provided by



**REYES TACANDONG & Co.**

**FIRM PRINCIPLES. WISE SOLUTIONS.**

# COVER SHEET

P	W	-	8	3	4				
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SEC Registration Number

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

(Company's Full Name)

7	t	h		F	l	o	o	r	,		C	a	c	h	o	-		G	o	n	z	a	l	e	s		B	u	i	l	d	i	n				
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I	l	a	g	e	,		M	a	k	a	t	i		C	i	t	y																				

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

<b>Atty. Peter D.A. Barot</b>
-------------------------------

(Contact Person)

<b>(02) 810-8901</b>
----------------------

(Company Telephone Number)

09	30
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Month Day  
(Fiscal Year)

A	A	C	F	S
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(Form Type)

<b>4<sup>th</sup> Wednesday of February</b>
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Month Day  
(Annual Meeting)

<b>Not Applicable</b>
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(Secondary License Type, If Applicable)

<b>CRMD</b>
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Dept. Requiring this Doc.

<b>Not Applicable</b>
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Amended Articles Number/Section

<b>3,459</b>
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Total No. of Stockholders

Total Amount of Borrowings	
<b>₱8,433.6 million</b>	-

Domestic

Foreign

-----  
To be accomplished by SEC Personnel concerned

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File Number

\_\_\_\_\_ LCU

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Document ID

\_\_\_\_\_ Cashier

<b>STAMPS</b>
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# REYES TACANDONG & Co.

FIRM PRINCIPLES. WISE SOLUTIONS.

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Fax : +632 982 9111  
BOA/PRC Accreditation No. 4782  
November 12, 2012, valid until December 31, 2015  
SEC Accreditation No. 0207-FR-1 (Group A)  
September 6, 2013, valid until September 5, 2016

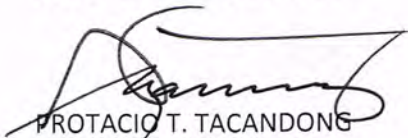
## REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and Subsidiaries (the Group) as at and for the year ended September 30, 2013, on which we have rendered our report dated December 13, 2013.

In compliance with Securities Regulations Code Rule 68, we are stating that the Company has 3,211 stockholders owning at least one hundred (100) or more shares each.

### REYES TACANDONG & CO.



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

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

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 3670310

Issued January 2, 2013, Makati City

December 13, 2013

Makati City, Metro Manila



## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

### *Auditor's Responsibility*

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

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

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



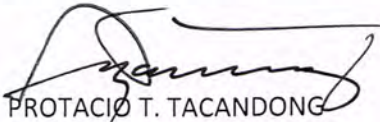
*Opinion*

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

*Other Matter*

The consolidated financial statements of Roxas and Company, Inc. and Subsidiaries as at and for the periods ended September 30, 2012 and 2011 were audited by another auditor whose report dated December 17, 2012, expressed an unmodified opinion on those statements. The opinion of such other auditor, however, did not include the restatement as discussed in Note 6 to consolidated financial statements.

**REYES TACANDONG & CO.**



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

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

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 3670310

Issued January 2, 2013, Makati City

December 13, 2013

Makati City, Metro Manila

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2013**  
**(With Comparative Figures for 2012)**  
**(Amounts in Thousands)**

	Note	2013	2012 (As Restated - Note 6)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	<b>₱198,626</b>	₱199,473
Trade and other receivables - net	8	<b>1,455,687</b>	895,218
Inventories	9	<b>1,550,894</b>	779,336
Real estate for sale and development - at cost	10	<b>387,943</b>	340,533
Other current assets	11	<b>538,484</b>	479,122
Total Current Assets		<b>4,131,634</b>	2,693,682
<b>Noncurrent Assets</b>			
Receivables - net of current portion	8	<b>17,089</b>	18,180
Investments in associates	12	<b>757,559</b>	712,490
Property, plant and equipment - net:	13		
At cost		<b>7,896,563</b>	8,383,422
At appraised values		<b>2,758,324</b>	2,758,324
Investment properties	14	<b>4,624,331</b>	4,624,562
Net retirement plan assets	18	<b>127,145</b>	132,007
Deferred tax assets - net	27	<b>35,629</b>	151,388
Other noncurrent assets		<b>17,180</b>	37,636
Total Noncurrent Assets		<b>16,233,820</b>	16,818,009
		<b>₱20,365,454</b>	₱19,511,691
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term borrowings	15	<b>₱1,064,027</b>	₱1,638,000
Current portion of long-term borrowings	16	<b>158,277</b>	165,940
Trade and other payables	17	<b>781,361</b>	840,231
Income tax payable		<b>51,513</b>	-
Dividends payable	19	<b>4,444</b>	39,230
Total Current Liabilities		<b>2,059,622</b>	2,683,401

(Forward)



	Note	2013	2012 (As Restated - Note 6)
<b>Noncurrent Liabilities</b>			
Long-term borrowings - net of current portion	16	<b>₱7,211,340</b>	₱6,056,044
Net retirement benefit liability	18	<b>14,742</b>	86,787
Deferred tax liabilities - net	27	<b>798,491</b>	794,824
Total Noncurrent Liabilities		<b>8,024,573</b>	6,937,655
Total Liabilities		<b>10,084,195</b>	9,621,056
<b>Equity attributable to the Equity Holders of the Parent Company</b>			
Capital stock	19	<b>2,911,886</b>	2,911,886
Additional paid-in capital		<b>1,611,393</b>	1,611,393
Revaluation increment on land		<b>1,496,206</b>	1,496,206
Share in revaluation increment on land of an associate	12	<b>136,322</b>	136,322
Effect of change in equity interest in subsidiaries		<b>(81,066)</b>	(81,066)
Share in fair value reserve of an associate	12	<b>5,179</b>	5,179
Retained earnings		<b>2,291,154</b>	2,032,837
		<b>8,371,074</b>	8,112,757
<b>Noncontrolling Interests</b>		<b>1,910,185</b>	1,777,878
Total Equity		<b>10,281,259</b>	9,890,635
		<b>₱20,365,454</b>	₱19,511,691

*See accompanying Notes to Consolidated Financial Statements.*

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**  
**(With Comparative Figures for 2012 and 2011)**  
**[Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share Data]**

	Note	2013 (One Year)	2012 (As Restated - Note 6) (One Year)	2011 (Three Months)
REVENUE	22	₱6,172,486	₱7,769,599	₱1,425,801
COST OF SALES	23	(4,494,493)	(5,997,383)	(1,854,555)
GROSS INCOME (LOSS)		1,677,993	1,772,216	(428,754)
GENERAL AND ADMINISTRATIVE EXPENSES	24	(716,285)	(902,154)	(179,263)
INTEREST EXPENSE	15	(416,418)	(502,745)	(189,612)
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES	12	68,027	47,188	(17,982)
SELLING EXPENSES		(40,361)	(78,513)	(10,756)
INTEREST INCOME	7	7,878	14,649	3,002
OTHER INCOME (CHARGES) - Net	26	85,142	(62,333)	50,509
INCOME (LOSS) BEFORE INCOME TAX		665,976	288,308	(772,856)
INCOME TAX EXPENSE (BENEFIT)	27			
Current		126,725	46,284	1,006
Deferred		119,424	(200,309)	4,151
		246,149	(154,025)	5,157
NET INCOME (LOSS)		₱419,827	₱442,333	(₱778,013)
Attributable to:				
Equity holders of the Parent Company		₱258,317	₱212,825	(₱513,362)
Noncontrolling interests		161,510	229,508	(264,651)
		₱419,827	₱442,333	(₱778,013)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	28	₱0.09	₱0.07	(₱0.18)

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**  
**(With Comparative Figures for 2012 and 2011)**  
**(Amounts in Thousands)**

	<b>2013</b>	2012 (As Restated - Note 6)	2011
	<b>(One Year)</b>	<b>(One Year)</b>	<b>(Three Months)</b>
<b>NET INCOME (LOSS)</b>	<b>₱419,827</b>	₱442,333	(₱778,013)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Appraisal increase on land, net of tax effect of ₱69.1 million in 2012	13	-	161,131
	-	161,131	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱419,827</b>	₱603,464	(₱778,013)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	₱258,317	₱373,956	(₱513,362)
Noncontrolling interests	161,510	229,508	(264,651)
	<b>₱419,827</b>	₱603,464	(₱778,013)

*See accompanying Notes to Consolidated Financial Statements.*

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**  
**(With Comparative Figures for 2012 and 2011)**  
**(Amounts in Thousands)**

Equity Attributable to the Equity Holders of the Parent Company (Note 19)

	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment on Land	Share in Revaluation Increment on Land of an Associate (Note 12)	Effect of Change in Equity Interest in Subsidiaries	Share in Fair Value Reserve of an Associate (Note 12)	Retained Earnings	Total	Noncontrolling Interests	Total Equity
BALANCES AS AT OCTOBER 1, 2012, AS PREVIOUSLY REPORTED		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>₱1,496,206</b>	<b>₱136,322</b>	<b>(₱81,066)</b>	<b>₱5,179</b>	<b>₱2,203,649</b>	<b>₱8,283,569</b>	<b>₱1,796,595</b>	<b>₱10,080,164</b>
Prior period adjustments	6	–	–	–	–	–	–	<b>(170,812)</b>	<b>(170,812)</b>	<b>(18,717)</b>	<b>(189,529)</b>
AS RESTATED		<b>2,911,886</b>	<b>1,611,393</b>	<b>1,496,206</b>	<b>136,322</b>	<b>(81,066)</b>	<b>5,179</b>	<b>2,032,837</b>	<b>8,112,757</b>	<b>1,777,878</b>	<b>9,890,635</b>
Net income for the year		–	–	–	–	–	–	<b>258,317</b>	<b>258,317</b>	<b>161,510</b>	<b>419,827</b>
Employee stock option	21	–	–	–	–	–	–	–	–	<b>1,991</b>	<b>1,991</b>
Cash dividends of a subsidiary		–	–	–	–	–	–	–	–	<b>(31,194)</b>	<b>(31,194)</b>
<b>BALANCES AS AT SEPTEMBER 30, 2013</b>		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>₱1,496,206</b>	<b>₱136,322</b>	<b>(₱81,066)</b>	<b>₱5,179</b>	<b>₱2,291,154</b>	<b>₱8,371,074</b>	<b>₱1,910,185</b>	<b>₱10,281,259</b>
BALANCES AS AT OCTOBER 1, 2011		₱2,911,886	₱1,611,393	₱1,335,075	₱136,322	(₱81,066)	₱5,179	₱1,820,012	₱7,738,801	₱1,567,087	₱9,305,888
Net income for the year		–	–	–	–	–	–	212,825	212,825	229,508	442,333
Other comprehensive income	12	–	–	161,131	–	–	–	–	161,131	–	161,131
Total comprehensive income		–	–	161,131	–	–	–	212,825	373,956	229,508	603,464
Cash dividends of a subsidiary		–	–	–	–	–	–	–	–	(18,717)	(18,717)
<b>BALANCES AS AT SEPTEMBER 30, 2012</b>		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>₱1,496,206</b>	<b>₱136,322</b>	<b>(₱81,066)</b>	<b>₱5,179</b>	<b>₱2,032,837</b>	<b>₱8,112,757</b>	<b>₱1,777,878</b>	<b>₱9,890,635</b>
BALANCES AS AT JULY 1, 2011		₱2,911,886	₱1,611,393	₱1,335,075	₱136,322	(₱81,066)	₱5,179	₱2,333,374	₱8,252,163	₱1,831,738	₱10,083,901
Net loss for the period		–	–	–	–	–	–	(513,362)	(513,362)	(264,651)	(778,013)
<b>BALANCES AS AT SEPTEMBER 30, 2011</b>		<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>₱1,335,075</b>	<b>₱136,322</b>	<b>(₱81,066)</b>	<b>₱5,179</b>	<b>₱1,820,012</b>	<b>₱7,738,801</b>	<b>₱1,567,087</b>	<b>₱9,305,888</b>

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**(With Comparative Figures for 2012 and 2011)**

**(Amounts in Thousands)**

	Note	2013 (One Year)	2012 (As Restated - Note 6) (One Year)	2011 (Three Months)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		₱665,976	₱288,308	(₱772,856)
Adjustments for:				
Depreciation and amortization	13	684,740	692,382	171,123
Interest expense	15	416,418	502,745	189,612
Equity in net losses (earnings) of associates	12	(68,027)	(47,188)	17,982
Movements in net retirement plan assets and net retirement benefit liability		(67,183)	85,739	3,502
Loss on property and equipment due to fire	26	22,305	-	-
Provision for inventory losses and obsolescence	9	13,544	59,727	78,794
Interest income	7	(7,878)	(14,649)	(3,002)
Provision for impairment losses on receivables	8	6,236	99,444	-
Employee stock option	21	1,991	-	-
Unrealized fair value losses (gains) on investment properties	14	231	(4,976)	-
Loss on disposal of property and equipment and investment properties	26	-	190,324	13,981
Recovery from insurance claims	26	-	(20,676)	(27,650)
Operating income (loss) before working capital changes		1,668,353	1,831,180	(328,514)
Decrease (increase) in:				
Trade and other receivables		(565,614)	(354,490)	102,947
Inventories		(785,102)	800,014	919,239
Real estate for sale and development		(47,410)	(12,052)	870
Other current assets		(59,361)	(28,670)	10,107
Increase in trade and other payables		15,154	36,263	106,387
Net cash generated from operations		226,020	2,272,245	811,036
Income taxes paid, including creditable withholding and final taxes		(75,212)	(114,751)	(12,159)
Interest received		7,878	13,086	2,946
Net cash provided by operating activities		158,686	2,170,580	801,823

(Forward)

	Note	2013 (One Year)	2012 (As Restated - Note 6) (One Year)	2011 (Three Months)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Property, plant and equipment	13	<b>(P217,749)</b>	(P129,450)	(P38,360)
Investments in associates	12	-	(50)	-
Dividends received	12	<b>22,958</b>	165,587	-
Decrease (increase) in other noncurrent assets		<b>20,456</b>	(4,280)	(70)
Proceeds from:				
Disposal of property and equipment and investment properties		<b>164</b>	5,523	12,849
Recovery of insurance claims		-	20,676	27,650
<b>Net cash provided by (used in) investing activities</b>		<b>(174,171)</b>	58,006	2,069
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from long-term borrowings		<b>930,001</b>	542,920	-
Payments of:				
Interest		<b>(418,571)</b>	(553,769)	(159,282)
Long-term borrowings		<b>(182,368)</b>	(1,170,597)	(229,874)
Dividends		<b>(140,451)</b>	(4)	-
<b>Net payments of short-term borrowings</b>		<b>(173,973)</b>	(1,206,845)	(458,833)
<b>Net cash provided by (used in) financing activities</b>		<b>14,638</b>	(2,388,295)	(847,989)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>				
		<b>(847)</b>	(159,709)	(44,097)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>				
		<b>199,473</b>	359,182	403,279
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>				
		<b>P198,626</b>	P199,473	P359,182

See accompanying Notes to Consolidated Financial Statements.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(With Comparative Information for 2012 and 2011)**

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**1. Corporate Information, Corporate Reorganizations and Approval of the Consolidated Financial Statements**

Corporate Information

Roxas and Company, Inc. (the Parent Company), then CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (Philippine SEC) on October 7, 1918, with the primary purpose of operating mill and refinery facilities to manufacture sugar and allied products. The corporate life of the Parent Company was extended for another 50 years from October 7, 1968.

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

The Parent Company is owned by various individual shareholders and domestic corporations, namely: Pesan Holdings, Inc. and SPCI Holdings, Inc. As at September 30, 2013, the Company has 3,459 equity holders (3,497 as at September 30, 2012).

The subsidiaries of the Parent Company are as follows (see Note 4):

	Line of Business	Percentage of Ownership
Roxas Holdings, Inc. (RHI)	Holding company	65.70
Roxaco Land Corporation (RLC)	Real estate	100.00
United Venture Corporation (UVC)	Warehouse leasing	100.00
Nasugbu Feeds Corporation (NAFECOR)	Manufacturing	100.00

All the subsidiaries were incorporated and domiciled in the Philippines.

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

On February 2, 2011, the Board of Directors (BOD) of the Parent Company and its subsidiaries (collectively referred to hereinafter as “the Group”) approved the amendment on the By-Laws of the respective entities of the Group changing the accounting period from fiscal year ending June 30 to September 30 of each year. The change in the accounting period was approved by the Philippine SEC on March 3, 2011 for the Parent Company and on various dates for its subsidiaries.

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

Corporate Reorganizations

*Reorganization Program*

In 2002, the Group undertook major activities relating to the Reorganization Program as approved by the Philippine SEC on December 11, 2001 (see Note 19).

### *2009 Corporate Restructuring*

Following the Reorganization Program, CADPGC (then subsidiary of RHI, a public company) emerged as a holding and investment company with specific focus on sugar milling and refining business, while RHI has been transformed into a diversified holding and investment corporation.

In 2008, RHI increased its equity ownership in CADPGC from 80.28% to 89.36% when CADPGC re-acquired portion of its shares (see Note 19). On December 16, 2008, RHI acquired all the sugar-related operating subsidiaries (Central Azucarera Don Pedro, Inc. - CADPI, Central Azucarera de La Carlota, Inc. - CACI, CADPI Farm Services, Inc. - CFSI, CADPI Consultancy Services, Inc. - CCSI, Jade Orient Management Services, Inc. - JOMSI, Najalin Agri Ventures, Inc. - NAVI) and an associate (Hawaiian-Philippine Company - HPCo), including certain assets and liabilities of CADPGC. On January 23, 2009, with no more sugar-related subsidiaries and an associate, RHI sold its investment in CADPGC to Roxas & Company, Inc., RCI, an entity incorporated on December 16, 1981 and domiciled in the Philippines.

### *Merger of CADPGC and RCI*

CADPGC was 95.93% owned by RCI prior to the merger. Effective June 29, 2009, upon approval by the Philippine SEC on June 23, 2009, CADPGC, as the surviving entity, merged with RCI through a share swap, wherein 11.71 CADPGC's shares were exchanged for every share of RCI. On the same date, the Philippine SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc.

### Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as at and for the year ended September 30, 2013 (with comparative figures for 2012 and 2011) have been approved and authorized for issue by the BOD on December 13, 2013, as reviewed and recommended for approval by the Audit Committee on December 9, 2013.

