

SEC Registration Number

P W - 8 3 4

Company Name

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

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

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  
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

Form Type

SEC Form 17-Q

Department requiring the report

C R M D

Secondary License Type, If Applicable

Not Applicable

COMPANY INFORMATION

Company's Email Address

asc@roxaco.com

Company's Telephone Number/s

(02) 810-8901

Mobile Number

Not Applicable

No. of Stockholders

3,393

Annual Meeting  
Month/Day

4<sup>th</sup> Wednesday of February

Fiscal Year  
Month/Day

September 30

CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Alejandro S. Casabar

Email Address

asc@roxaco.com

Telephone Number/s

(632) 751-9536

Mobile Number

Not applicable

Contact Person's Address

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

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

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q  
QUARTERLY REPORT PURSUANT TO SECTION 17 OF  
THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER**

1. For the quarterly period ended: **31 March 2015.**
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. **7F 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. **Not Applicable**  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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	<b>1,921,501,094</b>
Amount of loans outstanding as of 31 Mar. 2015	<b>₱667,624,000.00</b>

Of the 1,921,501,094 subscribed and outstanding common shares, 1,365,990,294 shares were exempt securities under Section 10.1 of the SRC.

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

Yes []                      No []

1,921,501,094 common shares are registered with the Philippine Stock Exchange (PSE).

12. Check whether the issuer:

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

Yes []      No [  ]

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

Yes []      No [  ]

### **PART I – FINANCIAL INFORMATION**

Item 1. Financial Statements

**Please see Annex “A”.**

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

**Please see Annex “B”.**

### **PART II – OTHER INFORMATION**

1. New Projects or Investments in Another Project, Line of Business or Corporation

**On December 3, 2013, RLC entered into a 50%-50% Joint Venture Agreement with Singapore’s Vanguard Hotels Group to build a minimum of five “Go Hotels” in Metro Manila and in selected provincial destinations over the next two or three years. As of March 31, 2015, RLC has paid capital contribution amounting to P155.0 million.**

2. Composition of the Board of Directors:

<b>PEDRO E. ROXAS</b>	-	Chairman / President & CEO
<b>ANTONIO J. ROXAS</b>		
<b>FRANCISCO JOSE R. ELIZALDE</b>		
<b>CARLOS ANTONIO R. ELIZALDE</b>		
<b>RENATO C. VALENCIA</b>		
<b>CORAZON S. DE LA PAZ-BERNARDO</b>		Independent Director
<b>GUILLERMO D. LUCHANGCO</b>	-	Independent Director

3. Performance of the Corporation or result or progress of operations:  
**Required information is contained in Annexes "A" and "B".**
4. Suspension of operations:  
**None for the period.**
5. Declaration of dividends:  
**On 12 December 2014, the Board of Directors approved Php0.02 cash dividend per share for stockholders of record as of 16 January 2015 and payment date on 30 January 2015.**
6. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements:  
**On December 3, 2013, RLC entered into a 50%-50% Joint Venture Agreement with Singapore's Vanguard Hotels Group to build a minimum of five "Go Hotels" in Metro Manila and in selected provincial destinations over the next two or three years. As of March 31, 2015 RLC has paid capital contribution amounting to P155.0 million.**
7. Financing through loans:  
**Proceeds from availment of short-term loan amounting to P340.9 million were used for the working capital requirements, purchase of additional Roxas Holdings, Inc. shares and real estate projects of the group.**
8. Offering of rights, granting of Stock Options and corresponding plans therefor:  
**None for the period.**
9. Acquisition of other capital assets or patents, formula or real estates:  
**None for the period.**
10. Any other information, event or happening that may affect the market price of the Company's shares:  
**None for the period.**
11. Transferring of assets, except in the normal course of business:  
**None for the period.**

SIGNATURE

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

**ROXAS AND COMPANY, INC.**

Issuer

By:

A handwritten signature in black ink, appearing to read 'Alejandro S. Casabar', is written over a horizontal line.

**ALEZANDRO S. CASABAR**

Assistant Corporate Secretary/Compliance  
Officer

Date: 15 May 2015



# **ANNEX "A"**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**Second Quarter Ending March 31, 2015 and 2014**

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2015 AND SEPTEMBER 30, 2014**  
(Amounts in Thousands)

	Note	March 31, 2015 (Unaudited)	September 30, 2014 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	₱32,860	₱139,791
Trade and other receivables	8	377,523	194,142
Real estate for sale and development	9	471,735	441,012
Other current assets	10	86,588	70,008
Total Current Assets		988,706	844,953
<b>Noncurrent Assets</b>			
Receivables - net of current portion	8	31,930	2,387
Investments in associates and a joint venture	11	2,436,894	2,167,405
Property and equipment	12	4,959	4,444
Investment properties	13	4,440,125	4,448,544
Net deferred tax assets	25	4,518	4,792
Other noncurrent assets		33	-
Total Noncurrent Assets		6,918,458	6,627,571
		₱7,887,165	₱7,472,524
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term borrowings	14	₱433,300	₱92,386
Current portion of long-term borrowings	15	62,500	22,500
Trade and other payables	16	303,894	176,173
Dividends payable	18	5,459	5,298
Total Current Liabilities		805,153	296,357
<b>Noncurrent Liabilities</b>			
Long-term borrowings - net of current portion	15	171,824	236,475
Net retirement liability	17	6,729	6,729
Total Noncurrent Liabilities		178,553	243,204
Total Liabilities		983,706	539,561

(Forward)

	Note	March 31, 2015 (Unaudited)	September 30, 2014 (Audited)
<b>Equity attributable to the Equity Holders of the Parent Company</b>			
Capital stock	18	₱2,911,886	2,911,886
Additional paid-in capital	18	1,611,393	1,611,393
Treasury stock	18	(1,683,654)	(1,683,654)
Other equity reserves		279,225	289,263
Retained earnings		3,778,632	3,809,706
		<b>6,897,482</b>	<b>6,938,594</b>
<b>Noncontrolling Interests</b>		<b>5,977</b>	<b>(5,631)</b>
<b>Total Equity</b>		<b>6,903,459</b>	<b>6,932,963</b>
		<b>₱7,887,165</b>	<b>₱7,472,524</b>

See accompanying Notes to Consolidated Financial Statements.