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## **2. Basis of Preparation and Statement of Compliance**

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land and investment properties, which are stated at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company and its subsidiaries. All amounts are rounded to the nearest thousands, except amounts per share data 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 Philippine SEC provisions.

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

The Group prepared short-period consolidated financial statements as at and for the three-month period ended September 30, 2011 pursuant to the Group's change in reporting year end from June 30 to September 30 (see Note 1). The amounts reflected in the September 30, 2011 consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows and the related notes are for three months, and accordingly, are not entirely comparable with amounts for September 30, 2013 and 2012, which pertain to an entire year.



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### 3. Summary of Changes in Accounting Policies

#### Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS effective October 1, 2012. These are summarized below.

- PFRS 7, *Financial Instruments: Disclosures – Enhanced Derecognition and Transfer of Financial Assets Disclosure Requirements* – The amended standard requires additional disclosure on financial assets that have been transferred but not derecognized and an entity's continuing involvement in the derecognized assets. This disclosure is required to enable the user of the financial statements to evaluate any remaining risks on the transferred assets.
- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* – The amendment changed the presentation of items in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time should be presented separately from items that cannot be reclassified.

The foregoing new and revised PFRS have no significant impact on the amounts and disclosures in the consolidated financial statements of the Group.

#### New and Revised PFRS not yet Adopted

Relevant new and revised PFRS, which are not yet effective for the year ended September 30, 2013 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2013:

- PAS 19, *Employee Benefits (Amendment)* - There were numerous changes ranging from the fundamental such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) - This standard prescribes the application of the equity method to investments in joint ventures and associates.
- PFRS 7, *Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)* – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.
- PFRS 10, *Consolidated Financial Statements* - The standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. Management will have to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 12, *Disclosure of Interests with Other Entities* - The standard includes all of the disclosures that were previously in PAS 27, *Consolidated and Separate Financial Statements*, related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31, *Interest in Joint Ventures* and PAS 28, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- Amendments to PFRS 10, PFRS 11 and PFRS 12: *Transition Guidance* - The amendments provide additional transition relief in PFRS 10, PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before PFRS 12 is first applied.
- PFRS 13, *Fair Value Measurement* - The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.
- Improvements to PFRS

The omnibus amendments to PFRS were issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment*
- PSA 32, *Financial Instruments: Presentation*

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

- Amendments to PFRS 10, PFRS 12 and PAS 27: *Investment Entities* – The amendments provide an exception from the requirements of consolidation to investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities* - The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32, *Financial Instruments: Presentation*. The amendments clarify (a) the meaning of “currently has a legally enforceable right of set-off”; and (2) that some gross settlement systems may be considered equivalent to net settlement.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – This standard is the first phase in replacing PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39.

Effectivity date to be determined:

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion.

The Group is in the process of quantifying the impact of the adoption of this interpretation on the Group's financial position and performance.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS, except for PAS 19, is not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the consolidated financial statements, as applicable.

Upon adoption of the amendments to PAS 19 beginning October 1, 2013, accumulated unrecognized actuarial losses amounting to ₱344.2 million as at September 30, 2013 (see Note 18), currently included as addition to net retirement plan assets and reduction to net retirement benefit liability will be recognized separately in the equity section of the consolidated statement of financial position. Any actuarial gains and losses during the year will be recognized in other comprehensive income.

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#### 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. Control is normally evidenced when the Parent Company owns, either directly or indirectly, more than 50% of the voting rights of the entity's shares of stock.

The following is the list of the subsidiaries:

	Percentage of Ownership	Line of Business
RHI	65.70	Holding company
RLC	100.00	Real estate
UVC	100.00	Warehouse leasing
NAFECOR*	100.00	Manufacturing

\* Currently, no commercial operations.

The following are the subsidiaries of RHI:

	Effective Percentage of Ownership	Line of Business
CADPI <sup>(1)</sup>	100.00	Production and selling of raw and refined sugar, molasses and related products
CACI	100.00	Production and selling of raw sugar and molasses
CADP Insurance Agency, Inc. (CIAI) <sup>(2)</sup>	100.00	Insurance agency
CCSI	100.00	Management, investment and technical consultancy services
CFSI	100.00	Land preparation and other related farm services
JOMSI	100.00	Managing and operating agricultural land and planting and cultivation of sugar cane and other farm products
NAVI	50.84	Agricultural and industrial development
Roxol Bioenergy Corporation (RBC)	100.00	Production and selling of bioethanol fuel
CADP Port Services, Inc. (CPSI) <sup>(3)</sup>	100.00	Providing ancillary services
Roxas Power Corporation (RPC) <sup>(3)</sup>	32.85	Sale of electricity

<sup>(1)</sup> On August 31, 2012, RHI assigned 238,417,831 RBC shares in favor of CADPI out of its 300 million RBC shares. As a result, RHI's direct ownership in RBC was reduced from 100% to 20.53% while CADPI acquired 79.47% equity ownership in RBC. Thus, making RBC a direct subsidiary of CADPI.

<sup>(2)</sup> CIAI was incorporated on May 8, 1997 and has not yet started commercial operations.

<sup>(3)</sup> CPSI was incorporated on July 17, 2008 while RPC was incorporated on July 16, 2008. Both companies have not yet started commercial operations. The Parent Company has control on RPC since it has the power to cast the majority of votes at the BOD's meetings and the power to govern the financial and reporting policies of RPC.

The following are the subsidiaries of RLC:

	Effective Percentage of Ownership	Line of Business
Roxaco Commercial Properties Corporation (RCPC)*	100.00	Real estate
Fuego Hotels and Properties management Corporation (FHPMC)	63.00	Hotel and resort management
SAMG Memorial and Management Services, Inc. (SMMSI)	100.00	Funeral and related services

\* RCPC was incorporated on January 14, 1999

All the foregoing subsidiaries were incorporated in the Philippines.

On February 1, 2012, the BOD of RHI approved a resolution to shorten the corporate life of CPSI, CIAI and RPC effective September 30, 2012. On the same date, the BOD also approved the merger of CCSI, CFSI and JOMSI, which are non-operating subsidiaries, with CADPI. This decision was in line with the Group's move to rationalize its operations. As at the date of the report, the application to shorten the corporate life of CPSI, CIAI and RPC as well as the merger of CCSI, CFSI and JOMSI with CADPI have not yet been filed with the Philippine SEC.

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

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

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

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

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

#### Business Combination and Goodwill

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

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

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

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

Comparatives balances are restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest year presented and as if the entities have always been combined.

*Goodwill.* Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. 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 acquire are assigned to those units.

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

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

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

### Financial Instruments

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

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

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

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

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

The Group does not have financial instruments classified as financial assets or liabilities at FVPL and HTM investments as at September 30, 2013 and 2012.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in profit or loss using effective interest method. Amortized cost is calculated by taking into account any discount or premium

on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Classified as loans and receivables are the cash in banks and short-term placements, receivables, and restricted cash included in "Other current assets" (see Notes 7, 8, 11 and 20).

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

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

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

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate method. Dividends earned on investments are recognized in profit or loss when the right of payment has been established. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the end of reporting period.

Classified as AFS financial assets are the unquoted equity investments as at September 30, 2013 and 2012.

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

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



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

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

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

This category includes trade and other payables (excluding statutory liabilities), dividends payable and short-term and long-term borrowings as at September 30, 2013 and 2012 (see Notes 15, 16, 17, 19 and 20).

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

a. Financial assets carried at amortized cost

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

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

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is

recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

b. Financial assets carried at cost

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

c. AFS financial assets

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

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

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

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

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

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

*Determination of Fair Values.* The fair value of financial instruments traded in active market at the end of reporting period is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

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

#### Inventories

Inventories are valued at the lower of cost and net realizable value (NRV) for the following types of inventories:

*Raw and Refined Sugar, Molasses and Alcohol Inventories.* Cost is being determined using the weighted average method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion of production and the estimated costs necessary to make the sale. Production cost is allocated using the relative sales value of each of the joint products, i.e., raw 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.

*Materials and Supplies Inventory.* Cost is being 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 evaluation.

#### Real Estate for Sale and Development

Real estate for sale and development consists of developed real estate properties for sale, raw land and land improvements.

Developed real estate properties for sale, raw land and land improvements are carried at the lower of aggregate cost and NRV, and include those costs incurred for the development and improvement of the properties and certain related capitalized borrowing costs. NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

#### Other Current Assets

This account consists of creditable withholding taxes, input value-added tax (VAT) and prepayments. Creditable withholding taxes are deducted from income tax payable on the same year the revenue was recognized. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as other noncurrent assets.

### Investments in Associates

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

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

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

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

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

### Property, Plant and Equipment

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

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

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

The net appraisal increment resulting from the revaluation of land is presented under "Revaluation increment on Land," net of related deferred tax effect, in the consolidated statement of financial position and consolidated statement of changes in equity. The Group'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 effect, in the consolidated statement of financial position and consolidated statement of changes in equity. Increases in the carrying amount arising on revaluation of land are recognized in the consolidated statement of comprehensive income and credited to revaluation increment in the consolidated statement of changes in equity, net of related deferred tax effect. Any resulting

decrease is directly charged against the related revaluation increment on land to the extent that the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to profit or loss. Valuations are performed frequently 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 effect, realized upon disposal of the property is transferred to unrestricted retained earnings.

The Group used the carrying amount of CADPI's depreciable assets as at July 1, 2004, which is the revalued amount, less accumulated depreciation from the Group's perspective, as the deemed costs at that date when the Group adopted PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. An annual transfer from the asset revaluation reserve to retained earnings is made until 2010 for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. The asset revaluation reserve was fully transferred to retained earnings as at June 30, 2010.

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

<u>Asset Category</u>	<u>Number of Years</u>
Buildings and improvements	5 to 40
Machinery and equipment:	
Factory machinery and installations	17 to 25
Safety equipment	5
Transportation equipment	3 to 6
Office furniture, fixtures and equipment	3 to 10

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

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

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

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

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment are derecognized. Gains and losses on retirement or disposal are determined by comparing the proceeds with carrying amount of the asset and are recognized in profit or loss.

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

### Investment Properties

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

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.

### Other Noncurrent Assets

Other noncurrent assets include goodwill, software cost and deposits. Goodwill represents excess of purchase price over fair values of net assets at ₱9.8 million.

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 intangible asset may be impaired. The amortization commences when the software cost is available for use. The amortization period and the amortization method 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 when the asset is derecognized.

### Impairment of Nonfinancial Assets

The carrying values of investments in associates, 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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit or loss under the expense category consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or an investment, either an equity instrument or a financial asset carried at cost, should not be reversed at year end.

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

#### Equity

*Capital Stock.* Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

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

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

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

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

### Revenue Recognition

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

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

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

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

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

*Bill and Hold Sales.* Bill and hold sales are recognized when all the following 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.

*Sale of Real Estate.* Sale of real estate consists of revenue from sale of developed real estate properties and residential properties. Income from sale of developed real estate properties is recognized in full when the collectability of the sales price is reasonably assured and when risks and benefits over the developed assets have been transferred, usually at the time of receipt of at least 25% of the total contract price. Revenue from the sale of residential properties where there are material obligations under the sales contract to provide improvements after the property is sold, are recognized under the percentage of completion method. Under this method, revenue on sale is recognized when the related obligations are fulfilled.

Cash received from the sale of real estate properties, over which the Group maintains continuing managerial involvement or related risks and benefits have not yet been transferred or where collectability is not reasonably assured, is recognized as customers' deposits in the consolidated statement of financial position.

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

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



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

#### Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the period in accordance with PFRS.

#### Costs and Expenses Recognition

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

*Cost of Sales.* Costs of sales consist of cost of goods sold and cost of real estate sales.

Cost of goods sold includes direct materials and labor costs, and those related indirect cost incurred. It is recognized as cost when the related goods are sold.

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

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

#### Employee Benefits

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

*Retirement Benefits.* Retirement benefits are actuarially determined using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the present value of defined benefit obligation and the fair value of plan assets at that date.

These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs are recognized immediately in income, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

*Net Retirement Plan Assets.* Net retirement plan assets of the Group recognized in the consolidated statement of financial position in respect of defined benefit retirement plan is the lower of (a) the excess of the fair value of plan assets over the present value of the defined benefit obligation at the end of reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs, and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In cases when the amount determined results in a surplus (being the excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Company measures the resulting asset at (a) the lower of the excess of the fair value of plan assets over the present value of the defined benefit obligation at the end of reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs, and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets represent assets that: (a) are held by an entity (a fund) that is legally separate from the Company; (b) are available to be used only to pay or fund employees benefits; and (c) are not available to the Company's own creditors, and cannot be returned to the Company unless: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the Company; or (ii) the assets are returned to the Company to reimburse it for employee benefits already paid.

*Net Retirement Benefit Liability.* The net retirement liability recognized in the consolidated statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of reporting period less the fair value of plan assets, together with adjustments for actuarial gains and losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of debt securities that are denominated in Philippine Peso (currency in which the benefits will be paid) and that have terms to maturity approximating the terms of the related retirement liability.

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

#### Employee Stock Option

Under the Employee Stock Option Plan (ESOP) of RHI, all regular employees (including directors) of RHI, CADPI, CACI and RBC 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 is determined using an option-pricing model, further details of which are presented in Note 21 - *Employee Stock Option Plan of RHI*. 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.

#### Borrowing Costs

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

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

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

#### Leases

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

was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is substantial change to the asset.

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

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

#### Provisions and Contingencies

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable 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 each reporting period 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.

#### 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 the reporting period. Foreign exchange differences are credited or charged directly to profit or loss.

#### Income Taxes

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

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

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

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

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

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

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

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

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

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

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

#### Related Parties Relationship

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

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

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 period, excluding common shares purchased by the Parent Company and held as treasury shares.

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

The Parent Company has no dilutive potential common shares.

#### Segment Reporting

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

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

#### Events after the Reporting Period

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

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

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

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

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

#### Judgments

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

*Determination of Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency is determined to be Philippine Peso. It is the currency of the primary economic environment in which the Parent Company, its subsidiaries and associates operate.

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

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. Reportable operating segments as at September 30, 2013 and 2012 are sugar-related businesses, real estate and the Parent Company (see Note 31).

*Classification of Financial Instruments.* The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

The classifications of the various financial assets and liabilities of the Group are disclosed in Note 30.

*Classification of Leases.* 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 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.

The Group, as a lessor, has entered into property leases where it has determined that it retains all the significant risks and benefits of ownership of those properties. As such, the lease agreements are accounted for as operating leases.

Rent income amounted to ₱7.5 million in 2013 (₱5.8 million in 2012 and nil in 2011) (see Note 26).

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

Rent expense amounted to ₱83.2 million in 2013 (₱74.8 million in 2012 and ₱10.4 million in 2011) (see Notes 23 and 24).

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

The Group classified and accounted for the agricultural property of NAVI, which is for rental, and a land of RHI held for appreciation as investment properties. As at September 30, 2013, the carrying value of investment properties amounted to ₱4,624.3 million (₱4,624.6 million as at September 30, 2012) (see Note 14).

*Revenue Recognition.* Management exercises judgment in determining whether income from sale of real estate properties is recognized in full. Management believes that revenue should be recognized in full when the collectability of the sales price is reasonably assured and when the risk and benefits over the assets have been transferred, which is usually when the Group collects at least 25% or more of the total contract price.

#### 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.

*Estimation of Provision for Impairment losses of Receivables.* The provision for impairment of receivables is estimated based on two methods. The amounts calculated using each of these methods, are combined to determine the total amount to be provided. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, judgment is used, based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific allowances against amounts due to reduce receivable amounts expected to be collected. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection,



write-off, experience and customer payment terms is determined. The amount and timing of recorded expenses for any period could therefore differ based on the judgments or estimates made. An increase in the Group's allowance for impairment of receivables would increase its recorded general and administrative expenses and decrease its current assets.

As at September 30, 2013, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables and receivable from LBP) amounted to ₱1,472.8 million (₱913.4 million as at September 30, 2012) (see Note 8). Allowance for impairment losses of receivables amounted to ₱95.5 million as at September 30, 2013 (₱125.3 million as at September 30, 2012) (see Note 8).

*Determination of NRV of Inventories and Real Estate for Sale and Development.* The Group's estimates of the NRV of inventories and real estate for sale and development are based on the most reliable evidence available at the time the estimates are made and the amount that the inventories and real estate for sale and development 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 at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories and real estate for sale and development to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As at September 30, 2013, the inventories carried at lower of cost or NRV amounted to ₱1,550.9 million (₱779.3 million as at September 30, 2012) (see Note 9). Allowance for inventory losses and obsolescence amounted to ₱18.0 million as at September 30, 2013 (₱47.5 million as at September 30, 2012) (see Note 9).

The real estate for sale and development amounted to ₱387.9 million as at September 30, 2013 (₱340.5 million as at September 30, 2012) are carried at cost (see Note 10).

*Allocation of Cost to Molasses inventory.* Management uses judgment to measure and allocate value to the molasses inventory. When the costs of conversion of each product are not separately identifiable, they are allocated among the products on a rational and consistent basis. The allocation is based on relative sales value of cane product at the completion of production. When the cost of molasses is deemed immaterial, this is measured at NRV and the value is deducted from the cost of the raw and refined sugar.

As at September 30, 2013, portion of molasses inventory amounting to ₱20.2 million as at September 30, 2013 (₱10.5 million as at September 30, 2012) pertains to allocated cost from the total production costs of milled raw and refined sugar (see Note 9).

*Determination of 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 losses. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made.

As at September 30, 2013, the creditable withholding taxes amounted to ₱254.6 million (₱258.1 million as at September 30, 2012) (see Note 11). Allowance for impairment losses on creditable withholding taxes amounted to ₱13.6 million as at September 30, 2013 and 2012 (see Note 11).

*Valuation of Land under Revaluation Basis.* The land is carried at revalued amount, which approximates its fair value at the date of the revaluation, less any accumulated impairment losses. The valuation of the land is performed by professionally qualified independent appraisers. The fair value was arrived at using the Market Data Approach for land using gathered available market evidences. Revaluations are made on a regular basis to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting period.

Land carried at revalued amounts as at September 30, 2013 and 2012 amounted to ₱2,758.3 million (see Note 13).