Certified true and correct:



ARMANDO B. ESCOBAR  
CEO



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

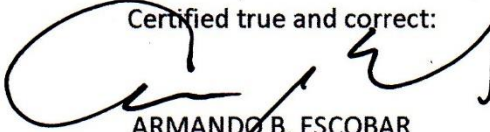
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014**  
**[Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share Data]**

	Note	Three Months		Six Months	
		2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
REVENUE	20	<b>₱48,487</b>	₱42,475	<b>₱80,721</b>	₱49,264
COST OF SALES	21	<b>(36,751)</b>	(17,381)	<b>(56,030)</b>	(27,359)
GROSS INCOME		<b>11,736</b>	25,094	<b>24,691</b>	21,905
GENERAL AND ADMINISTRATIVE EXPENSES	22	<b>(27,037)</b>	(16,422)	<b>(50,241)</b>	(44,527)
EQUITY IN NET EARNINGS OF ASSOCIATES	11	<b>39,450</b>	79,367	<b>42,559</b>	96,227
SELLING EXPENSES	22	<b>(5,855)</b>	(4,969)	<b>(13,274)</b>	(8,946)
INTEREST EXPENSE	15	<b>(3,756)</b>	(59)	<b>(7,343)</b>	(9,653)
GAIN ON SALE OF INVESTMENT IN A SUBSIDIARY	6	-	-	-	1,316,942
OTHER INCOME - Net	24	<b>10,368</b>	(2,144)	<b>12,842</b>	14,068
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX		<b>24,906</b>	80,867	<b>9,234</b>	1,386,016
INCOME TAX EXPENSE		<b>(299)</b>	(519)	<b>(586)</b>	(519)
NET INCOME FROM CONTINUING OPERATIONS		<b>24,606</b>	80,348	<b>8,647</b>	1,385,497
NET INCOME FROM DISCONTINUED OPERATIONS	6	-	-	-	41,816
<b>NET INCOME</b>		<b>₱24,606</b>	₱80,348	<b>₱8,647</b>	₱1,427,313
Net income attributable to:					
Equity holders of the Parent Company		<b>₱24,955</b>	₱80,348	<b>₱8,650</b>	₱1,413,127
Noncontrolling interests		<b>(349)</b>	-	<b>(3)</b>	14,186
		<b>₱24,606</b>	₱80,348	<b>₱8,647</b>	₱1,427,313

(Forward)

	Note	Three Months		Six Months	
		2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
<b>BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>					
	26	<b>₱0.0230</b>	₱0.03	<b>₱0.005</b>	₱0.49
<b>Net Income from Continuing Operations</b>		<b>0.0230</b>	<b>0.03</b>	<b>0.005</b>	₱0.48
<b>Net Income from Discontinued Operations</b>		-	-	-	₱0.01

See accompanying Notes to Consolidated Financial Statements.

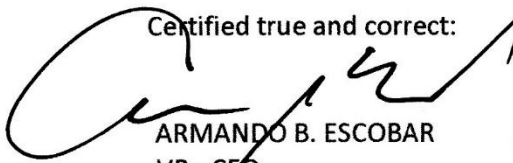
Certified true and correct:  
  
ARMANDO B. ESCOBAR  
VP - CFO

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE AND SIX-MONTH PERIODS ENDED MARCH 31, 2015 and 2014**  
**(Amounts in Thousands)**

	Three Months		Six Months	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
<b>NET INCOME</b>	<b>₱24,606</b>	<b>₱80,348</b>	<b>₱8,647</b>	<b>₱1,427,313</b>
<b>OTHER COMPREHENSIVE LOSS</b>				
<i>Not to be reclassified in profit or loss when realized</i>				
Actuarial loss on retirement liability, net of deferred tax	-	(5,811)	-	(5,811)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱24,606</b>	<b>₱74,538</b>	<b>₱8,647</b>	<b>₱1,421,502</b>
Total comprehensive income (loss) attributable to:				
Equity holders of the Parent Company	<b>₱24,955</b>	<b>₱74,538</b>	<b>₱8,650</b>	<b>₱1,407,316</b>
Noncontrolling interests	<b>(349)</b>	-	<b>(3)</b>	14,186
	<b>₱24,606</b>	<b>₱74,538</b>	<b>₱8,647</b>	<b>₱1,421,502</b>

*See accompanying Notes to Consolidated Financial Statements.*

Certified true and correct:

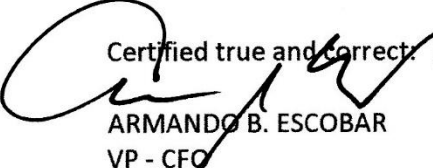


ARMANDO B. ESCOBAR  
VP - CFO

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIODS ENDED MARCH 31, 2015 and 2014**  
**(Amounts in Thousands)**