The resulting increase in the valuation of these assets based on the valuations made by an independent appraiser is presented under "Revaluation increment on Land," net of the related deferred tax effect, and "Share in revaluation increment on land of an associate," net of the related deferred tax effect, in the equity section of the consolidated statement of financial position and in the consolidated statement of changes in equity.

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

There was no change in the estimated useful lives of property, plant and equipment in 2013. In 2012, CADPI reassessed and changed the estimated useful lives of certain machinery and equipment from 13 to five years, which resulted to additional depreciation amounting to ₱13.1 million.

The carrying value of the depreciable property, plant and equipment as at September 30, 2013 amounted to ₱7,896.6 million (₱8,383.4 million as at September 30, 2012) (see Note 13).

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

Investment properties, including land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of 2,514.76 and total value of ₱4,223.4 million as at September 30, 2013 and 2012, stated at fair value amounted to ₱4,624.3 million as at September 30, 2013 (₱4,624.6 million as at September 30, 2012) (see Note 14).

The Parent Company filed protest in the office of the Department of Agrarian Reform (DAR) against the wrongful coverage of its land properties. As at the date of report, the protest is still pending before the DAR (see Note 29).

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

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

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

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

	Note	2013	2012
Property, plant and equipment	13	<b>₱10,654,887</b>	₱11,141,746
Investments in associates	12	<b>757,559</b>	712,490

The Group has not recognized any impairment loss in 2013 and 2012.

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

As at September 30, 2013, net retirement plan assets amounted to ₱127.1 million (₱132.0 million as at September 30, 2012) (see Note 18). On the other hand, net retirement benefit liability as at September 30, 2013 amounted to ₱14.7 million (₱86.8 million as at September 30, 2012) (see Note 18). Retirement benefit costs amounted to ₱58.3 million in 2013 (₱138.7 million in 2012 and ₱13.8 million in 2011) (see Note 18).

*Estimation 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, no additional provision is deemed necessary in 2013 (₱85.0 million in 2012). The Group has provision for losses amounting to ₱48.4 million as at September 30, 2013 (₱48.8 million as at September 30, 2012) (see Notes 17 and 29).

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

The Group recognized deferred tax assets on a portion of deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to ₱9.5 million as at September 30, 2013 (₱130.8 million as at September 30, 2012) (see Note 27).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱48.1 million as at September 30, 2013 (₱61.1 million as at September 30, 2012) (see Note 27). 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.

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## 6. Prior Period Adjustments and Reclassifications

The 2012 consolidated financial statements of the Group have been restated to recognize the disposal of 75.12 hectare of land in Hacienda Palico with carrying value of ₱202.6 million, classified as investment property, by way of expropriation by the Philippine Government on September 28, 2012 for a total consideration of ₱12.5 million (see Note 14).

The following is the summary of the financial impact of the restatement of the 2012 consolidated financial statements:

	October 1, 2012			
	Assets	Liabilities	Equity	Net Income
As previously reported	₱19,701,220	₱9,621,056	₱10,080,164	₱631,862
Prior period adjustments:				
Recognition of loss on expropriation of investment property	(190,121)	-	(190,121)	(190,121)
Recognition of interest income on unquoted debt security received as consideration for the land, net of final tax	592	-	592	592
	(189,529)	-	(189,529)	(189,529)
As restated	₱19,511,691	₱9,621,056	₱9,890,635	₱442,333

#### Reclassification of Certain 2012 Accounts

The 2012 accounts were reclassified to conform with the 2013 consolidated financial statement presentation. The affected accounts in the consolidated statement of financial position are described below:

- a. Reclassification of receivable from RHI Retirement Fund, Inc., amounting to ₱33.0 million, previously classified as advances to employees.
- b. Reclassification of land for capital appreciation as part of investment properties amounting to ₱16.1 million, previously classified as property, plant and equipment (see Notes 13 and 14).
- c. Reclassification of customers' deposits as part of "Trade and other payables" account amounting to ₱53.7 million, previously classified as a separate line item in the 2012 consolidated statement of financial position.
- d. Reclassification of restricted retained earnings amounting to ₱13.4 million to unrestricted retained earnings to free up portion of net unrealized fair value gain on disposal of investment property. The reclassification has no effect on total equity (see Notes 14 and 19).
- e. Reclassification of cash dividends of a subsidiary amounting to ₱18.7 million deducted against the retained earnings instead of against noncontrolling interests. The cash dividends represent the share of noncontrolling interest in the dividends declared by the subsidiary in 2012.

#### **7. Cash and Cash Equivalents**

This account consists of:

	2013	2012
Cash on hand	₱1,317	₱6,898
Cash in banks	161,624	138,405
Short-term placements	35,685	54,170
	<b>₱198,626</b>	<b>₱199,473</b>

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Short-term placements earn interest ranging from 0.3% to 1.25% in 2013 (1.0% to 3.5% and 1.3% to 4.0% in 2012 and 2011, respectively).

Interest income recognized in the consolidated statement of income is as follows:

	Note	2013 (One Year)	2012 (As restated - see Note 6) (One Year)	2011 (Three Months)
Trade and other receivables	8	<b>₱6,583</b>	₱9,840	₱197
Cash in banks and short-term placements		<b>1,295</b>	4,809	2,805
		<b>₱7,878</b>	₱14,649	₱3,002

## 8. Trade and Other Receivables

This account consists of:

	Note	2013	2012 (As restated - see Note 6)
Trade		<b>₱1,347,239</b>	₱691,762
Due from:			
Related parties	20	<b>83,610</b>	151,486
Planters and cane haulers		<b>45,955</b>	40,979
Employees		<b>35,853</b>	86,015
Dividends		<b>19,484</b>	19,484
Advances for raw sugar purchases		<b>18,222</b>	9,942
Receivable from Land Bank of the Philippines (LBP)		<b>6,228</b>	11,968
Others		<b>11,695</b>	27,059
		<b>1,568,286</b>	1,038,695
Allowance for impairment losses		<b>(95,510)</b>	(125,297)
		<b>₱1,472,776</b>	₱913,398

Breakdown of this account as to current and noncurrent portion follows:

	2013	2012
Current	<b>₱1,455,687</b>	₱895,218
Noncurrent	<b>17,089</b>	18,180
	<b>₱1,472,776</b>	₱913,398

Trade receivables include customers' accounts arising from the sale of real estate properties and residential properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 8% to 20% depending on the terms of the sales contract. Cash received from the sale of real estate properties and residential properties, which did not meet the revenue recognition criteria as set out in Note 4 are recognized under the "Customers'

deposits” account and presented as part of trade and other payables in the consolidated statement of financial position. Interest income amounted to ₱5.1 million in 2013 (₱5.7 million in 2012 and nil in 2011).

The aggregate future installment receivables under the sales contracts are as follows:

	<b>2013</b>	2012
Current	<b>₱59,510</b>	₱52,359
Noncurrent	<b>11,897</b>	11,952
	<b>₱71,407</b>	₱64,311

Due from planters and cane haulers pertains to cash advances, which will be settled in the form of raw sugar from the planters and rendering of the service by the cane haulers (see Note 29). Interest income earned on due from planters and cane haulers amounted to ₱1.1 million in 2013 (₱2.5 million in 2012 and nil in 2011).

Due from employees salary, housing and educational loans that are collected from the employees through salary deduction and advances subject to liquidation. The loans to employees are noninterest-bearing, except for certain housing loans extended in 2008 to the employees, which bear interest of 8.0% per annum and are payable in 10 years. Interest income earned amounted to ₱0.3 million in 2013 (₱0.4 million in 2012 and ₱0.2 million in 2011).

Receivable from LBP represents the unquoted debt security issued by LBP and received by the Parent Company as a consideration for the investment property expropriated by the Philippine government in 2012 (see Notes 6 and 14). The unquoted debt security, which is receivable in 10 equal annual installments until 2019, earns interest ranging from 0.1% to 1.0% in 2013 (1.6% to 2.3% in 2012) based on a 91 day Treasury Bills. Interest earned amounted to ₱0.1 million in 2013 (₱1.2 million in 2012 and nil in 2011).

Details of receivable from LBP are as follows:

	<b>2013</b>	2012
Current	<b>₱1,037</b>	₱5,740
Noncurrent	<b>5,192</b>	6,228
	<b>₱6,229</b>	₱11,968

In 2012, RBC entered into an agreement with a plant contractor, wherein the latter will be charged for expenses incurred by RBC arising from or in connection with faulty performance and repairs on RBC plant facilities. As at September 30, 2012, claims from the plant contractor amounted to ₱27.6 million and included as part of other receivables.

In September 2013, RBC received the proceeds from performance bank guarantee issued by a local bank in behalf of the plant contractor amounting to USD\$2.1 million (₱90.4 million). Of the total amount, ₱27.1 million was used to settle receivable from the plant contractor, while the remaining ₱62.8 million was recognized as other income (see Note 26).

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

Movements of allowance for impairment losses of receivables, determined using specific assessment, follow:

2013						
	Trade	Due from Related Parties	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year	₱99,147	₱3,110	₱11,882	₱1,342	₱9,816	₱125,297
Provisions	1,800	–	2,728	–	1,708	6,236
Write-offs	(35,536)	–	(480)	–	(7)	(36,023)
Balance at end of year	₱65,411	₱3,110	₱14,130	₱1,342	₱11,517	₱95,510

2012						
	Trade	Due from Related Parties	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year	₱3,721	₱3,110	₱8,035	₱1,342	₱9,645	₱25,853
Provisions	95,426	–	3,847	–	171	99,444
Balance at end of year	₱99,147	₱3,110	₱11,882	₱1,342	₱9,816	₱125,297

## 9. Inventories

This account consists of:

	2013	2012
At cost:		
Refined sugar	₱523,636	₱247,477
Alcohol	326,560	–
Molasses	161,019	168,281
At NRV:		
Raw sugar	244,666	25,003
Materials and supplies	295,013	303,759
Alcohol	–	34,816
	<b>₱1,550,894</b>	<b>₱779,336</b>

Cost of inventories valued at NRV is shown below:

	2013	2012
Raw sugar	₱245,807	₱27,556
Materials and supplies	311,873	345,527
Alcohol	–	37,992
	<b>₱557,680</b>	<b>₱411,075</b>

Details and movements of allowance for product inventory losses and obsolescence follow:

2013			
	Raw and Refined Sugar, Alcohol and Molasses	Materials and Supplies	Total
Balance at beginning of year	₱5,729	₱41,768	₱47,497
Reversal/write-offs	(16,132)	(26,908)	(43,040)
Provisions	11,544	2,000	13,544
Balance at end of year	₱1,141	₱16,860	₱18,001



	2012		
	Raw and Refined Sugar, Alcohol and Molasses	Materials and Supplies	Total
Balance at beginning of year	₱88,745	₱57,172	₱145,917
Reversal/write-offs	(130,545)	(27,602)	(158,147)
Provisions	47,529	12,198	59,727
Balance at end of year	₱5,729	₱41,768	₱47,497

Cost of inventories recognized as expense and included under "Cost of goods sold" amounted to ₱1,604.6 million in 2013 (₱2,786.0 million in 2012 and ₱1,278.8 million in 2011) (see Note 23).

## 10. Real Estate for Sale and Development

This account consists of:

	2013	2012
Raw land and land improvements	₱345,142	₱333,182
Real estate properties for sale	42,801	7,351
	<b>₱387,943</b>	<b>₱340,533</b>

Borrowing costs incurred from loans availed specifically to finance the development of the real estate projects amounted to ₱2.0 million in 2013 (₱0.5 million in 2012) (see Note 16).

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

	2013	2012
Aggregate cash price values	₱74,699	₱31,028
Aggregate carrying costs	(42,801)	(7,351)
Excess of aggregate cash price values over aggregate carrying costs	<b>₱31,898</b>	<b>₱23,677</b>

Certain properties for development owned by RLC amounting to ₱178.8 million as at September 30, 2013 and 2012 are being used as collateral for the loans obtained by the Parent Company (see Note 16).

## 11. Other Current Assets

This account consists of:

	2013	2012
Creditable withholding taxes - net	₱254,561	₱258,144
Input VAT	217,654	173,202
Restricted cash	32,839	29,378
Deposit to suppliers	8,372	928
Prepaid insurance	5,463	1,504
Others	19,595	15,966
	<b>₱538,484</b>	<b>₱479,122</b>

Input VAT mainly arises from construction relating to the Ethanol Plant of RBC and purchases of and purchases of goods and services for operations.

On January 31, 2011, RHI, CACI and CADPI entered into an agreement with Banco de Oro Unibank, Inc. (BDO) for the reduction of interest rate on long-term borrowings to 6.5% subject to certain conditions. Restricted cash represents savings from the reduction of the interest rate, deposited to the Company's escrow account as required under the provision of the agreement with BDO, which will be applied as partial principal payments of long-term borrowings on top of the required loan amortization (see Note 16).

Deposit to suppliers pertains to purchases of goods and services.

Other current assets consist of prepaid rent and other prepayment.

## 12. Investments in Associates

Movements of investments in associates follow:

	2013	2012
Acquisition cost:		
Balance at beginning of year	₱308,162	₱308,162
Addition	–	50
Reclassification	–	(50)
Balance at end of year	<b>308,162</b>	308,162
Accumulated equity in net earnings:		
Balance at beginning of year	<b>265,920</b>	384,319
Equity in net earnings	<b>68,027</b>	47,188
Dividends received	<b>(22,958)</b>	(165,587)
Balance at end of year	<b>310,989</b>	265,920
Share in:		
Revaluation increment on land	<b>207,492</b>	207,492
Fair value reserve	<b>5,179</b>	5,179
Unrealized gain on transfer of land	<b>(59,030)</b>	(59,030)
Allowance for impairment losses	<b>(15,233)</b>	(15,233)
	<b>₱757,559</b>	₱712,490

The following are the associates of the Group:

	Percentage of Ownership	Principal Activity
HPCo	29.62 <sup>(1)</sup>	Sugar mill
Fuego Land Corporation (FLC)	30.00 <sup>(2)</sup>	Real estate developer
Fuego Development Corporation (FDC)	30.00 <sup>(2)</sup>	Real estate developer
Club Punta Fuego, Inc. (CPFI)	25.20 <sup>(2)</sup>	Social recreational and athletic activities
Roxaco-ACM Development Corporation (RADC)	50.00 <sup>(2)</sup>	Real estate developer

(1) Effective ownership through RHI.

(2) Effective ownership through RCI. In 2012, RCI has 26.12% effective ownership interest in CPFI.

All the associates were incorporated in the Philippines.

Investment in RADC amounting to ₱3.7 million was provided with allowance for impairment loss as at September 30, 2013 and 2012.

The accumulated equity in net earnings of associates amounting to ₱311.0 million as at September 30, 2013 (₱265.9 million in 2012) is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

Summarized financial information of associates is as follows:

	2013	2012
Current assets	₱1,545,612	₱1,459,706
Noncurrent assets	1,533,054	1,606,338
Current liabilities	792,552	1,145,406
Noncurrent liabilities	470,950	224,345
Net assets	1,815,164	1,696,293
Revenue	399,242	1,407,094
Net income	483,641	103,550

### 13. Property, Plant and Equipment

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

	2013					Total
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
<b>Cost</b>						
Balance at beginning of year	₱2,769,756	₱11,935,543	₱34,587	₱81,046	₱63,506	₱14,884,438
Additions	5,344	46,887	-	2,962	162,556	217,749
Disposals	-	(28,564)	-	(68)	-	(28,632)
Reclassifications	11,067	111,959	-	1,107	(124,133)	-
Balance at end of year	2,786,167	12,065,825	34,587	85,047	101,929	15,073,555
<b>Accumulated Depreciation</b>						
Balance at beginning of year	974,802	5,433,890	23,668	68,657	-	6,501,017
Depreciation	112,960	557,492	5,923	5,765	-	682,140
Disposal	-	(6,101)	-	(64)	-	(6,165)
Balance at end of year	1,087,762	5,985,281	29,591	74,358	-	7,176,992
<b>Net Book Value</b>	₱1,698,405	₱6,080,544	₱4,996	₱10,689	₱101,929	₱7,896,563

	2012					Total
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
<b>Cost</b>						
Balance at beginning of year	₱2,763,180	₱11,847,679	₱32,935	₱79,092	₱51,279	₱14,774,165
Additions	5,810	43,347	-	1,206	79,087	129,450
Disposals	-	(18,686)	(185)	(306)	-	(19,177)
Reclassifications	766	63,203	1,837	1,054	(66,860)	-
Balance at end of year	2,769,756	11,935,543	34,587	81,046	63,506	14,884,438
<b>Accumulated Depreciation</b>						
Balance at beginning of year	(860,856)	(4,882,783)	(17,433)	(61,631)	-	(5,822,703)
Depreciation	(113,992)	(566,165)	(5,134)	(7,091)	-	(692,382)
Disposal	-	15,058	(1,209)	219	-	14,068
Reclassification	46	-	108	(154)	-	-
Balance at end of year	(974,802)	(5,433,890)	(23,668)	(68,657)	-	(6,501,017)
<b>Net Book Value</b>	₱1,794,954	₱6,501,653	₱10,919	₱12,389	₱63,506	₱8,383,422

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

	2013	2012
At appraised values:		
Balance at beginning of year	<b>₱2,758,324</b>	₱2,544,233
Appraisal increase	-	230,187
Reclassification to investment property	-	(16,096)
Balance at end of year	<b>₱2,758,324</b>	₱2,758,324
<hr/>		
At cost	<b>₱384,503</b>	₱384,503

On December 22, 2010, NAVI entered into a memorandum agreement with a lessee, whereby the lessee will operate parcels of land owned by NAVI for the purpose of planting and production of sugarcane (see Note 14). As a result, NAVI's land, previously an owner-occupied property, was reclassified and accounted for as investment property carried at fair value effective July 1, 2011. The revaluation increment relating to the land amounting to ₱72.7 million (net of the share of noncontrolling interest amounting to ₱39.7 million) is presented still as part of the "Revaluation increment on land" in equity section until the said land is disposed.

Construction in progress pertains mainly to uncompleted regular plant improvements and rehabilitation of milling equipment.

The Group has no borrowing cost capitalized during the year. Unamortized capitalized borrowing cost as at September 30, 2013 amounted to ₱483.8 million (₱526.7 million as at September 30, 2012) with corresponding deferred tax liability of ₱145.1 million (₱158.2 million as at September 30, 2012) (see Note 27). The Group amortizes such capitalized interest over the useful life of the qualifying asset to which it relates.

The amount of depreciation is allocated as follows:

	Note	2013 (One Year)	2012 (One Year)	2011 (Three Months)
Cost of goods sold	23	<b>₱630,155</b>	₱625,648	₱157,538
General and administrative expenses	24	<b>54,585</b>	66,734	13,585
		<b>₱684,740</b>	₱692,382	₱171,123

Depreciation and amortization charged to "General and administrative expenses" account in 2013 includes amortization of software cost of ₱2.6 million (nil in 2012 and 2011).

In June 2013, certain property and equipment with a carrying value of ₱22.3 million were damaged due to fire (see Note 26). An insurance claim was filed in October 2013 and as at the date of the report, processing of said claim is still on-going.

As at September 30, 2013, fully depreciated property, plant and equipment with an aggregate cost of ₱2,316.8 million (₱2,182.6 million as at September 30, 2012) are still being used in operations.

As at September 30, 2013, certain property, plant and equipment were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 16).

#### 14. Investment Properties

This account consists of:

	Note	2013	2012 (As restated - see Note 6)
Land properties	16, 19	<b>₱4,615,912</b>	₱4,615,912
Building	16	<b>8,419</b>	8,650
		<b>₱4,624,331</b>	₱4,624,562

Movements on investment properties are as follows:

	Note	2013	2012 (As restated - see Note 6)
Balance at beginning of year		<b>₱4,624,562</b>	₱4,806,110
Unrealized fair value gains (losses)	26	<b>(231)</b>	4,976
Disposal		–	(202,620)
Transfer from property, plant and equipment	13	–	16,096
Balance at end of year		<b>₱4,624,331</b>	₱4,624,562

#### The Parent Company

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the CARL with total land area of 2,514.76 hectares and total value of ₱4.2 billion as at September 30, 2013 and 2012 (see Note 29).

As at September 30, 2013 and 2012, the fair value of investment properties, including those land properties subjected to the CARL, are based on the appraised values of the properties as at June 30, 2011 and December 31, 2010, respectively, as determined by a professionally qualified independent appraiser. Management believes that the fair value as at September 30, 2013 does not significantly differ from the fair value obtained in 2012.

The Philippine SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve account" to restricted retained earnings. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulting from the excess between the considerations received and net assets acquired arising from the merger of CADPGC and RCI (see Note 19). The Philippine SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

On September 28, 2012, the Parent Company executed a Deed of Assignment, Warranties and Undertaking covering the Parent Company's 75.12 hectares of land in Hacienda Palico located at Brgy. Cogonan, Nasugbu, Batangas with a carrying value of ₱202.6 million, by way of expropriation by the Philippine Government for a total consideration of ₱12.5 million, transferring the ownership to the farmer beneficiaries. The expropriation by the Philippine Government resulted to a loss amounting to ₱190.1 million, which was recognized as a prior period adjustment reducing the beginning retained earnings (see Note 6). Moreover, the related net unrealized fair value gain on expropriated land properties amounting to ₱13.4 million included in the restricted retained earnings were reclassified to unrestricted retained earnings (see Note 6).

On June 6, 2013, the Parent Company received the compensation from LBP consisting of cash and unquoted debt security amounting to ₱1.2 million and ₱10.7 million, respectively (see Note 8).

Investment properties with carrying value of ₱6.2 million are used as collateral for the long-term borrowings (see Note 16).

#### RLC

Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas. The fair value of the investment property as at September 30, 2013 and 2012 are based on the appraisal reports dated November 17, 2013 and October 25, 2012, respectively, as determined by a professionally qualified independent appraiser.

In 2013, RLC recognized additional unrealized loss on fair value adjustment amounting to ₱0.2 million (₱1.9 million in 2012).

Rental income from this investment property amounted to ₱0.8 million in 2013 (₱1.0 million in 2012 and ₱1.3 million in 2011).

The investment property was used as collateral for RLC's long-term borrowings (see Note 16).

#### NAVI

The agricultural land of NAVI is being leased for a period of four years until fiscal year ending September 30, 2015 (see Note 29). Rent income from this investment property amounted to ₱5.3 million in 2013 (₱5.5 million in 2012 and nil in 2011).

As at September 30, 2013 and 2012, the fair value of the investment property amounting to ₱191.8 million is based on the appraised value of the property using a market comparison approach, as determined by a professionally qualified independent appraiser. The latest appraisal report was made on October 24, 2012. Management believes that there is no significant change in fair value in 2013.

*Bases of Valuation.* The value of the properties was arrived at by using the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

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## 15. Short-term Borrowings

#### Loans availed by the Parent Company

Short-term borrowings consist of unsecured short-term loans from various local banks to pay off the outstanding long-term loans in 2012 and finance the working capital requirements of the Parent Company. These short-term loans are payable within 30 days to 360 days in 2012 and bears annual interest ranging from 4.5% to 5.25%.

In 2013, the principal repayment schedule of the loans amounting ₱400.0 million has been modified from short-term to long-term as agreed with the bank (see Note 16).

As at September 30, 2013, short-term borrowings amounted to nil (₱410.0 million as at September 30, 2012).

Loans availed by RLC, CACI, CADPI and RBC

Short-term borrowings consist of unsecured short-term loans obtained from various local banks to meet the working capital requirements of the Group. These short-term borrowings are payable within 30 days to 120 days in 2013 (28 days to 32 days in 2012) and bear annual interest ranging from 3.0% to 7.0% in 2013 (4.5% to 8.5% in 2012 and 4.0% to 6.5% in 2011).

As at September 30, 2013, short-term borrowings amounted to ₱1,064.0 million (₱1,228.0 million as at September 30, 2012).

Total interest expense arising from short-term borrowings amounted to ₱61.2 million in 2013 (₱129.6 million in 2012 and ₱73.3 million in 2011) (see Note 16).

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**16. Long-term Borrowings**

Long-term borrowings consist of loans from:

	<b>2013</b>	2012
BDO	<b>₱5,120,694</b>	₱4,368,484
Bank of the Philippine Islands (BPI)	<b>900,000</b>	500,000
Syndicated Loans:		
BPI	<b>896,552</b>	896,552
Rizal Commercial Banking Corporation (RCBC)	<b>448,276</b>	448,276
BPI Family Savings Bank	<b>4,095</b>	8,672
	<b>7,369,617</b>	6,221,984
Current portion	<b>(158,277)</b>	(165,940)
Noncurrent portion	<b>₱7,211,340</b>	₱6,056,044

Outstanding balance of long-term loans availed by the Group follows:

	<b>2013</b>	2012
Parent Company	<b>₱400,000</b>	₱31,168
RHI and subsidiaries	<b>6,835,522</b>	6,158,811
RLC	<b>134,095</b>	32,005
	<b>₱7,369,617</b>	₱6,221,984

Loans availed by the Parent Company

*BDO Loan*

On January 20, 2009, the Parent Company availed of a loan facility with BDO with a credit line of ₱650.0 million to finance the full implementation of CADPGC, RHI and RCI. reorganization plan. The loan facility is made available to the Parent Company and RHI provided that combined availments do not exceed the loan facility.

In 2012, the outstanding loans amounting to ₱399.9 million, which bears interest ranging from 5.63% to 6.75% and are payable on equal quarterly installments until 2015 have been settled.

Also, the Company availed a loan amounting to ₱31.2 million, which bear interest at 5.25% to be repriced every quarter as agreed by the parties. The loan is payable in lump sum on September 10, 2015. However, the loan was fully settled in 2013.

*BPI Loan*

On January 21, 2013, BPI approved the modified principal repayment schedule of short-term loan amounting to ₱400.0 million into a long-term loan, which bears interest ranging from 4.50% to 5.50%. Interest is payable quarterly in arrears. Principal is payable in 20 equal amortizations commencing at the end of the 9th quarter after the drawdown until 2019.

As at September 30, 2013, long-term borrowings as converted from short term (see Note 15) of the Parent Company amounted to ₱400.0 million (₱31.2 million as at September 30, 2012).

As at September 30, 2013 and 2012, the said loan is secured by real estate mortgages and pledge over shares of stock held by the Company as follows:

	Note	2013	2012
Shares of stock of RHI (99.6 million shares in 2013 and 597.6 million shares in 2012)		₱322,265,093	1,933,428,791
Real estate for sale and development of RLC	10	178,820,765	178,820,765
Investment property	14	6,216,000	6,216,000
Property and equipment	13	369,989	369,989
		₱507,671,847	₱2,118,835,545

Loans availed by RHI and its subsidiaries

*BDO Loan Facilities*

On February 8, 2008, RHI signed the long-term loan facility with BDO for an aggregate amount of ₱6,189.0 million to finance the Group's Expansion Project, by purchasing second-hand mills and related equipment, and Share Buyback Program. The loan facility is shared by RHI and CADPI/CACI amounting to ₱1,570.0 million and ₱4,619.0 million, respectively. Drawdowns in 2008 by RHI, CADPI and CACI from said facility amounted to ₱718.3 million, ₱824.9 million and ₱395.3 million, respectively, payable in 28 quarterly installments, beginning August 5, 2011, with interest subject to quarterly repricing.

In 2009, CACI obtained additional loan from BDO amounting to ₱781.0 million with fixed interest at 8.94%. Furthermore, in 2010, CADPI availed additional loan amounting to ₱1,050.5 million, with fixed interest at 8.84%. Both loans are payable in 28 monthly installments beginning August 5, 2011.

In 2010, RHI, CADPI and CACI exercised its option to fix the quarterly interest of the loans at 8.93% beginning August 5, 2009 until the end of the terms of the loans. However, in 2011, pursuant to the agreement with BDO, the interest has been reduced to 6.5%, subject to certain conditions. Such conditions required, among others, that the amount of savings from the reduction of the interest rate be deposited to the Group's escrow account to be applied for partial principal payments of the loans on top of the loan amortization (see Note 11).

In 2012, RHI, CADPI and CACI entered into another agreement with BDO to modify the interest and repayment schedule of the loans. Such an agreement includes an option to convert the interest into fixed rate and revise the repayment schedule to a seven-year amortization period with equal quarterly payments commencing on November 5, 2014. To date, RHI, CADPI and CACI have not exercised its option to convert the interest into fixed rate.



On June 17, 2011, RBC availed long-term loan with BDO amounting to ₱925.0 million to finance its working capital requirements. The loan is payable quarterly starting on the 3rd year of the 10-year term from drawdown date until October 17, 2017. The grace period on the principal amortization has been extended from the first 24 to the first 36 months as requested by RBC and approved by BDO on May 9, 2013. The loan bears interest ranging from 5.00% to 5.25% in 2013 (4.50% to 5.75% in 2012 and 4.5% in 2011), which is being repriced quarterly.

In February 2012, RHI availed of three-year car loan amounting to ₱1.6 million. The principal and interest of the loan are payable in equal monthly installments until February 2015.

On February 1, 2013, RHI, CADPI and CACI entered into a new loan facility agreement with BDO for an aggregate amount of ₱800.0 million to finance their working capital requirements. On February 15, 2013, CADPI's drawdown of ₱800.0 million against this new loan facility is secured by a pledge of shares of HPCo. The interest, which is payable every after 30 days, is subject to a quarterly repricing based on prevailing market rate. The loan is payable on February 15, 2016.

#### *Syndicated Loans with BPI and RCBC*

On February 14, 2008, CADPI and CACI entered into a Syndicated Loan Agreement with BPI (as the lead bank) and RCBC for a total credit line of ₱1,500.0 million. On March 12, 2008, CADPI and CACI signed an amendment to the Syndicated Loan Agreement clarifying certain provisions of the original agreement. In 2008, CADPI and CACI availed of a 10-year term loans from BPI amounting to ₱310.8 million and ₱129.8 million, respectively, and from RCBC amounting to ₱155.0 million and ₱64.9 million, respectively. The loans are payable in 29 quarterly installments until August 2018, with floating interest subject to quarterly re-pricing.

In 2009, CACI availed of additional loans from undrawn portion of the total credit facility from BPI amounting to ₱230.2 million, with fixed interest of 8.74% and from RCBC amounting to ₱113.8 million, with fixed interest of 8.80%. In 2010, CADPI also obtained additional loans from BPI amounting to ₱329.3 million, with fixed interest of 8.70%, and from RCBC amounting to ₱166.2 million, with fixed interest of 8.76%. These loans are payable in 29 equal quarterly installments beginning May 5, 2011 until May 5, 2018.

In 2010, interest was fixed to 8.79% for BPI loans and 8.93% and RCBC loans beginning August 5, 2009 until the end of the loan terms.

On February 6, 2012, CADPI and CACI entered into a Second Amendment with BPI and RCBC for the modification of interest and principal repayment schedule of the loans. The amendment provides for a floating interest, which is similar to the interest for the 2012 amendment in the BDO loans, with a one-time option to convert the interest into fixed rate. The one-time option to convert the interest into fixed rate is equivalent to: (a) benchmark rate plus 1.36% for BPI loans, and; (b) benchmark rate plus 1.50% for RCBC loans. The amendment also provides that CADPI and CACI repay the balance of the loans in 15 equal consecutive quarterly installments beginning November 5, 2013.

#### *BPI Loan Facility*

On June 14, 2012, CADPI availed of additional loan from BPI thru a separate loan agreement amounting to ₱500.0 million, the proceeds of which was used to pay-off CADPI's then existing long-term loan with BPI - Asset Management and Trust Group. The loan bears interest equivalent to the higher of: (a) the sum of the base rate plus 1.50%, or (b) the BSP RRP overnight rate plus 1.50%. Gross receipts tax is for the account of CADPI. The loan is payable in 15 equal quarterly installments on each scheduled repayment date, with the first installment commencing not later than November 5, 2014, until May 5, 2018.

On various dates in 2013, principal loan payments of RHI, CADPI and CACI, amounted to ₱24.0 million, ₱60.6 million and ₱38.6 million, respectively.

#### Loans availed by RLC

On February 3, 2009, RLC obtained a term-loan facility from BDO amounting to ₱40.0 million to finance the development of its real estate projects (see Note 10). The loan facility was released on a staggered basis, with the first ₱8.0 million issued in 2009 and the remaining ₱32.0 million released in 2010. The loans bear fixed interest rates ranging from 6.1% to 6.6% for the first 45 to 92 days to be repriced every 30 to 180 days. Principal amounts are payable quarterly after the two-year grace period allowed by the bank, until May 4, 2014.

The loan facility is secured by RLC's investment property, with fair value of ₱8.4 million as at September 2013 (₱8.7 million as at September 30, 2012), as well as the assignment of leasehold rentals from the said property (see Note 14).

#### Suretyship Agreements and Mortgage Trust Indenture

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

*RHI and its Subsidiaries.* In relation to the BDO Loan Facility executed on February 8, 2008, RHI, CADPI and CACI, entered into a Continuing Suretyship Agreement with BDO. Under this Agreement, BDO shall have the right to set-off the secured obligations in solidarity against all the borrowers' properties.

On February 14, 2008, RHI, CADPI, CACI and RBC, entered into a Separate Suretyship Agreement arising out of the Syndicated Loan Agreement, which warrants the due and faithful performance by the borrowers of all obligations due to the creditor banks: BPI and RCBC. The suretyship shall remain in full force and effect until full and due payment of the indebtedness under the Syndicated Loan Agreement. In addition, all liens of the creditor banks shall have rights of set-off in solidarity against the borrower's properties.

Further in 2009, RHI, CADPI and CACI executed a MTI to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in: (a) Nasugbu, Batangas, which consist mainly of RHI's land and CADPI's properties with an aggregate carrying value of ₱2.2 billion and ₱3.5 billion, respectively, as at September 30, 2013 (₱2.2 billion and ₱3.8 billion as at September 30, 2012, respectively); and (b) CACI's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱3.4 billion as at September 30, 2013 (₱3.5 billion as at September 30, 2012).

In 2011, RBC executed an MTI to secure the loans obtained from BDO. The MTI covers RBC's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱1.5 billion as at September 30, 2013 and 2012.

#### Interest

Total interest expense recognized from short-term and long-term amounted to ₱416.4 million in 2013 (₱502.8 million in 2012 and ₱189.6 million in 2011).

### Loan Covenants

The foregoing loan agreements are subject to certain general 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;
- 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.

For RHI, the prohibition applies, unless the required financial ratios are maintained.

In November 2013, the Group obtained from creditor banks a letter consenting on the sale of 31% of the 66% shares of stock owned by the Parent Company in favor of First Pacific (see Note 1).

As at September 30, 2013 and 2012, the Group is in compliance with these loan covenants, particularly on the required financial ratio.

### Maturities of Long-term Borrowings

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

	2013	2012
Less than one year	<b>₱158,277</b>	₱165,940
Between one and two years	<b>1,278,994</b>	246,946
Between two and five years	<b>2,589,478</b>	3,730,886
Over five years	<b>3,342,868</b>	2,078,212
	<b>₱7,369,617</b>	₱6,221,984

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## 17. Trade and Other Payables

This account consists of:

	Note	2013	2012
Trade		<b>₱245,609</b>	₱109,457
Payable to government agencies for taxes and statutory contributions		<b>130,561</b>	122,284
Due to:			
Related parties	20	<b>₱59,465</b>	₱68,082
Contractors		<b>21,385</b>	12,946
Planters		<b>11,158</b>	58,191

(Forward)

	Note	2013	2012
Accrued expenses:			
Interest		51,132	48,921
Payroll and other benefits		40,209	47,283
Outside services		318	1,033
Others		31,810	118,741
Provision for losses	29	48,438	48,838
Customers' deposits		47,430	72,614
Retention payable		7,285	–
Others		86,561	131,841
		<b>₱781,361</b>	<b>₱840,231</b>

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

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

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

Details of customers' deposits follows:

	2013	2012
Sugar and molasses	₱30,394	₱53,691
Real estate properties	17,036	18,923
	<b>₱47,430</b>	<b>₱72,614</b>

Customers' deposits represent noninterest-bearing cash deposits from buyers of the sugar and molasses, and cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from buyers of sugar and molasses will be applied against future deliveries of sugar and molasses which are expected to be completed in the next 12 months. Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue.

Other payables mainly pertain to reimbursements to employees and to third parties for sugar liens and other related fees.