	Note	2015 (Unaudited)	2014 (Unaudited)
<b>CAPITAL STOCK</b>	18	<b>₱2,911,886</b>	<b>₱2,911,886</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>	18	<b>1,611,393</b>	<b>1,611,393</b>
<b>TREASURY STOCK - at cost</b>	18	<b>(1,683,654)</b>	<b>(1,683,654)</b>
<b>REVALUATION INCREMENT ON LAND</b>	18	<b>280,090</b>	<b>280,090</b>
<b>SHARE IN FAIR VALUE RESERVE OF AN ASSOCIATE</b>	11	<b>5,129</b>	<b>5,179</b>
<b>CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT LIABILITY</b>	12	<b>(5,994)</b>	<b>(5,811)</b>
<b>RETAINED EARNINGS</b>	18		
<b>Unappropriated</b>			
Balance at beginning of period		<b>2,124,761</b>	2,291,154
Net income		<b>8,647</b>	1,413,127
Cash dividends		<b>(38,430)</b>	(38,430)
Effect of changes in ownership interest in subsidiaries		-	57,124
Acquisition of treasury stock		-	(1,683,654)
Balance at end of period		<b>2,094,978</b>	2,039,321
<b>Appropriated</b>	18		
Balance at beginning of period		<b>1,683,654</b>	-
Acquisition of treasury stock		-	1,683,654
Balance at end of period		<b>1,683,654</b>	1,683,654
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>6,897,482</b>	<b>6,842,058</b>
<b>NONCONTROLLING INTERESTS</b>			
Balance at beginning of period		<b>5,631</b>	1,910,185
Net income		<b>346</b>	14,186
Effect of changes in ownership interest in subsidiaries		-	(1,906,812)
Balance at end of period		<b>5,977</b>	17,559
		<b>₱6,903,459</b>	<b>₱6,859,617</b>

See accompanying Notes to Consolidated Financial Statements.

  
 Certified true and correct.  
 ARMANDO B. ESCOBAR  
 VP - CFO

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014**  
**(Amounts in Thousands)**

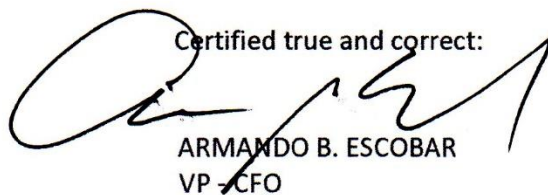
	Note	2015 (Unaudited)	2014 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax from:			
Continuing operations		<b>₱9,234</b>	₱1,385,883
Discontinued operations	6	-	54,287
Income before income tax		<b>9,234</b>	1,440,170
Adjustments for:			
Gain on sale of investment in a subsidiary	6	-	(1,316,942)
Equity in net earnings of associates	11	<b>(42,559)</b>	(96,227)
Interest expense	15	<b>5,383</b>	9,653
Interest income		<b>(4,331)</b>	(4,326)
Depreciation and amortization	12	<b>1,302</b>	991
Operating loss before working capital changes		<b>(30,971)</b>	33,319
Increase in:			
Trade and other receivables		<b>(212,924)</b>	(183,513)
Real estate for sale and development		<b>(22,304)</b>	(75,690)
Other current assets		<b>(12,325)</b>	(7,254)
Increase (Decrease) in trade and other payables		<b>127,348</b>	(9,970)
Net cash used for operations		<b>(151,176)</b>	(243,108)
Interest received		<b>4,331</b>	4,326
Net cash used in operating activities		<b>(146,845)</b>	(238,782)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			(1,683,654)
Investment in associates		<b>(269,489)</b>	(53,000)
Property and equipment		<b>(1,817)</b>	(2,273)
Dividends received		<b>38,803</b>	35,856
Increase (decrease) in other noncurrent asset		<b>(33)</b>	4,982
Proceeds from sale of investment in a subsidiary	6	-	2,220,388
Net cash provided by (used in) investing activities		<b>(232,536)</b>	522,299

(Forward)

	Note	2015 (Unaudited)	2014 (Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Long-term borrowings		(P24,651)	(P256,825)
Interest		(5,383)	(10,157)
Dividends paid		(38,430)	(37,641)
Net proceeds from short-term borrowings		340,914	9,000
Net cash provided by (used in) financing activities		272,450	(295,623)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(106,931)</b>	<b>(12,106)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>139,791</b>	<b>32,673</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	7	<b>P32,860</b>	<b>P20,567</b>

See accompanying Notes to Consolidated Financial Statements.

Certified true and correct:



ARMANDO B. ESCOBAR  
VP - CFO

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. 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 (SEC) on October 7, 1918, primarily to acquire, own, develop, sell and hold investment in real estate and sugar business. 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: Pesian Holdings, Inc. and SPCI Holdings, Inc. As at March 31, 2015 and 2014, the Company has 3,393 and 3,428 equity holders, respectively.

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

	Line of Business	Percentage of Ownership	
		March 31, 2015	September 30, 2014
Roxaco Land Corporation (RLC)	Real estate	100.00	100.00
United Ventures Corporation (UVC)	Warehouse leasing	100.00	100.00
Nasugbu Feeds Corporation (NAFECOR)	Manufacturing	100.00	100.00

All the subsidiaries were incorporated and domiciled in the Philippines. The Parent Company and Subsidiaries are collectively referred to as the Group.

On February 27, 2015, the Parent Company bought additional 38.12 million shares amounting to ₱231.8 million from various stockholders to maintain its 31% equity ownership of RHI since First Pacific bought ₱1.7 billion worth of additional shares to gain control with a 50.9% stake.

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 (see Note 6). 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 RHI from other stockholders (see Note 11). The Group undertook various Reorganization/Restructuring Programs as approved by the SEC see Note 18). (As a result of the programs:

- RHI acquired on December 16, 2008 all the sugar-related operating subsidiaries of CADPGC (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-Philippines Company - HPCo).
- RHI sold on June 23, 2009 its investment in CADPGC to Roxas & Company, Inc. (RCI), an entity incorporated on December 16, 1981 and domiciled in the Philippines.

- CADPGC, as the surviving entity, merged with RCI in June 29, 2009 through a share swap of 11.71 CADPGC shares for every share of RCI pursuant to an approval by the SEC on June 23, 2009. On the same date, the SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc. (the Parent Company).

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

---

## 2. Basis of Preparation and Statement of Compliance

The unaudited interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for 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 unaudited interim 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 unaudited interim consolidated financial statements, which have been prepared by the Group to be filed with the Philippine SEC for its quarterly reporting to comply with the amended Securities Regulation Code Rule 68, do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended September 30, 2014.