## 18. Retirement Benefits

The Parent Company and its subsidiaries, namely: RHI, CACI, CADPI and RLC maintain individual and separately funded non-contributory defined benefit plans (the Plans) covering all eligible employees

The following tables summarize the components of retirement benefits recognized in the consolidated statement of income and net retirement assets of ₱127.4 and net retirement benefit liability of ₱14.7 million recognized in the consolidated statement of financial position for the respective Plans.

Retirement Benefit Costs

The consolidated retirement benefit costs recognized follow:

	<b>2013</b>	2012	2011
	<b>(One Year)</b>	(One Year)	(Three Months)
Current service cost	<b>₱32,142</b>	₱34,076	8,650
Interest cost	<b>29,719</b>	46,831	12,917
Expected return on plan assets	<b>(28,473)</b>	(37,005)	(9,758)
Actuarial loss	<b>4,834</b>	6,364	2,037
Curtailment loss	<b>13,828</b>	88,437	-
Amortization of net transitional liability	<b>6,219</b>	-	-
	<b>₱58,269</b>	₱138,703	₱13,846

Net Retirement Plan Assets

The net retirement plan assets recognized in the consolidated statement of financial position follows:

	<b>2013</b>	2012
Present value of obligation	<b>₱92,570</b>	₱58,575
Fair value of plan assets	<b>83,393</b>	110,332
Surplus (deficit)	<b>(9,177)</b>	51,757
Unrecognized actuarial loss	<b>136,322</b>	80,250
Net retirement plan assets	<b>₱127,145</b>	₱132,007

Plan assets cannot be returned to the Parent Company, RLC and RHI unless on circumstances discussed in Note 4. The net retirement plan assets as at September 30, 2013 amounting to ₱127.1 million (₱132.0 million as at September 30, 2012), will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's retained earnings related to retirement plan asset, net of deferred tax effect, is not available for dividend declaration.

Movements in the defined benefit obligation are as follows:

	<b>2013</b>	2012
Balance at beginning of year	<b>₱58,575</b>	₱174,046
Current service cost	<b>32,142</b>	11,462
Interest cost	<b>29,719</b>	12,993
Benefits paid	<b>(132,529)</b>	(159,282)
Curtailment loss	<b>6,219</b>	36,310
Actuarial loss (gain)	<b>98,444</b>	(9,911)
Transferred liability from CADPI and CACI	-	(7,043)
Balance at end of year	<b>₱92,570</b>	₱58,575

Movements in the fair value of plan assets are as follows:

	<b>2013</b>	2012
Balance at beginning of year	<b>₱110,332</b>	₱248,440
Expected return on plan assets	<b>28,473</b>	14,840
Benefits paid	<b>(132,529)</b>	52,183
Contributions	<b>124,404</b>	(159,281)
Actuarial gain (loss)	<b>(47,287)</b>	(45,850)
Balance at end of year	<b>₱83,393</b>	₱110,332

Plan assets of the Parent Company, RLC and RHI consist of:

	2013	2012
Cash and cash equivalents	6%	19%
Stock and other securities	23%	102%
Government securities	69%	3%
Receivables	2%	4%
Liabilities	-	(28%)
	<b>100%</b>	<b>100%</b>

The Parent Company and RLC are expected to contribute a total of ₱5.1 million to their respective retirement funds for fiscal year ending September 30, 2014, while RHI does expect contribution to contribute for the same year.

#### Net Retirement Benefit Liability

CACI and CADPI maintains a funded, non-contributory defined benefit plan covering all its eligible employees. Under the plan, the normal retirement age is 65 irrespective of years of service. A participant may, at his option, elect to retire at the age of 50 and 60 for CACI and CADPI, respectively, regardless of number of years in service or upon completion of 20 years of continuous service even if below 50 and 60 years of age to CACI and CADPI, respectively. Normal and early retirement benefits are equivalent to one month latest salary for every year of service for CACI while equivalent to two times the employee's latest monthly salary multiplied by the number of years of service for CADPI.

FHPMC, on the other hand, provides for the estimated retirement benefits of qualified employees as required under Republic Act (RA) No. 7641, *Retirement Pay Law*. In the absence of a formal retirement plan, under the RA No. 7641, an employee who retires shall be entitled to retirement pay equivalent to at least one-half month salary of every year of service, a fraction of at least six months being considered as one whole year.

The amounts recognized as net retirement benefit liability in the consolidated statement of financial position follows:

	2013	2012
Present value of obligation	<b>₱437,295</b>	₱456,386
Fair value of plan assets	<b>(214,638)</b>	352,673
Deficit	<b>222,657</b>	103,713
Unrecognized actuarial loss	<b>(207,915)</b>	(16,926)
Net retirement benefit liability	<b>₱14,742</b>	₱86,787

Movements in the defined benefit obligation are as follows:

	2013	2012
Balance at beginning of year	<b>₱456,386</b>	₱422,799
Current service cost	<b>29,124</b>	22,614
Interest cost	<b>28,566</b>	33,838
Benefits paid	<b>(124,833)</b>	(219,997)
Curtailement loss	<b>6,219</b>	52,127
Actuarial loss	<b>41,833</b>	137,962
Transferred liability from RHI	-	7,043
Balance at end of year	<b>₱437,295</b>	₱456,386

Movements in the fair value of plan assets are as follows:

	<b>2013</b>	2012
Balance at beginning of year	<b>₱352,673</b>	₱356,957
Expected return on plan assets	<b>27,542</b>	22,165
Contributions	<b>121,723</b>	40,783
Benefits paid	<b>(124,833)</b>	(219,756)
Actuarial gain (loss)	<b>(162,467)</b>	150,300
Transferred liability from RHI	-	2,224
<b>Balance at end of year</b>	<b>₱214,638</b>	<b>₱352,673</b>

Plan assets of CACI and CADPI consist of:

	<b>2013</b>	2012
Cash and cash equivalents	<b>20%</b>	20%
Stock and other securities	<b>61%</b>	59%
Receivables	<b>29%</b>	6%
Government securities	-	2%
Prepayments	-	17%
Liabilities	<b>(10%)</b>	(4%)
	<b>100%</b>	100%

CADPI and CACI are expected to contribute a total of ₱41.29 million to their respective retirement funds for the year ending September 30, 2014.

As at September 30, 2013, retirement plan assets, which are managed by trustees, include investments in equity securities of RHI and office space with a fair value amounting to ₱103.5 million and ₱58.7 million, respectively (₱109.6 million and ₱52.5 million as at September 30, 2012, respectively).

The actual return on plan assets amounted to ₱18.7 million in 2013 (₱117.4 million in 2012).

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

	<b>2013</b>	2012
Discount rate	3% to 11%	5% to 8.2%
Expected return on plan assets	4% to 7%	3% to 7%
Future salary increases	5% to 6%	5% to 6%

The fair value of plan assets and present value of defined benefit obligation

	September 30			June 30	
	2013	2012	2011	2010	2009
Present value of defined benefit obligation	<b>₱529,865</b>	₱514,961	₱596,845	₱622,340	₱504,535
Fair value of plan assets	<b>298,608</b>	463,005	605,397	608,060	536,488
Surplus (deficit)	<b>(₱231,257)</b>	(₱51,956)	₱8,552	(₱14,280)	₱31,953

The Group's consolidated amounts for the current and previous periods are as follows:

	September 30			June 30	
	2013	2012	2011	2010	2009
Experience adjustment on plan obligation	<b>₱30,018</b>	(₱7,329)	₱4,301	₱25,025	₱-
Experience adjustment on plan assets	<b>235,392</b>	24,752	(122)	-	23,005
	<b>₱265,410</b>	₱17,423	₱4,179	₱25,025	₱23,005

## 19. Equity

### a. Capital Stock

Details of capital stock follow:

	Number of Shares	Amount
Common Stock "Class A" - ₱1 par value		
Authorized	3,375,000,000	₱3,375,000,000
Issued and outstanding	2,911,885,869	2,911,885,869

### b. Track Record of Registration

Date	Number of Shares Licensed	Issue/Offer Price
October 7, 1918	15,000	₱100.00
February 15, 1963	2,500,000	10.00
September 30, 1969	3,000,000	10.00
January 13, 1977	5,000,000	10.00
May 21, 1990	12,500,000	10.00*
December 3, 1996	200,000,000	1.00
October 26, 1999	400,000,000	1.00
April 2, 2002	2,000,000,000	1.00
February 7, 2005	1,962,500,000	1.00
June 23, 2009	3,375,000,000	1.00

\* Par Value was subsequently reduced to ₱1.00

### c. Additional Paid-in Capital and Revaluation Increment on Land

In 2002, RHI undertook major activities relating to the Reorganization Program. As part of the Reorganization Program, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI. The assets and liabilities, excluding the land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include



revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI (see Note 4).

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CCSI and CFSI for ₱1.3 billion of CADPGC's common shares with a par value of ₱1 per share for ₱2.0 billion, the cost of investments in RHI's books immediately before transfer. CADPGC recognized a premium of ₱596.8 million and set-up share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's ownership interest in CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC.

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

d. Restructuring on Equity

As discussed in Note 1, CADPGC and RCI have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. The transaction was accounted for under pooling of interests and as such, comparative balances were presented as if the combining entities have always been combined. As a result, RCI's investment in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under "Other equity reserve", which amounted to ₱4.0 billion in 2009.

In fiscal year ended June 30, 2011, the Group opted to transfer the balance of the "Other equity reserve" arising from the merger between RCI and CADPGC as discussed in the preceding paragraph to restricted retained earnings as management believes that such transfer of the "Other equity reserve" arising from the merger will result to a more useful and relevant financial statements. In January 2011, SEC had concurred with the adjustments made by the Parent Company (see Note 14).

e. Retained Earnings

*Restricted retained earnings*

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

	Note	2013	2012 (As restated - see Note 6)
Net unrealized fair value gains on investment properties included in the retained earnings	14	<b>₱283,545</b>	₱296,967
Application of revaluation increment against deficit		<b>203,075</b>	203,075
Reclassification of net unrealized fair value gains related to expropriated land properties	14	–	(13,422)
		<b>₱486,620</b>	<b>₱486,620</b>

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

For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out by the appraisal increment and the gain on changes in fair value on investment properties that was closed to retained earnings, net of the debit balance of "Other equity reserve" account (see Note 14).

No dividends were declared by the Parent Company in 2013 and 2012.

Outstanding dividends payable amounted to ₱4.4 million as at September 30, 2013 (₱39.2 million as at September 30, 2012).

f. Share Prices

The principal market for the Parent Company's share of stock is the PSE. The high and low trading prices of the Parent Company's share for each quarter within the last three fiscal years are as follows:

Quarter	High	Low
October 2012 through September 2013		
First	₱3.50	₱1.68
Second	2.39	2.25
Third	3.00	2.27
Fourth	2.25	1.51
October 2011 through September 2012		
First	2.10	1.10
Second	3.20	1.26
Third	2.85	1.51
Fourth	2.25	1.51
July 2011 through September 2011	1.11	1.10

## 20. Related Party Transactions

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

Related Party	Nature of Transaction	Year	Transactions During the Year	Net Amount Due from Related Parties (see Note 8)	Net Amount Due to Related Parties (see Note 17)
<b>Associates</b>					
FDC	Noninterest-bearing advances	<b>2013</b>	<b>(₱5,986)</b>	<b>₱27,302</b>	<b>₱13,213</b>
		2012	2,679	33,288	13,213
	Dividends receivable	<b>2013</b>	–	<b>4,500</b>	–
		2012	–	4,500	–
	Interest-bearing advances	<b>2013</b>	–	<b>10,822</b>	–
		2012	1,396	10,822	–

(Forward)

Related Party	Nature of Transaction	Year	Transactions During the Year	Net Amount Due from Related Parties (see Note 8)	Net Amount Due to Related Parties (see Note 17)
FLC	Noninterest-bearing advances	2013	₱-	₱-	₱8,816
		2012	-	-	8,816
	Dividends receivable	2013	-	14,984	-
		2012	-	14,984	-
RADC	Noninterest-bearing advances	2013	-	-	10,966
		2012	23,459	-	10,966
<b>Joint Venture Partner</b>					
VJ Properties, Inc.(VJPI)	Noninterest-bearing advances	2013	(71)	8,742	-
		2012	-	8,814	-
Marilo Realty Development Corporation	Noninterest-bearing advances	2013	(1,185)	-	318
		2012	5	1,193	308
LPC	Defrayment of cost and expenses for restructuring	2013	7,023	3,112	24,061
		2012	(8)	3,173	31,145
<b>Retirement Fund</b>					
CADP Retirement Fund, Inc. (CADPRFI)	Lease of office space	2013	1,543	-	1,997
		2012	4,013	-	3,540
	Noninterest-bearing advances	2013	(56,273)	4,758	-
		2012	61,031	61,031	-
RHI Retirement Fund, Inc. (RHIRFI)	Noninterest-bearing advances	2013	(4,421)	28,546	-
		2012	32,967	32,967	-
<b>Affiliates</b>					
Others	Noninterest-bearing advances	2013	129	328	94
		2012	-	199	94
				<b>₱103,094</b>	<b>₱59,465</b>
				170,971	68,082

In the normal course of business, the Company extends/avails of advances to/from its related parties, with no definite repayment terms. The advances to and from related parties are non-interest bearing, except for short-term loans and advances to FDC which bears interest at 10%. Interest income recognized amounted to ₱238 in 2013 (₱473,226 in 2012).

In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC shall be computed in proportion to the number of club shares which they have each assigned. In 2005, PFHC and FDC merged with FDC as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As at September 30, 2013, RLC is still in negotiation with FDC for the allocation of the actual number of shares assigned. RLC did not recognize assignment fee in 2011 and 2010.

As at September 30, 2013, the Company's outstanding receivables from CADPRFI represent advance payments made by the Parent Company to its redudated employees.

Outstanding balances at year-end are unsecured and settlement occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest bearing and have no fixed repayment terms. Impairment review is undertaken each financial year. As at September 30, 2013 and 2012, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

Compensation of key management is as follows:

	<b>2013</b>	2012
Salaries and other short-term benefits	<b>₱57,748</b>	₱53,901
Retirement benefits	<b>6,580</b>	3,470
	<b>₱64,328</b>	₱57,371

On May 14, 2013, the BOD of the Parent Company approved the increase in the directors' remuneration payable in cash and shares of stock of the Parent Company. As at the date of report, the application for the issuance of the share component as director's remuneration has not been filed with the Philippine SEC.

There are no other long-term benefits, termination benefits and share-based payment.

## 21. Employee Stock Option Plan of RHI

The BOD of RHI approved the establishment of an ESOP of RHI on May 8, 2013. The ESOP covers all employees of RHI 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, 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 30.0 million common shares of RHI's unissued shares have been initially reserved under the ESOP.

RHI has granted 24.6 million shares of common stock under the ESOP. As at September 30, 2013, stock option granted remains outstanding and has not vested.

The fair value of the ESOP plan was estimated at the date of grant using Black Sholes-Merton model with the following inputs:

	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%	3.28%	3.90%
Dividend rate as a percentage of spot price	1.97%	1.97%	1.97%	1.97%	1.97%

It also considered the exercise share price of ₱0.7 and a weighted average share price of ₱0.9 as at valuation date. The volatility rate is determined as the historical volatility of the returns on the stock over a period similar to the vesting period of the option.

The employee stock option expense recognized for employee services received amounted to ₱2.0 million in 2013 presented under "Salaries, wages and other employee benefits" account.

## 22. Revenue

	<b>2013</b>	2012	2011
	<b>(One Year)</b>	(One Year)	(Three Months)
Sale of:			
Refined sugar	<b>₱3,728,423</b>	₱3,648,085	₱762,580
Raw sugar	<b>1,577,317</b>	3,008,261	549,454
Alcohol	<b>375,104</b>	672,166	63,400
Molasses	<b>363,763</b>	196,267	3,753
Real estate	<b>83,161</b>	95,149	18,452
Tolling fees	<b>19,246</b>	125,927	22,767
Others	<b>25,472</b>	23,744	5,395
	<b>₱6,172,486</b>	₱7,769,599	₱1,425,801

## 23. Cost of Sales

	Note	<b>2013</b>	2012	2011
		<b>(One Year)</b>	(One Year)	(Three Months)
Cost of goods sold:				
Direct materials used	9	<b>₱1,604,554</b>	₱2,786,006	₱1,278,831
Cost of transporting cane to mill		<b>848,113</b>	888,670	13,740
Depreciation and amortization	13	<b>630,155</b>	625,648	157,538
Salaries, wages and other employee benefits		<b>301,663</b>	399,912	84,731
Fuel and oil		<b>290,320</b>	250,690	29,190
Materials and consumables		<b>233,984</b>	276,778	32,805
Repairs and maintenance		<b>156,435</b>	244,185	78,138
Outside services		<b>120,833</b>	89,016	24,607
Communication, light and water		<b>77,875</b>	72,364	22,560
Taxes and licenses		<b>77,827</b>	150,942	29,533
Rent	29	<b>60,713</b>	51,224	4,762
Insurance		<b>25,780</b>	-	-
Provision for inventory losses and obsolescence	9	<b>12,114</b>	59,727	78,794
Others		<b>12,388</b>	38,471	7,833
Cost of real estate sales		<b>41,739</b>	63,750	11,493
		<b>₱4,494,493</b>	₱5,997,383	₱1,854,555

## 24. Operating Expenses

General and administrative expenses consists of:

	Note	2013 (One Year)	2012 (One Year)	2011 (Three Months)
Salaries, wages and other employee benefits		<b>₱251,667</b>	₱330,206	₱75,485
Outside services		<b>122,418</b>	79,846	17,179
Taxes and licenses		<b>105,144</b>	43,546	14,295
Depreciation and amortization		<b>54,585</b>	66,734	13,585
Insurance		<b>27,976</b>	29,920	12,178
Materials and consumables		<b>28,422</b>	22,211	7,315
Rent		<b>22,511</b>	23,590	5,601
Communication, light and water		<b>14,215</b>	12,878	2,848
Corporate social responsibility		<b>11,103</b>	2,474	770
Repairs and maintenance		<b>9,852</b>	12,407	1,885
Travel and transportation		<b>8,233</b>	20,933	4,673
Provision for impairment losses on receivables	8	<b>6,236</b>	99,444	-
Representation and entertainment		<b>5,715</b>	6,475	1,363
Provision for inventory losses and obsolescence	9	<b>1,430</b>	59,727	-
Provision for losses	29	-	85,003	-
Impairment losses on creditable withholding taxes		-	3,809	2,511
Others		<b>46,778</b>	2,951	19,575
		<b>₱716,285</b>	₱902,154	179,263

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

### Selling Expenses

Selling expenses mainly pertains to sugar liens and dues and monitoring fees totaling ₱35.8 million in 2013 (₱36.3 million in 2012) representing mandatory fees paid to various regulatory agencies prior to sale of sugar. Remaining amount of selling expense pertains to advertising and shipping costs.