---

## 3. Summary of Changes in Accounting Policies

### Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine

Interpretation from International Financial Reporting Interpretation Committee (IFRIC) which the Company adopted effective January 1, 2014:

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* — The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) 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.
- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* — These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating



units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* – These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.
- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements - Investment Entities* – These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

The adoption of the foregoing new and revised PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

#### New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the period ending March 31, 2015 and have not been applied in preparing the financial statements are summarized below.

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

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation* – The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses; or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.
- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* – The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.
- Amendments to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is

required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

- Amendments to PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization* – The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses; or (b) the accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with PAS 38.

- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* – The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination and investment property requires the separate application of PAS 40 and PFRS 3, *Business Combination*.
- Amendment to PFRS 1, *First-time Adoption of International Financial Reporting Standards - Meaning of Effective PFRSs* – This amendment clarifies the meaning of 'each PFRS effective at the end of an entity's first PFRS reporting period' as used in PFRS 1. Consequently, if a first-time adopter chooses to early apply a new PFRS, that new PFRS will be applied throughout all the periods presented in its first PFRS financial statements on a retrospective basis, unless PFRS 1 provides an exemption or an exception that permits or requires otherwise.
- Amendment to PFRS 2, *Share-based Payment - Definition of Vesting Condition* – This amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- Amendments to PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination and Scope Exceptions for Joint Ventures* – The amendments require that the contingent consideration that is classified as an asset or liability is measured at fair value at each reporting date and changes in fair value are recognized in profit or loss, including contingent considerations that are classified as financial instrument.

The amendments also clarifies that the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself is excluded in the scope of PFRS 3.

- Amendments to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* – The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar

economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker.

- Amendments to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendments clarify that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

It also clarifies that the scope of the portfolio exception includes all contracts accounted for within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities.

Effective for annual periods beginning on or after January 1, 2016 –

- PFRS 14, *Regulatory Deferral Accounts* – This standard specifies the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

Effective for annual periods beginning on or after January 1, 2017 –

- PFRS 15, *Revenue from Contracts with Customers* – This standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, timing, and uncertainty revenue and cash flows arising from a contract with a customer.

Effective for annual periods beginning on or after January 1, 2018 –

- PFRS 9, *Financial Instruments: Classification and Measurement* – This standard establishes principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amount, timing and uncertainty of an entity's future cash flows.

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

---

#### 4. Summary of Significant Accounting and Financial Reporting Policies

##### Basis of Consolidation

The unaudited interim consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, which it controls. 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 as at December 31, 2014 and September 30, 2014:

	Percentage of Ownership		Line of Business	Year End
	March 31, 2015	September 30, 2014		
RLC	100.00	100.00	Real estate	September 30
UVC	100.00	100.00	Warehouse leasing	December 31
NAFECOR*	100.00	100.00	Manufacturing	December 31

\* On April 10, 2008, its BOD approved the cessation of operations, closure of business and dissolution of NAFECOR.

The following are the subsidiaries of RLC as at March 31, 2015 and September 30, 2014:

	Effective Percentage of Ownership	Line of Business
Roxaco Commercial Properties Corporation (RCPC)*	100.00	Real estate
SAMG Memorial and Management Services, Inc. (SMMSI)	100.00	Funeral and related services
Fuego Hotels and Properties Management Corporation (FHPMC)	75.33	Hotel and resort management

\*RCPC has not yet started commercial operations.

The unaudited interim 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 unaudited interim 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 unaudited interim consolidated financial statements.

The financial statements of the subsidiaries are included in the unaudited interim consolidated financial statements from the date when the Parent Company obtains control and continue to be unaudited interim 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 unaudited interim 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 FHPMC not held by the Group, directly or indirectly, and are presented separately in the unaudited interim consolidated statement of income and within the equity section of the unaudited interim consolidated statement of financial position and unaudited interim 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 acquiree are assigned to those units.

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

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

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

*Discontinued Operations.* A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that had been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of income and consolidated statement of comprehensive income are presented as if the operation had been discontinued from the start of the comparative year. In the consolidated statement of income of the reporting year, and of the comparable previous year, income and expense from discontinued operations are reported separately from income and expenses of continuing operations down to the level of net income, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting net profit or loss is reported separately in the consolidated statement of income.

#### Financial Instruments

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the interim 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 March 31, 2015 and September 30, 2014.

*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 cash equivalents, receivables, and restricted cash included in "Other current assets" (see Notes 10 and 19).

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 interim consolidated statement of comprehensive income and in the equity section of the interim 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 March 31, 2015 and September 30, 2014.

*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 December 31, 2014 and September 30, 2014 (see Notes 14, 15, 16, 18 and 19).

*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 interim consolidated statement of comprehensive income and presented in the interim 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.

*Offsetting Financial Instruments.* Financial assets and liabilities are offset and the net amount reported in the interim 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 interim consolidated statement of financial position.

#### Fair Value Measurement

The Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Information about the assumptions made in measuring fair value is included in the following notes:

- Note 5, Significant Judgments, Accounting Estimates and Assumptions, Valuation of Land under Revaluation Basis and Determination of Fair Value of Investment Properties
- Note 12, Property and Equipment
- Note 13, Investment Properties
- Note 28, Financial Instruments

#### 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.

#### Investment in a Joint Operation

Joint operation is when a joint arrangement is not structured through a separate vehicle. The Group recognizes its interest based on its involvement in the joint operation. The sharing of profits is in proportion to the parties' capital contributions.

#### 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.

#### Investment in a Joint Venture

RLC has interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control.

Interest in a joint venture is initially recognized at cost and subsequently accounted for under the equity method of accounting. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject joint control, and a jointly controlled entity is a joint venture that involves establishment of a separate entity in which each venture has an interest.