## 25. Personnel Costs

The components of employee benefits are as follows:

	Note	2013 (One Year)	2012 (One Year)	2011 (Three Months)
Salaries and wages	23, 24	<b>₱444,807</b>	₱430,478	₱92,816
Allowances and other employee benefits	23, 24	<b>50,113</b>	160,937	53,552
Retirement benefits	18	<b>58,410</b>	138,703	13,848
		<b>₱553,330</b>	₱730,118	₱160,216

The amount of personnel costs are allocated as follows:

	Note	2013 (One Year)	2012 (One Year)	2011 (Three Months)
Cost of goods sold	23	<b>₱301,663</b>	₱399,912	₱84,731
General and administrative expenses	24	<b>251,667</b>	330,206	75,485
		<b>₱553,330</b>	₱730,118	₱160,216

## 26. Other Income (Charges)

	Note	2013 (One Year)	2012 (As restated - see Note 6) (One Year)	2011 (Three Months)
Income from performance bank guarantee	8	<b>₱62,834</b>	₱-	₱-
Sugar and molasses handling fees		<b>28,280</b>	11,335	1,640
Loss on property and equipment due to fire	13	<b>(22,305)</b>	-	-
Rent income		<b>7,460</b>	5,756	-
Sale of scrap		<b>1,998</b>	10,393	1,201
Net foreign exchange gains (losses)	32	<b>(601)</b>	(7,773)	4,793
Unrealized fair value gains (losses) on investment property	14	<b>(231)</b>	4,976	-
Loss on disposal of property and equipment and investment properties	14	-	(190,121)	(13,981)
Recovery from insurance claims		-	20,676	27,650
Others		<b>7,707</b>	82,425	29,206
		<b>₱85,142</b>	(₱62,333)	₱50,509

Recovery from insurance claims pertains to the amount collected from the insurer which represents recovery from loss of irreparable equipment. Others pertain mainly to replenishment fees in 2012 and 2011.

## 27. Income Taxes

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

	Note	2013		2012 (As restated)	
		Net Deferred Tax Assets <sup>(1)</sup>	Net Deferred Tax Liabilities <sup>(2)</sup>	Net Deferred Tax Assets <sup>(1)</sup>	Net Deferred Tax Liabilities <sup>(2)</sup>
Deferred tax assets on:					
Unamortized past service cost		<b>₱71,490</b>	<b>₱398</b>	₱55,491	₱819
Allowance for:					
Impairment losses of receivables	7	<b>34,942</b>	–	35,654	–
Inventory losses and obsolescence	8	<b>4,275</b>	–	12,513	952
Unrealized creditable withholding taxes		<b>3,663</b>	–	3,663	–
Investments in associates		<b>1,384</b>	–	1,384	–
Preoperating expenses		–	<b>27,711</b>	–	26,813
Various accruals		<b>23,418</b>	–	15,035	–
Excess MCIT		<b>9,521</b>	–	46,511	4,363
Net retirement benefit liabilities	16	<b>4,423</b>	–	25,721	–
Unrealized gross profit on inventory		<b>4,390</b>	<b>50</b>	–	–
Taxable temporary difference arising from use of installment method		<b>1,626</b>	–	1,303	–
Employee stock option		<b>155</b>	<b>427</b>	–	–
NOLCO		–	–	89,357	675
Unrealized foreign exchange loss		–	–	1,426	–
		<b>159,287</b>	<b>28,586</b>	288,058	33,622
Deferred tax liabilities on:					
Unamortized capitalized interest	11	<b>(₱117,386)</b>	<b>(₱27,760)</b>	(₱130,236)	(₱27,764)
Revaluation increment on land		<b>(4,995)</b>	<b>(743,289)</b>	(4,995)	(743,289)
Net retirement plan assets	16	<b>(724)</b>	<b>(37,419)</b>	(989)	(38,613)
Unrealized gain on fair value adjustment on investment property	12	<b>(381)</b>	<b>(1,605)</b>	(450)	(1,605)
Share of noncontrolling interest on revaluation increment on land		–	<b>(17,004)</b>	–	(17,004)
Unrealized foreign exchange loss		<b>(1)</b>	–	–	–
Unrealized share in fair value reserve of an associate		<b>(171)</b>	–	–	(171)
		<b>(123,658)</b>	<b>(827,077)</b>	(136,670)	(828,446)
Net deferred tax assets (liabilities)		<b>₱35,629</b>	<b>(₱798,491)</b>	₱151,388	(₱794,824)

(1) The recognized net deferred tax assets pertain to the Parent Company, RHI, RLC, CADPI and CACI.

(2) The recognized net deferred tax liabilities pertain to the Parent Company, RHI, RLC RBC and NAVI.

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

	2013	2012
NOLCO	<b>₱120,317</b>	₱150,230
Allowance for impairment losses of investments in associates	<b>15,312</b>	15,312
Allowance for impairment losses of receivables	<b>8,886</b>	8,886
Allowance for inventory losses and obsolescence	<b>3,751</b>	2,614
Excess MCIT	<b>3,576</b>	7,946
	<b>₱151,842</b>	₱184,988



Deferred tax assets pertaining to NOLCO, excess MCIT and other deductible temporary differences amounting to ₱48.1 million as at September 30, 2013 (₱61.1 million as at September 30, 2012) were not recognized. Management believes that it may not be probable that sufficient future taxable profits will be available against which the NOLCO, excess MCIT and other deductible temporary differences can be utilized.

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

#### NOLCO

Incurring for the Period Ended	Balance as at Beginning of Period	Applied	Expired	Balances as at the End of the Period	Tax Effect	Available Until
June 30, 2011	₱74,968	₱-	₱74,968	₱-	₱-	June 30, 2013
September 30, 2011	317,238	297,858	40	19,340	5,802	September 30, 2014
September 30, 2012	58,131	2,254	-	55,877	16,763	September 30, 2015
September 30, 2013	45,100	-	-	45,100	13,530	September 30, 2016
	<b>₱495,437</b>	<b>₱300,112</b>	<b>₱75,008</b>	<b>₱120,317</b>	<b>₱36,095</b>	

#### MCIT

Incurring for the Period Ended	Balance as at Beginning of Period	Applied	Expired	Balances as at the End of the Period	Available Until
June 30, 2011	₱9,018	₱9,018	₱-	₱-	June 30, 2013
September 30, 2011	753	753	-	-	September 30, 2014
September 30, 2012	49,049	37,130	-	11,919	September 30, 2015
September 30, 2013	1,178	-	-	1,178	September 30, 2016
	<b>₱59,998</b>	<b>₱46,901</b>	<b>₱-</b>	<b>₱13,097</b>	

- d. The reconciliation between the income tax expense (benefit) computed at the applicable statutory tax rate and income tax expense (benefit) presented in the consolidated statement of income follows:

	2013 (One Year)	2012 As restated - see Note 6 (One Year)	2011 (Three Months)
Income tax expense (benefit) at statutory rate	<b>₱199,793</b>	₱86,492	(₱231,857)
Adjustments resulting from:			
Changes in unrecognized deferred tax assets	<b>(13,003)</b>	61,888	282,733
Expired MCIT	-	14	1,256
Application of deductible temporary differences and NOLCO for which no deferred tax assets were previously recognized	<b>50,609</b>	(380,256)	(52,651)
Tax effects of:			
Deficiency taxes	<b>13,177</b>	25,501	-
Interest income already subjected to final tax and dividend income exempt from tax	<b>(621)</b>	(284)	(101)
Equity in net losses (earnings) of associates	<b>(20,408)</b>	(14,734)	5,395
Nondeductible interest expense	<b>216</b>	227	-
Nondeductible loss on expropriation	-	57,249	-
Others	<b>16,386</b>	9,878	382
<b>Income tax expense (benefit)</b>	<b>₱246,149</b>	<b>(₱154,025)</b>	<b>₱5,157</b>

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## 28. Earnings (Loss) Per Share

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

	<b>2013</b>	2012 (As restated - see Note 6)	2011
	<b>(One Year)</b>	(One Year)	(Three Months)
Net income (loss) attributable to the equity holders of the Parent Company	<b>₱258,317</b>	₱212,825	(₱513,362)
Weighted average number of shares issued and outstanding	<b>2,911,886</b>	2,911,886	2,911,886
Basic/diluted earnings (loss) per share	<b>₱0.09</b>	₱0.07	(₱0.18)

There are no potential dilutive common shares as at September 30, 2013 and 2012.

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## 29. Commitments and Contingencies

### The Parent Company

*Land Properties Subjected to the CARL.* The Comprehensive Agrarian Reform Law (CARL) provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Parent Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOAs) covering 2,676 hectares of the Company's three *haciendas*—Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Parent Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOAs. On December 17, 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three *haciendas*. The High Tribunal ruled that the Parent Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

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

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

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

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

In October 2012, the Parent Company disclosed that the DAR published the Notice of Coverage on several RCI properties aggregating 2,514.76 hectares. The Parent Company filed a protest in the office of the DAR against the wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage and the applicable law (RA No. 6657 vs. RA No. 9700). The protest is still pending before the DAR.

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

On May 14, 2013, the BOD approved the authority of management to begin negotiations with the DAR for possible voluntary offer to sell (VOS) of 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP. As at the date of the report, there is no agreement yet with the DAR on the properties approved for VOS. Thus, the VOS has no financial impact in 2013.

On December 13, 2013, the BOD of the Parent Company approved management's request for reconfirmation of management's plan to explore the government's VOS program using 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway under certain conditions. This supersedes all previous proposals relating to the government's VOS program.

#### RHI and its Subsidiaries

##### a. Milling Contracts

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

##### b. The Group has in its custody the following sugar owned by quedan holders:

	2013		2012	
	<b>Total Volume</b> <i>(in Thousands)</i> <i>(LKg*)</i>	<b>Estimated</b> <b>Market Value</b> <i>(Amounts in</i> <i>Millions)</i>	Total Volume <i>(in Thousands)</i> <i>(LKg*)</i>	Estimated Market Value <i>(Amounts in</i> <i>Millions)</i>
Raw sugar	675	₱887	273	₱372
Refined sugar	678	1,095	218	390
	<b>1,353</b>	<b>₱1,982</b>	491	₱762

\*Equivalent to 50 kilogram bag unit.

The foregoing volume of sugar is not reflected in the consolidated statement of financial position since these are not considered assets of the Group. The Group is accountable to quedan holders for the value of trusted sugar or their sales proceeds.

c. Sales Contracts

CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As at September 30, 2013, CADPI has outstanding sales contracts for refined sugar with a total value of ₱4,607.6 million, equivalent to 2,120,116 LKg (₱149.3 million, equivalent to 66,497 LKg as at September 30, 2012).

CADPI received cash deposits from customers for the foregoing transactions as at September 30, 2013 and 2012, which will be applied against future deliveries of sugar and molasses. These deposits are classified as current liabilities.

d. Lease commitments

- i. The Group as a lessee, has an existing one-year lease agreement with CADPRFI for the lease of office space, which is renewable annually at the option of the Parent Company, CADPI and CACI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted to ₱4.0 million in 2013 (₱4.0 million in 2012 and ₱1.0 million in 2011).
- ii. Lease of offsite warehouse for a period of one year renewable at the option of CADPI as lessee through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to ₱0.3 million in 2013 (₱0.4 million in 2012 and ₱0.1 million in 2011).

e. Hauling Services Contracts

Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense included in "Cost of goods sold" account amounted to ₱113.6 million in 2013 (₱123.7 million in 2012).

f. Emission Reduction Purchase Agreement

On January 14, 2009, RBC and World Bank signed a \$3.2 million Emission Reduction Purchase Agreement (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 and has a crediting period of 10 years starting 2010.

As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance RBC's community development projects.

g. Contingencies

There are pending legal cases including tax assessments as at September 30, 2013 and 2012. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

Outstanding provision for losses for disputed claims and assessments amounted to ₱48.4 million as at September 30, 2013 (₱48.8 million as at September 30, 2012) presented under “Trade and other payables” account (see Note 17).

h. Unused Credit Lines

As at September 30, 2013, the Group has unused lines of credit with local banks amounting to ₱2,922.5 million (₱892.0 million as at September 30, 2012) (see Notes 15 and 16).

i. Joint Venture.

On December 2, 2009, RLC entered into a joint venture agreement with VJ Properties, Inc. (VJPI) for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate among themselves the developed saleable lots and villas. Total costs incurred for the project as at September 30, 2013 amounted to ₱101.4 million (₱37.2 million as at September 30, 2012), and are presented as part of “Raw land and land improvements” under “Real estate for sale and development” in the consolidated statement of financial position (see Note 10).

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### 30. Financial Instruments

#### Risk Management, Objectives and Policies

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

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

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

The Group’s objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Notes 15 and 16).

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management as at September 30, 2013 and 2012:

	2013					Total
	On demand	Over One Year	One to Two Years	Two to Four Years	Over Five Years	
Short-term borrowings*	₱114,161	₱909,466	₱-	₱-	₱-	₱1,023,627
Accounts payable and accrued expenses**	539,195	6,444	-	-	-	545,639
Due to related parties	59,465	-	-	-	-	59,465
Dividends payable	4,444	-	-	-	-	4,444
Current portion of long-term borrowings	201,777	-	-	-	-	201,777
Long-term borrowings, net of current portion*	-	1,831	653,639	5,166,811	-	8,400,833
	<b>₱919,042</b>	<b>₱917,741</b>	<b>₱653,639</b>	<b>₱5,166,811</b>	<b>₱-</b>	<b>₱10,235,785</b>
Cash in bank and short-term placements	₱162,941	₱-	₱-	₱-	₱-	₱162,941
Trade receivables***	211,399	965,155	80,540	8,537	4,269	1,269,899
Due from related parties	29,999	137,861	-	-	-	167,860
Due from employees****	6,759	50,740	9,404	-	-	66,902
Other receivables	174,833	662	-	-	-	12,578
AFS financial asset	8,223	-	-	-	-	8,223
	<b>₱594,154</b>	<b>₱1,154,418</b>	<b>₱89,944</b>	<b>₱8,537</b>	<b>₱4,269</b>	<b>₱1,688,403</b>

\* Includes expected interest payments for short-term and long-term borrowings amounting to ₱3.1 million and ₱1,189.5 million, respectively.

\*\* Excludes payable to government agencies amounting to ₱128.8 million.

\*\*\* Includes noncurrent portion of installment contract receivables amounting to ₱11.9 million.

\*\*\*\* Net of related allowances for impairment losses amounting to ₱14.9 million

	2012					Total	On demand
	On demand	Over One Year	One to Two Years	Two to Four Years	Over Five Years		
Short-term borrowings*	₱183,258	₱1,459,932	₱-	₱-	₱-	₱-	₱1,643,190
Accounts payable and accrued expenses**	590,462	7,057	-	-	-	-	597,519
Due to related parties	64,936	-	-	-	-	-	64,936
Dividends payable	39,230	-	-	-	-	-	39,230
Current portion of long-term borrowings	165,940	-	-	-	-	-	165,940
Long-term borrowings, net of current portion*	-	1,547	552,261	4,365,450	-	-	7,097,882
	<b>₱1,043,826</b>	<b>₱1,468,536</b>	<b>₱552,261</b>	<b>₱4,365,450</b>	<b>₱-</b>	<b>₱-</b>	<b>₱9,608,697</b>
Cash in bank and short-term placements	₱192,270	₱-	₱-	₱-	₱-	₱-	₱192,270
Trade receivables***	98,652	450,402	37,585	3,984	1,992	-	592,615
Due from related parties	24,573	112,928	-	-	-	-	137,501
Due from employees****	5,921	44,450	8,238	-	-	-	58,609
Other receivables	81,588	4,531	-	-	-	-	86,119
AFS financial assets	8,223	-	-	-	-	-	8,223
	<b>₱411,227</b>	<b>₱612,311</b>	<b>₱45,823</b>	<b>₱3,984</b>	<b>₱1,992</b>	<b>₱-</b>	<b>₱1,075,337</b>

\* Includes expected interest payments for short-term and long-term borrowings amounting to ₱5.2 million and ₱1,041.8 million, respectively.

\*\* Excludes payable to government agencies amounting to ₱22.4 million.

\*\*\* Includes noncurrent portion of installment contract receivables amounting to ₱12.0 million.

\*\*\*\* Includes noncurrent portion of due from employees of ₱8.2 million.

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

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. There is no concentration of credit risk with respect to receivables relating to real estate sales.

Credit risks for contract receivables is mitigated as the Group has the right to cancel the sales contract without risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because of the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price. The financial effect of this arrangement is equivalent to the total contracts receivables which amounts to ₱71.4 million as at September 30, 2013 (₱64.3 million as at September 30, 2012).

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

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

*Maximum exposure to credit risk without taking account of any collateral and other credit enhancements*

The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

	<b>2013</b>	2012
Cash in banks and short-term placements	<b>₱197,309</b>	₱192,270
Trade receivables*	<b>1,281,828</b>	616,973
Due from related parties*	<b>80,500</b>	83,610
Due from employees*	<b>34,511</b>	74,133
Dividend receivable	<b>19,484</b>	19,484
Other receivables*	<b>56,449</b>	126,486
AFS financial assets	<b>8,223</b>	8,223
	<b>₱1,678,304</b>	₱1,121,179

\* Net of allowance for impairment losses totaling ₱95.5 million in 2013 and ₱125.3 million in 2012.

*Collaterals and other credit enhancements.* The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

*Credit quality per class of financial assets.* The credit quality of receivables is managed by the Group through its Marketing Department.

High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts:

	2013						Total
	Neither past due nor impaired			Past due but not impaired		Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days		
Cash in banks and short-term placements	₱195,587	₱1,722	₱-	₱-	₱-	₱-	197,309
Trade receivables	894,080	74,479	-	171,577	76,281	65,411	1,281,828
Due from related parties	80,500	-	-	-	-	3,110	83,610
Due from employees	27,608	6,903	-	-	-	1,342	35,853
Dividend receivables	19,484	-	-	-	-	-	19,484
Other receivables	46,723	8,988	-	208	534	25,647	82,096
AFS financial assets	-	-	8,223	-	-	-	8,223
	<b>₱1,263,982</b>	<b>₱92,091</b>	<b>₱8,223</b>	<b>₱171,785</b>	<b>₱76,815</b>	<b>₱95,510</b>	<b>₱1,708,403</b>

	2012						Total
	Neither past due nor impaired			Past due but not impaired		Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days		
Cash in banks and short-term placements	₱190,645	₱1,625	₱-	₱-	₱-	₱-	₱192,270
Trade receivable	326,407	38,601	-	88,925	39,535	99,147	592,615
Due from related parties	145,028	238	-	-	-	3,110	148,376
Due from employees	57,276	27,397	-	-	-	1,342	86,015
Dividend receivable	19,484	-	-	-	-	-	19,484
Other receivables	58,139	6,617	-	153	393	21,698	68,164
AFS financial assets	-	-	8,223	-	-	-	8,223
	<b>₱796,979</b>	<b>₱74,478</b>	<b>₱8,223</b>	<b>₱89,078</b>	<b>₱39,928</b>	<b>₱125,297</b>	<b>₱1,115,147</b>

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

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

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

The Group has recognized an impairment loss on its financial assets using specific assessment amounting to ₱6.2 million as at September 30, 2013 (₱99.4 million as at September 30, 2012) (see Note 8).

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

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

*Interest rate risk.* Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.



The Group has interest-bearing loans which bear floating interest rate and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity in 2013 and 2012. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at September 30, 2013 and 2012.

<b>2013</b>		
<b>Increase (Decrease)</b>	<b>Effect on Income Before Tax</b>	<b>Effect on Equity</b>
<b>0.5%</b>	<b>(P34,174)</b>	<b>(P23,922)</b>
<b>(0.5%)</b>	<b>34,174</b>	<b>23,922</b>
<b>2012</b>		
<b>Increase (Decrease)</b>	<b>Effect on Income Before Tax</b>	<b>Effect on Equity</b>
1%	(P61,576)	(P43,103)
(1%)	61,576	43,103

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 15 and 16).

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

#### Capital Management

The primary objective of the 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, 2013 and 2012.

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

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

	<b>2013</b>	<b>2012</b>
Total liabilities	<b>P10,084,195</b>	P9,621,059
Total equity	<b>10,281,259</b>	9,890,634
Total liabilities and equity	<b>P20,365,454</b>	P19,511,693
Debt-to-equity ratio	<b>0.98:1.00</b>	0.97:1.00

### Fair Values

The following is a comparison by category of the carrying amount and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of:

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash on hand	₱1,317	₱1,317	₱6,898	₱6,898
Loans and receivables:				
Cash in banks and short-term placements	197,309	197,309	192,270	192,270
Trade receivables	1,281,828	1,281,828	616,973	616,973
Due from related parties	80,500	80,500	83,610	83,610
Due from employees	34,511	34,511	74,133	74,133
Dividend receivable	19,484	19,484	19,484	19,484
Other receivables	56,449	56,449	126,486	126,486
AFS financial assets	8,223	8,223	8,223	8,223
	<b>₱1,679,621</b>	<b>₱1,679,621</b>	<b>₱1,128,077</b>	<b>₱1,128,077</b>
<b>Financial Liabilities</b>				
Other financial liabilities:				
Short-term borrowings	₱1,064,027	₱1,064,027	₱1,638,000	₱1,638,000
Accounts payable and accrued expenses*	580,678	580,678	597,519	597,519
Due to related parties	59,465	59,465	68,082	68,082
Dividends payable	4,444	4,444	39,230	39,230
Long-term borrowings	7,369,617	7,369,617	6,221,984	6,221,984
	<b>₱9,078,231</b>	<b>₱9,078,231</b>	<b>₱8,564,815</b>	<b>₱8,564,815</b>

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

*Cash in banks and short-term placements, receivables, short-term borrowings, current portion of long-term borrowings, accounts payable and accrued expenses, dividends payable and due to related parties.* The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

*Long-term borrowings* - The rate was obtained from *Bangko Sentral ng Pilipinas*, representing bank average lending rates. As at September 30, 2013, as a result of the loan modification for fixed interest bearing to variable interest rate, the carrying value approximates the fair value in view of the recent and regular re-pricing based on current market rate of long-term borrowings.

The Group's financial instruments recorded at fair value have the following hierarchy levels:

The Group's financial instruments recorded at fair value have the following hierarchy levels:

- Level 1 - at quoted prices in active markets;
- Level 2 - at inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - at inputs that are not based on observable market data.

The Group did not hold any financial instruments carried at fair value in the consolidated financial statements as at September 30, 2013 and 2012.

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### 31. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. The Parent Company

The Company owns various tracts of lands in Nasugbu, Batangas. These investment properties can be sold directly to a developer, or contributed to a joint venture for development.

b. Real Estate

RLC is the real estate arm of the Group. RLC acquires, develops, improves, subdivides, leases and sells agricultural, industrial, commercial, residential and other real properties. The Group, through RLC, has investments in other real estate companies, namely Fuego Hotels and Properties Management Corporation, Fuego Development Corporation, Fuego Land Corporation, Club Punta Fuego, Inc. and Roxaco-ACM Development Corporation.

c. Sugar-Related Businesses

RHI is a diversified holding and investment corporation with specific focus on sugar milling and refining business. RHI owns the following subsidiaries, which are organized and managed separately on a per Company basis, with each company representing a strategic business segment.

- CADPI is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 11,000 metric tons as at September 30, 2013 (18,000 metric tons as at September 30, 2012). CADPI's raw sugar milling is involved in the extraction of juices from the canes to form sweet granular sugar, which is light brown to yellowish in color. Canes are sourced from both district and non-district planters and are milled by CADPI under a production sharing agreements (see Note 29). The refinery operations, on the other hand, involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.
- CACI produces raw sugar and molasses and trades the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,000 metric tons as at September 30, 2013 and 2012, is located in La Carlota, Negros Occidental.
- RBC was established to engage in the business of producing, marketing and selling of bio-ethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials. Its plant facility is located in La Carlota, Negros Occidental.

- CFSI was established to engage in the business of transporting sugar cane, sugar and its by-products including all kinds of commercial cargoes to and from sugar factories, sugar refineries, millsites or warehouses and/or similar establishments by land. CFSI caters various planters in Batangas, Negros, and other provincial areas in Visayas and Southern Luzon.

d. Others

Other segments of the Group, includes which are not reported separately pertain mainly to consultancy business, dealer and trader of agricultural products and subsidiaries with no operations yet.

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

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

Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments. Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies.

a. Segment revenue and expenses

The Group's main revenue stream comes from the sale of sugar and molasses and real estate properties. The sugar group's customers consist largely of sugar traders, wholesalers and beverage companies, which are situated in various parts of the Philippines, with concentration in the Visayas and Metro Manila. The real estate segment's customers are mainly direct.

Revenue from two major customers of CACI and CADPI amounted to ₱546.5 million and ₱1,720.3 million in 2013, respectively (₱731.0 million and ₱1,352.7 million in 2012, respectively).

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, prepayments and property, plant and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

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

	2013				
	Sugar-Related Business	Real Estate	Others	Unallocated, Eliminations and Adjustments	Parent Company Balances
<b>Revenue</b>					
External customers:					
Refined sugar	P3,728,423	P-	P-	(P3,728,423)	P-
Raw sugar	1,577,317	-	-	(1,577,317)	-
Tolling fees	19,246	-	-	(19,246)	-
Molasses	363,763	-	-	(363,763)	-
Alcohol	375,104	-	-	(375,104)	-
Others	875	107,364	91,377	(108,239)	91,377
	<b>6,064,728</b>	<b>107,364</b>	<b>91,377</b>	<b>(6,172,092)</b>	<b>91,377</b>
<b>Costs and expenses</b>	<b>(5,080,325)</b>	<b>(122,059)</b>	<b>(27,867)</b>	<b>5,202,384</b>	<b>(27,867)</b>
Inventory losses	(13,544)	-	-	13,544	-
Interest income	2,386	5,324	142	(7,710)	142
Interest expense	(393,666)	(4,916)	(20,840)	398,582	(20,840)
Others	71,358	2,121	-	(73,479)	-
Income (loss) before income tax	650,937	(12,166)	42,812	(638,771)	42,812
Income tax expense (benefit)	245,192	708	250	(245,900)	250
<b>Segment profit (loss)</b>	<b>405,745</b>	<b>(12,874)</b>	<b>42,562</b>	<b>(392,871)</b>	<b>42,562</b>
Equity in net earnings of associates	67,635	-	-	(67,635)	-
<b>Consolidated net profit (loss)</b>	<b>P473,380</b>	<b>(P12,874)</b>	<b>P42,562</b>	<b>(460,506)</b>	<b>P42,562</b>
<b>Other Information:</b>					
Major costs and expenses:					
Depreciation and amortization	P679,648	P1,233	P512	(P680,881)	P763
Fuel and oil	297,530	1,341	376	(298,871)	-
Materials and consumables	252,649	2,695	198	(255,344)	291
Repairs and maintenance	160,772	1,390	383	(162,162)	354
Additions to noncurrent assets:					
Property, plant and equipment	219,030	567	90	(219,597)	90
Investments in associates	614,268	-	-	(614,268)	-
<b>Assets and Liabilities</b>					
Current assets	P3,556,587	P578,142	P47,419	(P4,134,729)	P45,512
Noncurrent assets	11,629,342	165,133	6,668,226	(11,794,475)	6,668,226
<b>Total assets</b>	<b>P15,185,929</b>	<b>P743,275</b>	<b>P6,713,738</b>	<b>(P15,929,204)</b>	<b>P6,713,738</b>
Current liabilities	P1,897,074	P155,893	P66,111	(P2,052,967)	P66,111
Noncurrent liabilities	7,490,478	134,095	400,000	(7,624,573)	400,000
<b>Total liabilities</b>	<b>P9,387,552</b>	<b>P289,988</b>	<b>P466,111</b>	<b>(P9,677,540)</b>	<b>P466,111</b>

	2012			Unallocated, Eliminations and Adjustments	Parent Company Balances
	Sugar-Related Business	Real Estate	Others		
<b>Revenue</b>					
External customers:					
Refined sugar	₱3,648,085	₱-	₱-	(₱3,648,085)	₱-
Raw sugar	3,008,261	-	-	(3,008,261)	-
Molasses	196,267	-	-	(196,267)	-
Tolling fees	125,927	-	-	(125,927)	-
Others	695,953	94,987	81,536	(790,940)	81,536
	7,674,493	94,987	81,536	(7,769,480)	81,536
Costs and expenses	(6,861,714)	(93,902)	(22,801)	6,955,616	(22,801)
Interest income	6,269	8,102	43	(14,371)	43
Interest expense	(474,245)	(4,299)	(25,544)	478,544	(25,544)
Others	112,638	13,446	-	(126,084)	-
Income before income tax	457,441	18,334	33,234	(475,775)	33,234
Income tax expense (benefit)	(160,847)	6,571	(75)	(154,276)	75
<b>Segment profit</b>	<b>618,288</b>	<b>11,763</b>	<b>33,309</b>	<b>(630,051)</b>	<b>33,309</b>
Equity in net earnings of associates	49,115	-	-	(49,115)	-
<b>Segment profit</b>	<b>₱569,173</b>	<b>₱11,763</b>	<b>₱33,309</b>	<b>(₱580,936)</b>	<b>₱33,309</b>
<b>Other Information:</b>					
Major costs and expenses:					
Depreciation and amortization	₱689,799	₱1,631	₱763	(₱691,430)	₱763
Fuel and oil	250,690	-	-	(250,690)	-
Materials and consumables	298,145	360	291	(298,505)	291
Repairs and maintenance	255,712	696	354	(256,408)	354
Additions to noncurrent assets:					
Property, plant and equipment	128,156	779	79	(128,935)	79
Investment in associates	569,472	129,724	-	(699,196)	-
Other noncurrent assets	7,684	50	-	(7,734)	-
<b>Assets and Liabilities</b>					
Current assets	₱2,175,365	₱540,789	₱43,676	(₱2,716,154)	₱43,676
Noncurrent assets	12,202,385	180,747	6,866,539	(12,383,132)	6,866,539
<b>Total assets</b>	<b>₱14,377,750</b>	<b>₱721,536</b>	<b>₱6,910,215</b>	<b>(₱15,099,286)</b>	<b>₱6,910,215</b>
Current liabilities	₱2,072,618	₱202,091	₱482,672	(₱2,274,709)	₱482,672
Noncurrent liabilities	6,891,171	29,146	31,168	(6,920,317)	31,168
<b>Total liabilities</b>	<b>₱8,963,789</b>	<b>₱231,237</b>	<b>₱513,840</b>	<b>(₱9,195,026)</b>	<b>₱513,840</b>

## 32. Registration with the Board of Investment

On October 24, 2008, the BOI approved the registration of RBC as New Producer of Bioethanol (Anhydrous) and Potable (Hydrous) Ethanol on a Pioneer Status under the Omnibus Investments Code of 1987 or Executive Order (E.O.) 226. Under the terms of its registration, RBC is required to achieve certain production and sales volume for both anhydrous and hydrous ethanol. As a registered enterprise, RBC is entitled to certain tax incentives, which include, among others: (1) income tax holiday (ITH) of six years for its anhydrous ethanol and for four years for its hydrous ethanol, from January 2010 or actual start of commercial operations, whichever is earlier; (2) extension of ITH provided that the aggregated ITH availment does not exceed eight years, subject to certain conditions; (3) for the first five years from the date of registration, additional deduction from taxable income of 50% of the wages arising from additional workers hired, provided that it is not simultaneously availed with the ITH; (4) tax credit for taxes and duties on raw materials and supplies and semi-manufactured products used in producing its export product; (5) exemption from wharfage dues, any export tax, duties imposts and fees for ten years from date of registration; (6) may qualify to import capital equipment, spare parts and accessories at 0% duty from date of registration up to June 16, 2011 pursuant to E.O. 528 and its Implementing Rules and Regulations and (7) tax- and duty-free importation of equipment.

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### 33. Events After Reporting Period

#### Dividends Declaration

On December 13, 2013, the BOD of the Parent Company approved the declaration and payment of cash dividend of ₱0.02 a share to all stockholders of record as at January 6, 2014. The cash dividend is payable on January 30, 2014.

On November 6, 2013, RHI's BOD approved the declaration and payment of cash dividend in the sum of ₱0.06 per share to all stockholders of record as at November 20, 2013. The dividend is payable on December 2, 2013.

#### First Pacific's Acquisition of 31% Stake in RHI

On November 13, 2013, the Parent Company reported that it sold 31% of its 66% share in RHI to Hong Kong-based First Pacific Company, Ltd. for ₱2.23 billion at ₱8 per share. The Parent Company will remain a major shareholder at 35% of RHI and will share management with First Pacific, which will have 34% ownership as it will also acquire additional shares from the holdings of other stockholders (see Note 1).

#### Treasury Shares

On November 13, 2013, the BOD approved the plan of the Parent Company to buyback 990,384,775 shares from four of its stockholders at the price of ₱1.70 a share in a private sale, representing 34% of the outstanding capital stock of RCI.

#### Joint Venture Agreement

On December 3, 2013, RLC entered into a 50%-50% Joint Venture Agreement (JVA) with Singapore's Vanguard Hotels Group to build a minimum of five "Go Hotels" in Metro Manila and in selected provincial destination over the next two to three years. Total estimated project cost for the five hotels amounted to ₱2.0 billion.



## **A N N E X “C”**

**Index to Consolidated Financial Statements**

**Financial Soundness Indicators**

**List of Philippines Financial Reporting Standards (PFRS) effective as at  
September 30, 2013 and List of New and Mended Accounting  
Standards and Interpretations and Improvements to PFRS that  
became effective as at October 1, 2011**

**Retained Earnings Available for Dividend Declaration**

**Organizational Structure**





# REYES TACANDONG & Co.

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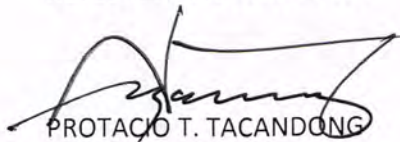
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November 12, 2012, valid until December 31, 2015  
SEC Accreditation No. 0207-FR-1 (Group A)  
September 6, 2013, valid until September 5, 2016

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Roxas and Company, Inc. and Subsidiaries (the Group) as at and for the year ended September 30, 2013, and have issued our report thereon dated December 13, 2013. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

### REYES TACANDONG & CO.



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

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

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 3670310

Issued January 2, 2013, Makati City

December 13, 2013

Makati City, Metro Manila

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**Index to Consolidated Financial Statements**  
**As at and For the Year Ended September 30, 2013**

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Schedule	Description	Page
A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements	3
D	Intangible Assets – Other Assets	4
E	Long-term Borrowings	5
F	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	6

N/A – Not applicable

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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**


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**FINANCIAL ASSETS**  
**SEPTEMBER 30, 2013**  
**(AMOUNTS IN THOUSANDS)**

Description	Carrying Value	Fair Value
Cash on hand	₱1,317	₱1,317
Loans and receivables:		
Cash in banks and cash equivalents	197,309	197,309
Trade receivables	1,281,828	1,281,828
Due from related parties	80,500	80,500
Due from employees	34,511	34,511
Dividend receivable	19,484	19,484
Other receivables	56,449	56,449
AFS financial assets	8,223	8,223
	<b>₱1,679,621</b>	<b>₱1,679,621</b>

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## SCHEDULE B

## ROXAS AND COMPANY, INC. AND SUBSIDIARIES

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

SEPTEMBER 30, 2013

(AMOUNTS IN THOUSANDS)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/advances)	₱86,015	₱66,651	(₱116,813)	₱-	₱35,853	₱-	₱35,853

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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

**SEPTEMBER 30, 2013**

**(AMOUNTS IN THOUSANDS)**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Roxas Holdings, Inc	₱285	₱1,346	₱	₱	₱1,631	₱	₱1,631
Roxaco Land Corporation	-	183	-	-	183	-	183
Nasugbu Feeds Corporation	348	-	(3)	-	345	-	345
	₱633	₱1,529	(₱3)	₱-	₱2,159	₱-	₱2,159

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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**


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**INTANGIBLE ASSETS – OTHER ASSETS**

SEPTMBER 30, 2013

(AMOUNTS IN THOUSANDS)

Description	Beginning balance	Additions at cost	Amortization	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱9,796	₱–	₱–	₱–	₱–	₱9,796
Software cost	7,684	–	2,561	–	–	5,123
	₱17,480	₱–	₱2,561	₱–	₱–	₱14,919

\*The intangible assets are included in the “Other noncurrent assets” account.