Under the equity method of accounting, the interest in a joint venture is carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture, less any impairment in value. The share in the results of the operations of the joint venture is recognized in profit or loss. The Group's share of post-acquisition movements in the joint venture's equity reserves is recognized directly in equity. Profits or losses resulting from the transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the interest.

After the application of the equity method, the Group determines at the end of each reporting year whether there is any objective evidence that the interest is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the interest and recoverable amount and recognizes the difference in profit or loss.

#### Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value. 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.

Depreciation on depreciable property 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	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 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 comprise land for future development and completed property that are held either to earn rentals or for capital appreciation or both and that are not occupied by the entities in the Group.

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

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

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

### Impairment of Nonfinancial Assets

The carrying values of investments in associates and a joint venture, property 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.

*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.

#### 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 PRFS.

#### 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 Real Estate.* The Company assesses whether it is probable that the economic benefits will flow to the Company when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuing investments gives the buyer a stake in the property sufficient that the risk of loss through default that motivates the buyer to honor its obligation to the Company. Collectability is also assessed by considering factors such as collections, credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01 the percentage of completion method is used to recognize income from sales of projects where the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' deposits" account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" account in the liabilities section of the consolidated Statement of financial position.

For income tax purposes, full recognition of revenue from real estate sales is applied when more than 25% of the sales price has been collection in the year of sale. Otherwise, the installment method is applied.

*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 Income.* Other income is recognized when services are rendered and when good are received.

#### 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 Real Estate Sales.* 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.

Contract costs include all direct materials, labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions, estimated probability, including those arising from contract penalty provisions, and final contract settlements, which may result in revisions to estimated costs and gross profit, are recognized in the year in which the changes are determined.

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

Employee Benefits Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term employee benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses and non-monetary benefits.

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

*Retirement Benefits.* The Parent Company and RLC, have 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.

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

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.



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

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

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

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

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

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

#### Borrowing Costs

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

#### Foreign Currency -denominated Transactions and Translations

Items included in the interim 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, carry forward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carry forward 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.

*Value-Added Tax.* 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 interim unaudited consolidated statement of financial position.

#### Related Parties Relationship and Transactions

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

#### 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. As a result of the deconsolidation of RHI (see Note 1), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 29).

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

#### Contingencies

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

#### Events after the Reporting Period

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

---

## 5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the unaudited interim 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 interim 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 summary of significant judgments, accounting estimates and assumptions disclosed in the Group's annual consolidated financial statements as at September 30, 2014

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 unaudited interim 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 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 December 31, 2014 and September 30, 2014 are the real estate and other segments, which are not reported separately (see Note 29).

*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 existing 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.

The Group, as a lessee, has 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.

*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.

*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. During the fiscal year ended September 30, 2014, the Group reviewed the collectability of the sales price based on historical trends. Management, then, assessed that collectability of the sales price is reasonably assured when the Group collects at least 10% 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 year 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.* Allowance for impairment losses on trade and other receivables and due from related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The allowance is established by charging against income in the form of provision for impairment losses on trade and other receivables. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective assessment of impairment is made on a portfolio or group basis after performing a regular review of age and status of the portfolio or group of accounts relative to historical collections, changes in payment terms, and other factors that may affect ability to collect payments.

*Determination of NRV of Real Estate for Sale and Development.* The Group's estimates of the NRV of 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 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 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.

*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 year.

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, and “Share in revaluation increment on land of an associate”, net of the related deferred tax, in the equity section of the interim unaudited consolidated statements of financial position and in the consolidated statements of changes in equity.

*Estimation of Useful Lives of Property and Equipment.* The useful life of each of the Group’s items of property 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 and equipment would impact the recorded operating expense and noncurrent assets.

There was no change in the estimated useful lives of property and equipment in 2014 and 2013.

*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 2,300.6 hectares and total value of ₱4,046.0 million and ₱4,021.5 million as at September 30, 2014 and 2013, respectively, are stated at fair value amounting to ₱ 4,440.1 million as at March 31, 2015 and September 30, 2014 (see Note 13).

The Parent Company filed a Petition for Certiorari with the Court of Appeals (CA) regarding the denial by the Department of Agrarian Reform (DAR) of its protest against the wrongful coverage of its land properties. As at March 31, 2015, the protest is still pending before the CA (see Note 27).

*Assessment of Impairment of Nonfinancial Assets.* The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below 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.

There were no impairment indicators for the foregoing nonfinancial assets in 2015 and 2014. Accordingly, the Group has not recognized any impairment loss.

*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 17 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 years and therefore, generally affect the recognized expense and recorded obligation in such future years.

*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 shall account for any legal and financial liabilities arising from the land properties subject to CARL upon the resolution of ownership by the Court (see Note 27).

*Assessment of Realizability 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.

---

## 6. Disposal of a Subsidiary

As discussed in Note 1, on November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific for a total consideration of ₱2,220.4 million. 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 RHI from other stockholders. The sale resulted to a gain amounting to ₱1,316.9 million. Subsequent to the sale, the remaining investment in RHI with fair value of ₱1,709.5 million is classified as investment in an associate (see Note 11).

Consequently, the Parent Company has lost its control over RHI with the dilution of its equity interest from 65% to 35%. The loss of control is considered as a deemed disposal of a subsidiary in accordance with the Amended PFRS 5, Non-current Assets Held for Sale and Discontinued Operations.