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

**LONG-TERM BORROWINGS**

**SEPTEMBER 30, 2013**

**(AMOUNTS IN THOUSANDS)**

Title of issue and type of obligation	Amount shown under caption “Current portion of long-term borrowings” in related consolidated statement of financial position	Amount shown under caption “Long-term borrowings” in related consolidated statement of financial position
Loans payable to local banks:		
Banco de Oro Unibank, Inc. (BDO)	P158,277	P4,962,417
Syndicated loans:		
Bank of the Philippine Islands (BPI)	–	896,552
Rizal Commercial Banking Corporation (RCBC)	–	448,276
BPI	–	900,000
BPI Family Savings Bank		4,095
	<u>P158,277</u>	<u>P7,211,340</u>

The details, interest, loan covenants and other terms and conditions, among others, are discussed in Note 16 to consolidated financial statements.

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**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**


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**CAPITAL STOCK**  
**SEPTEMBER 30, 2013**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common shares – “Class A” at ₱1 par value	3,375,000,000	2,911,885,869	–	58	1,247,432,904	1,664,452,907

Details of capital stock are discussed in Note 19 to consolidated financial statements.





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SEC Accreditation No. 0207-FR-1 (Group A)  
September 6, 2013, valid until September 5, 2016

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE OF FINANCIAL RATIOS

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Roxas and Company, Inc. and Subsidiaries (the Group) as at and for the year ended September 30, 2013 and have issued our report thereon dated December 13, 2013. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Financial Ratios is the responsibility of the Group's management. These financial ratios are presented for purposes of complying with Securities Regulation Code Rule 68 Part II and are not part of the consolidated financial statements. This information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

### REYES TACANDONG & CO.

PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

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

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Valid until September 23, 2016

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Valid until November 26, 2016

PTR No. 3670310

Issued January 2, 2013, Makati City

December 13, 2013  
Makati City, Metro Manila

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

**FINANCIAL SOUNDNESS INDICATORS**

**SEPTEMBER 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Financial Ratios required under Loan Covenants</b>		
Debt to Equity Ratio (not more than 0.75:1)	0.98:1	0.97:1
Interest Rate Coverage Ratio*	4.06	2.83
Debt Service Coverage Ratio		
Loans from Bank of the Philippine Islands (at least 1:1)	4.96	2.65
Loans of related parties from Banco de Oro Unibank, Inc., Syndicated Loans from Bank of the Philippine Island and Rizal Commercial Banking Corporation (at least 1.25)	3.47	2.44
<b>Others</b>		
Return on Equity	4.08%	4.47%
Return on Asset	2.06%	2.27%
Asset-to-Equity Ratio	1.98	1.97
Book Value per Share	3.46	3.46
Current Ratio	2:1	1:1

\*Computed as EBITDA/Interest Expense



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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Roxas and Company, Inc. and Subsidiaries (the Group) as at and for the year ended September 30, 2013, and have issued our report thereon dated December 13, 2013. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Group's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68 and is not part of the consolidated financial statements. This information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the consolidated financial statements taken as a whole.

### REYES TACANDONG & CO.



PROTACIO T. TACANDONG

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December 13, 2013  
Makati City, Metro Manila

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF ADOPTION OF  
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS  
SEPTEMBER 30, 2013**

**Philippine Financial Reporting Standards (PFRSs)**

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards <i>[superseded by PFRS 1 (Revised)]</i>			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements		✓	
PFRS 11	Joint Arrangements		✓	
PFRS 12	Disclosure of Interests in Other Entities		✓	
PFRS 13	Fair Value Measurement		✓	

**Philippine Accounting Standards (PASs)**

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1	Presentation of Financial Statements <i>[superseded by PAS 1 (Revised)]</i>	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
PAS 2	Inventories	✓		
PAS 7	Cash Flow Statements	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
PAS 14	Segment Reporting <i>[superseded by PFRS 8]</i>	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23	Borrowing Costs <i>[superseded by PAS 23 (Revised)]</i>	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures <i>[superseded by PAS 24 (Revised)]</i>	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 27	Consolidated and Separate Financial Statements <i>[superseded by PAS 27 (revised)]</i>	✓		
PAS 27 (Revised)	Separate Financial Statements		✓	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
PAS 28	Investments in Associates	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions <i>[superseded by PFRS 7]</i>			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓



**PHILIPPINE INTERPRETATIONS – IFRIC**

No.	Title	Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC–1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC–2	Members' Share in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC–4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC–5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC–6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC–7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC–9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
Philippine Interpretation IFRIC–10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC–12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC–13	Customer Loyalty Programmes			✓
Philippine Interpretation IFRIC–14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendment to Philippine Interpretation IFRIC–14, Prepayments of a Minimum Funding Requirement			✓
Philippine Interpretation IFRIC–16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC–17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC–18	Transfers of Assets from Customers			✓
Philippine Interpretation IFRIC–19	Extinguishing Financial Liabilities with Equity Instruments			✓

**PHILIPPINE INTERPRETATIONS – SIC**

No.	Title	Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC–7	Introduction of the Euro			✓
Philippine Interpretation SIC–10	Government Assistance - No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC–12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
Philippine Interpretation SIC–13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
Philippine Interpretation SIC–15	Operating Leases - Incentives	✓		
Philippine Interpretation SIC–21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	✓		
Philippine Interpretation SIC–25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
Philippine Interpretation SIC–27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC–29	Disclosure - Service Concession Arrangements			✓
Philippine Interpretation SIC–31	Revenue - Barter Transactions Involving Advertising Services			✓
Philippine Interpretation SIC–32	Intangible Assets - Web Site Costs			✓



# REYES TACANDONG & Co.

FIRM PRINCIPLES. WISE SOLUTIONS.

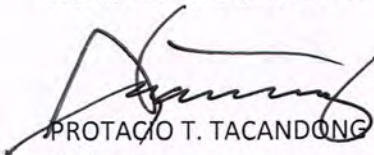
PHINMA Plaza  
39 Plaza Drive, Rockwell Center  
Makati City 1200 Philippines  
www.reyestacandong.com  
Phone: +632 982 9100  
Fax : +632 982 9111  
BOA/PRC Accreditation No. 4782  
November 12, 2012, valid until December 31, 2015  
SEC Accreditation No. 0207-FR-1 (Group A)  
September 6, 2013, valid until September 5, 2016

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Roxas and Company, Inc. as at and for the year ended September 30, 2013 and have issued our report thereon dated December 13, 2013. Our audit was made for the purpose of forming an opinion on the separate financial statements taken as a whole. The accompanying supplementary schedule of retained earnings available for dividend declaration as at September 30, 2013 is the responsibility of the Company's management. This schedule is presented for the purpose of complying with SEC Memorandum Circular No. 11, Series of 2008 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the separate financial statements taken as a whole.

### REYES TACANDONG & CO.



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

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

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 3670310

Issued January 2, 2013, Makati City

December 13, 2013  
Makati City, Metro Manila

**ROXAS AND COMPANY, INC**

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**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**

**AVAILABLE FOR DIVIDEND DECLARATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**(Amounts in Thousands)**

Retained earnings, beginning	P1,403,603
Restricted retained earnings, beginning	(486,620)
Deferred tax assets, beginning	(1,279)
<hr/>	
Unrestricted retained earnings as adjusted to available for dividend distribution, beginning	915,704
Add (deduct):	
Net income actually earned/realized during the period:	
Net income during the period closed to retained earnings	42,562
Decrease in deferred tax assets	(283)
Actuarial gain	(110)
<hr/>	
Unrestricted retained earnings as adjusted to available for dividend distribution, end	<b>P957,873</b>
<hr/>	



# REYES TACANDONG & Co.

FIRM PRINCIPLES. WISE SOLUTIONS.

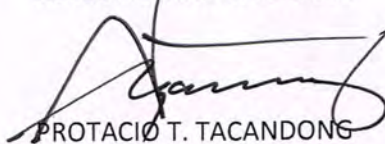
PHINMA Plaza  
39 Plaza Drive, Rockwell Center  
Makati City 1200 Philippines  
www.reyestacandong.com  
Phone: +632 982 9100  
Fax : +632 982 9111  
BOA/PRC Accreditation No. 4782  
November 12, 2012, valid until December 31, 2015  
SEC Accreditation No. 0207-FR-1 (Group A)  
September 6, 2013, valid until September 5, 2016

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Roxas and Company, Inc. and Subsidiaries (the Group) as at and for the year ended September 30, 2013, and have issued our report thereon dated December 13, 2013. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The attached Corporate Structure of the Group as at September 30, 2013 is the responsibility of the Group's management. The attached Corporate Structure is presented for purposes of complying with Securities Regulation Code Rule 68 Part II and is not part of the consolidated financial statements. The said attachment have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

### REYES TACANDONG & CO.



PROTACIO T. TACANDONG

Partner

CPA Certificate No. 25006

Tax Identification No. 105-309-124-000

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

SEC Accreditation No. 1024-AR-1 Group A

Valid until September 23, 2016

BIR Accreditation No. 08-005144-2-2013

Valid until November 26, 2016

PTR No. 3670310

Issued January 2, 2013, Makati City

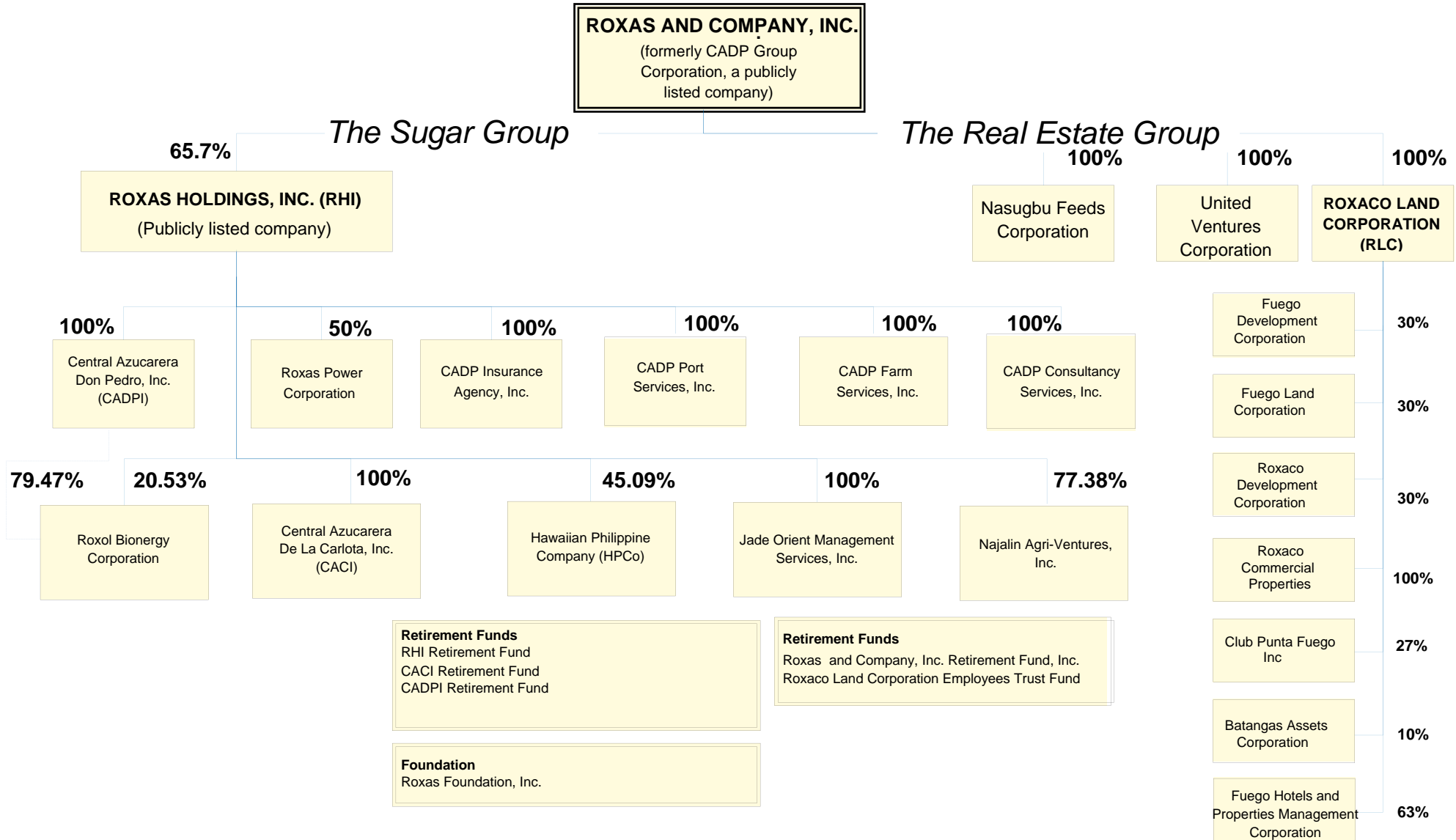
December 13, 2013

Makati City, Metro Manila

# ROXAS AND COMPANY, INC. AND SUBSIDIARIES

## ORGANIZATIONAL STRUCTURE

September 30, 2013




Issuer

**ROXAS AND COMPANY, INC.**

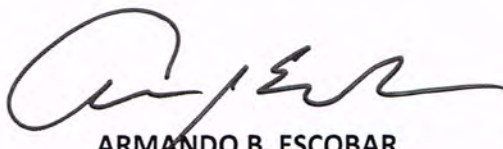
Pursuant to the requirements of Section 17 of Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.

By:



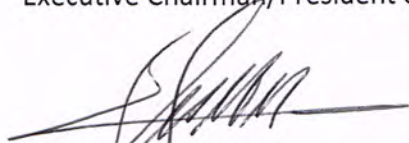
**PEDRO E. ROXAS**

Executive Chairman/President & CEO



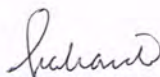
**ARMANDO B. ESCOBAR**

Vice President – Chief Finance Officer



**ALEZANDRO S. CASABAR**

Assistant Corporate Secretary




**VIRGINIA R. ALCAIDE**

Finance Manager

**SUBSCRIBED AND SWORN** to before me this JAN 27 2014 in Makati City affiants exhibiting to me their respective Passports and Community Tax Certificates, as follows:

<u>Names</u>	<u>Competent ID</u>	<u>Date of Issue/Expiry</u>	<u>CTC/Issue Date</u>	<u>Place of Issu</u>
Pedro E. Roxas	EB0094507	13 Apr. 2010- 12 Apr. 2015	10707422/20 Feb. 2013	Makati City
Armando B. Escobar	LTO No.N16-82-005238 SSS ID#03-6432908-7	Expires 25 Jan. 2016		
Alezandro S. Casabar	IBP Lifetime Membership ID No. 07519 XX0850429			
Virginia R. Alcaide	LTO No. N26-05-002298	Expiry 15 Aug. 2016		

Doc. No. 490  
Page No. 99  
Book No. I  
Series of 2014.



**ATTY LOUIE R. ESCUTIN**  
NOTARY PUBLIC UNTIL DEC 2014  
PTR NO 4398898/MAKATI CITY/JAN 2, 2014  
IBP LIFETIME MEMBERSHIP NO 40817  
MCLE COMPLIANCE NO. 111-0016977



101132014002342



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

### Barcode Page

The following document has been received:

**Receiving Officer/Encoder** : Marites S. Guevarra  
**Receiving Branch** : SEC Head Office  
**Receipt Date and Time** : January 13, 2014 03:05:22 PM  
**Received From** : Head Office

Company Representative

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Doc Source

Company Information

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**SEC Registration No.** PW00000834  
**Company Name** ROXAS AND COMPANY, INC.  
**Industry Classification**  
**Company Type** Stock Corporation

### Document Information

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**Document ID** 101132014002342  
**Document Type** 17-L (FORM 11-L:NTCE TO DELAY RPT)  
**Document Code** 17-L  
**Period Covered** January 13, 2014  
**No. of Days Late** 0  
**Department** CFD  
**Remarks**



P W 0 0 0 0 0 8 3 4

R O X A S A N D C O M P A N Y , I N C .  
( F O R M E R L Y C A D P G R O U P  
C O R P O R A T I O N )

(Company's Full Name)

7 T H F L O O R C G B U I L D I N G  
1 0 1 A G U I R R E S T R E E T L E G A S P I  
V I L L A G E M A K A T I C I T Y

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

ATTY. ALEZANDRO S. CASABAR

810-8901

September 30  
Month Day  
Fiscal Year

SEC Form 17-L  
Form Type

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

3,459

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes



## Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. [ ]

(b) The subject amended annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date []; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth (5<sup>th</sup>) day following the prescribed due date. [ ]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. [ ]

## Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed.)

**RCI will not be able to file its Annual Report on SEC Form 17-A for the fiscal year ended 30 September 2013 on or before the 13 January 2014 deadline because both its sugar and real estate subsidiaries are still finalizing the material information on their business risks, financial conditions and results of operations.**

**Without the information from its subsidiaries, RCI will not be able to make a complete report.**

**In view of this, RCI requests permission to submit the report on or before 28 January 2014.**

## Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification:

**Atty. Alejandro S. Casabar**  
Assistant Corporate Secretary/ Compliance Officer  
7<sup>th</sup> Floor, Cacho-Gonzales Bldg.  
101 Aguirre Street, Legaspi Village  
1229 Makati City, Metro Manila  
810-8901 / 751-9537

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period, been filed with the SEC?  
SEC Form 17-L Instructions February 2001

period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes  No  Reports: .....

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes  No

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

**SIGNATURE**

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**ROXAS AND COMPANY, INC.**

By:



**ALEZANDRO S. CASABAR**

Assistant Corporate Secretary/ Compliance Officer

10 January 2014.