The results of operations of RHI and its subsidiaries for the two-month period ended November 29, 2013 included under “Net income from discontinued operations” account are summarized below:

	Note	2014 (Two Months)
Revenue	20	₱1,194,430
Cost of sales	21	(954,041)
Gross income		240,389
General and administrative expenses	22	(128,708)
Interest expense		(63,623)
Selling expenses	22	(5,687)
Interest income		44
Other income - net	24	11,612
Income before income tax		54,027
Income tax expense (benefit)	25	12,211
Net income		41,816
Remeasurement gain (loss) on retirement liability, net of deferred tax		458
Revaluation increment on land		–
<b>Total comprehensive income</b>		<b>₱42,274</b>
Net income attributable to:		
Parent Company		₱41,866
Noncontrolling Interest		(50)
		<b>₱41,816</b>
Total comprehensive income attributable to:		
Parent Company		₱42,324
Noncontrolling Interest		(50)
		<b>₱42,274</b>

The net cash provided by discontinued operations for the two-month period ended November 29, 2013 are as follows:

Net cash provided by (used in):	
Operating activities	(₱51,784)
Investing activities	217,295
Financing activities	(160,992)
Net increase in cash and cash equivalents	4,519
Cash and cash equivalents at beginning of period	165,953
<b>Cash and cash equivalents at end of period</b>	<b>₱170,472</b>

## 7. Cash and Cash Equivalents

This account consists of:

	March 31, 2015	September 30, 2014
Cash on hand	₱180	₱256
Cash in banks	32,510	36,972
Cash equivalents	170	102,563
	<b>₱32,860</b>	<b>₱139,791</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn interest ranging from 0.4% to 1% in 2014.

Interest income earned on cash in banks and cash equivalents amounted to ₱2.0 million and ₱0.6 million for the six-month periods ended March 31, 2015 and in 2014, respectively.

## 8. Trade and Other Receivables

This account consists of:

	Note	March 31, 2015	September 30, 2014
Trade		<b>₱213,214</b>	₱133,410
Due from:			
Related parties	19	<b>185,296</b>	61,246
Dividends		–	4,624
Employees		<b>2,019</b>	1,225
Others		<b>21,565</b>	9,427
		<b>422,095</b>	209,932
Allowance for impairment losses		<b>(12,641)</b>	(13,403)
		<b>₱409,453</b>	₱196,529

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

	March 31, 2015	September 30, 2014
Current	<b>₱377,523</b>	₱194,142
Noncurrent	<b>31,930</b>	2,387
	<b>₱409,453</b>	₱196,529

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

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

	March 31, 2015	September 30, 2014
Current	<b>₱146,357</b>	₱128,064
Noncurrent	<b>40,705</b>	2,387
	<b>₱187,062</b>	₱130,451

Due from employees salary and educational loans that are collected from the employees through salary deduction and advances subject to liquidation. The loans to employees are noninterest-bearing.

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

---

## 9. Real Estate for Sale and Development

This account consists of:

	<b>March 31, 2015</b>	September 30, 2014
Raw land and land improvements	<b>₱269,785</b>	₱402,603
Real estate properties for sale	<b>204,273</b>	40,732
	<b>474,058</b>	443,335
Allowance for impairment loss	<b>(2,323)</b>	(2,323)
	<b>₱471,735</b>	₱441,012

Capitalized borrowing costs incurred to finance the development of the Group's real estate projects amounted to ₱1.3 million and ₱3.4 million for six-month period ended March 31, 2015 and year ended September 30, 2014, respectively.

Provision for impairment loss on pre-development cost of a project amounting to ₱2.3 million was recognized in 2014.

Cost of real estate sales amounted to ₱56.03 million and ₱27.36 million in the six-month periods ended March 31, 2015 and 2014, respectively (see Note 21).

In 2014, certain properties with carrying amount of ₱20.2 million were damaged due to typhoon for which a loss on real estate for sale and development amounting to ₱0.7 million was recognized (see Note 16).

Certain properties for development owned by RLC amounting to ₱ 181.5 million as at September 30, 2014 and 2013 are being used as collateral for the loans availed by the Parent Company and RLC (see Note 16).

---

## 10. Other Current Assets

This account consists of:

	<b>March 31, 2015</b>	September 30, 2014
Creditable withholding taxes (Forward)	<b>₱61,438</b>	₱49,838
Input VAT	<b>14,396</b>	6,154
Others	<b>10,754</b>	14,016
	<b>₱86,588</b>	₱70,008

Input VAT mainly arises from purchases of goods and services for operations.

Other current assets consist of prepaid rent and others.

## 11. Investments in Associates and a Joint Venture

Movements of investments in associates and a joint venture are as follows

	Note	March 31, 2015	September 30, 2014
<b>Associates</b>			
Acquisition cost			
Balance at beginning of period		<b>₱1,889,724</b>	₱308,162
Addition	6	<b>266,335</b>	1,709,495
Effect of deconsolidation of RHI	6	–	(127,933)
Balance at end of period		<b>2,156,059</b>	1,889,724
Equity in net earnings			
Balance at beginning of period		<b>190,886</b>	310,989
Additions		<b>42,874</b>	196,941
Dividends received		<b>(38,803)</b>	(38,201)
Effect of deconsolidation of RHI	6	–	(278,843)
Balance at end of period		<b>194,957</b>	190,886
Unrealized loss on transfer of land		<b>(59,030)</b>	(59,030)
Share in:			
Fair value reserve		<b>5,129</b>	5,129
		<b>2,297,115</b>	2,027,626
Allowance for impairment losses		<b>(15,233)</b>	(15,233)
		<b>2,281,882</b>	2,012,393
<b>Joint Venture</b>			
Acquisition cost		<b>155,012</b>	155,000
Equity in net income		–	12
Balance at end of period		<b>155,012</b>	155,012
		<b>₱2,436,894</b>	₱2,167,405

On February 27, 2015, the Parent Company bought additional 38.12 million shares amounting to ₱231.8 million from various stockholders of RHI to maintain its 31% equity ownership in RHI since First Pacific bought ₱1.7 billion worth of additional shares to gain control with a 50.9% stake.

On November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to 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 RHI from other stockholders. As a result, the remaining 35% interest in RHI is now accounted for as an investment in associate (see Note 6).

On December 3, 2013, RLC entered into a 50%-50% Joint Venture Agreement with Singapore's Vanguard Hotels Group to build a minimum of five "Go Hotels" in Metro Manila and in selected provincial destinations over the next two or three years. In 2014, RLC has paid a capital contribution amounting to ₱155.0 million.

The following are the associates of the Group:

	Percentage of Ownership		Principal Activity
	2015	2014	
RADC (Forward)	<b>50.00<sup>(1)</sup></b>	50.00	Real estate developer

	Percentage of Ownership		Principal Activity
	2015	2014	
RHI and subsidiaries	30.96 <sup>(2)</sup>	–	Production and selling of sugar and related products
FLC	30.00 <sup>(1)</sup>	30.00	Real estate developer
FDC	30.00 <sup>(1)</sup>	30.00	Real estate developer
CPFI	25.20 <sup>(1)</sup>	25.20	Social recreational and athletic activities
HPCo	–	29.62 <sup>(3)</sup>	Production and selling of sugar and related products

(1) Effective ownership through RLC.  
(2) Effective February 27, 2015 (see Note 1).  
(3) Effective ownership through RHI.

All the associates are incorporated in the Philippines.

Investment in RADC amounting to ₱3.7 million was provided with allowance for impairment loss as at March 31, 2015 and September 30, 2014.

The accumulated equity in net earnings of associates amounting to ₱ 155.8 million and ₱190.9 million as at March 31, 2015 and September 30, 2014, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

## 12. Property and Equipment

Details and movements of this account follows:

	March 31, 2015					Total
	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	
<b>Cost</b>						
Balance at beginning of period	₱12	₱10,345	₱2,423	₱9,258	₱13,916	₱35,954
Additions	–	595	–	–	1,222	1,817
Reclassifications	–	–	–	–	–	–
Balance at end of period	12	10,940	2,423	9,258	15,138	37,771
<b>Accumulated Depreciation</b>						
Balance at beginning of period (Forward)	–	8,907	2,423	7,215	12,965	31,510
Depreciation and amortization	–	501	–	197	604	1,302
Balance at end of period	–	9,408	2,423	7,412	13,569	32,812
<b>Net Book Value</b>	<b>₱12</b>	<b>₱1,532</b>	<b>₱–</b>	<b>₱1,846</b>	<b>₱1,569</b>	<b>₱4,959</b>

	September 30, 2014						Total
	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
<b>Cost</b>							
Balance at beginning of period	₱12	₱2,786,167	₱12,065,825	₱34,587	₱85,047	₱101,929	₱15,073,567
Effect of deconsolidation of RHI	–	(2,774,870)	(12,063,402)	(27,389)	(71,837)	(141,606)	(15,079,104)
Additions	–	–	–	2,060	706	39,677	42,443
Reclassifications	–	(952)	–	–	–	–	(952)
Balance at end of period	12	10,345	2,423	9,258	13,916	–	35,954
<b>Accumulated Depreciation</b>							
Balance at beginning of period	–	1,087,762	5,985,281	29,591	74,358	–	7,176,992
Effect of deconsolidation of RHI	–	(1,184,235)	(5,982,858)	(29,458)	(63,095)	–	(7,259,646)
Depreciation and amortization	–	105,380	–	7,082	1,702	–	114,164
Balance at end of period	–	8,907	2,423	7,215	12,965	–	31,510
<b>Net Book Value</b>	<b>₱12</b>	<b>₱1,438</b>	<b>₱–</b>	<b>₱2,043</b>	<b>₱951</b>	<b>₱–</b>	<b>₱4,444</b>

As at December 31, 2014 and September 30, 2014, certain property and equipment were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 15).

### 13. Investment Properties

As at March 31, 2015 and September 30, 2014, this account consists of:

	Note	March 31, 2015	September 30, 2014
Land properties		<b>₱4,440,125</b>	₱4,440,125
Building		–	8,419
	8	<b>₱4,440,125</b>	₱4,448,544

Movements on investment properties are as follows:

	Note	March 31, 2015	September 30, 2014
Balance at beginning of period		<b>₱4,448,544</b>	4,624,331
Effect of deconsolidation of RHI	6	–	(191,837)
Unrealized fair value gains		–	16,050
Reclassification to Development Cost		<b>(8,419)</b>	–
Balance at end of period		<b>₱4,440,125</b>	4,448,544

#### The Parent Company

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of 2,300.6 hectares and total value of ₱ 4,046.0 million as at March 31, 2015 (see Note 27).

As at September 30, 2014 and 2013, 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 October 27, 2014 and October 25, 2012, respectively, as determined by a professionally qualified independent appraiser.

The SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve" to restricted retained earnings. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulting from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc. (see Note 18). The 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 in 2012. 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 18).

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, which was subsequently rediscounted.

On December 20, 2013, the Parent Company leased certain investment properties to a third party for a period of three crop years. Rent income recognized amounted to ₱0.4 and ₱0.3 million in March 31, 2015 and 2014, respectively (see Notes 24).

As at March 31, 2015, investment properties with carrying value of ₱6.8 million are used as collateral for the long-term borrowings (see Note 15).

#### RLC

Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas. The fair value of the investment property as at March 31, 2015 and September 30, 2014 are based on the appraisal reports dated November 17, 2013, as determined by a professionally qualified independent appraiser. Management believes that the fair value as at March 31, 2015 does not significantly differ from the fair value obtained in 2013.

RLC recognized unrealized loss on fair value adjustment amounting to ₱0.2 million in 2013 (see Note 25).

Rental income from investment property amounted to ₱0.06 million and ₱0.307 million for the six-month period ended March 31, 2015 and 2014, respectively (see Note 24).

The investment property was used as collateral for RLC's long-term borrowings (see Note 15).

*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.

---

#### **14. Short-term Borrowings**

This account 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 to 180 days in 2015 and bears annual interest ranging from 2.5% to 6.5%.

As at March 31, 2015 and September 30, 2014, short-term borrowings amounted to ₱433.3 million and ₱92.4 million, respectively.

## 15. Long-term Borrowings

This account consist of loans from:

	<b>March 31, 2015</b>	September 30, 2014
BPI	<b>₱143,228</b>	₱150,000
BDO	<b>91,096</b>	108,975
	<b>234,324</b>	258,975
Current portion	<b>(62,500)</b>	(22,500)
Noncurrent portion	<b>₱171,824</b>	₱236,475

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

	<b>March 31, 2015</b>	September 30, 2014
Parent Company	<b>₱142,500</b>	₱150,000
RLC	<b>91,824</b>	108,975
Noncurrent portion	<b>₱234,324</b>	₱258,975

### Loans of the Parent Company

#### *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 on January 2015 until 2019. Advance payment of ₱250.0 million was made in 2014.

Long-term borrowings of the Parent Company amounted to ₱142.5 million as at March 31, 2015 and September 30, 2014.

As at March 31, 2015 and September 30, 2014, the said loan is secured by real estate mortgages and pledge over shares of stock held by the Company as follows:

	Note	Amount
Shares of stock of RHI (99.6 million shares)		₱322,265
Real estate for sale and development of RLC	9	178,821
Investment property	13	6,838
Property and equipment	12	224
		<b>₱508,148</b>

### Loans of RLC

In 2013, the Company obtained a new term loan facility from BDO amounting to ₱130.0 million. The loan facility was released on a staggered basis, with the ₱85.0 million released in November 2012, the ₱20.0 million released in January 2013 and the remaining ₱25.0 million released in April 2013. The loans bear fixed interest of 4.25%, for the first 45 to 92 days and being repriced every 30 to 180 days. Principal amounts are payable quarterly after the one-year grace period as allowed by the bank for five years until 2018.



The loan facility is secured by RLC's real estate for sale and development amounting to ₱2.7 as at March 31, 2015 and September 30, 2014 (see Note 9).

Interest

Total interest expense recognized from short-term and long-term loans amounted to ₱7.3 million and ₱9.6 million for the six-month periods ended March 31, 2015 and in 2014, respectively.

Loan Covenants

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

- maintenance of debt service coverage ratio (DSCR) of at least 1.25 times and debt to equity ratio of not more than 70:30;
- prohibition on purchase of additional equipment except in pursuance of its sugar expansion and ethanol project;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management; and
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders, unless the required financial ratios are maintained.

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

As at March 31, 2015 and September 30, 2014, the Group is in compliance with these loan covenants, particularly on the required financial ratio.

Maturities of Long-term Borrowings

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

	March 31, 2015	September 30, 2014
Less than one year	₱63,228	₱22,500
Between one and two years	118,596	172,725
Between two and five years	52,500	63,750
	<b>₱234,324</b>	<b>₱258,975</b>

---

## 16. Trade and Other Payables

This account consists of:

	Note	March 31, 2015	September 30, 2014
Trade		₱36,736	₱61,689
Deferred Income		80,084	16,278
Customers' deposits		25,448	12,898
Due to:			
Related parties	19	88,511	54,479
Contractors		19,456	-
(Forward)			

Note	March 31, 2015	September 30, 2014
Accrued expenses:		
Outside services	12,783	864
Payroll and other benefits	9,471	1,515
Interest	2,750	22,266
Others	30	3,654
Payable to government agencies for taxes and statutory contributions	16,252	982
Retention payable	6,919	-
Others	5,454	1,548
	<b>₱303,894</b>	<b>₱176,173</b>

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

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

Details of customers' deposits are as follows:

	March 31, 2015	September 30, 2014
Real estate properties	₱25,448	₱12,799
Others	-	99
	<b>₱25,448</b>	<b>₱12,898</b>

Customers' deposits represent noninterest-bearing cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue.

Deferred income pertains to installment contract receivable from buyers in excess of the recognized sale of real estate based on percentage of completion.

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

## 17. Retirement Benefits

The Parent Company, RLC, and its associates, namely: RHI, CACI, and CADPI, maintain individual and separate funded non-contributory defined benefit plans covering all eligible employees.

### Retirement Benefits

The amounts recognized as retirement benefits in the consolidated statement of income year ended September 30, 2014 are as follows:

	2014
Current service cost	₱8,882
Interest cost	2,028
	<b>₱10,910</b>

The cumulative remeasurement gain (loss) on retirement liability recognized as other comprehensive income follows:

<b>2014</b>				
	Note	Cumulative Loss	Deferred Tax	Net
Balance at beginning of year		(P328,993)	P98,698	(P230,295)
Remeasurement gains		1,924	(577)	1,347
Effect of deconsolidation	6	331,535	(99,460)	232,075
Balance at end of year		P4,466	(P1,339)	P3,127

#### Retirement Liability

The retirement liability recognized in the consolidated statements of financial position for the six-month period ended March 31, 2015 and year ended September 30, 2014 are as follows:

Present value of obligation	P16,967
Fair value of plan assets	(10,238)
Retirement liability	P6,729

Movements in the defined benefit obligation are as follows:

	Note	2014
Balance at beginning of year		P529,865
Current service cost		8,882
Interest cost		4,642
Benefits paid		(2,950)
Actuarial loss (gain)		(4,749)
Effect of deconsolidation of RHI	6	(518,723)
Balance at end of year		P16,967

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

	Note	2014
Balance at beginning of year		P298,033
Actual return on plan assets		758
Benefits paid		(2,950)
Contributions		1,074
Actuarial gain (loss)		35,370
Effect of deconsolidation	6	(322,047)
Balance at end of year		P10,238

Plan assets of the Parent Company, RLC and RHI as at September 30, 2014 consist of cash.

The Parent Company and RLC are expected to contribute a total of P10.0 million to their respective retirement funds for fiscal year ending September 30, 2015. The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of 2014 follows:

	2014
Discount rate	3.84% to 3.89%
Future salary increases	5% to 6%

The sensitivity analysis based on reasonably possible changes of the assumptions as at September 30, 2014 are as follows:

	Change in Assumption	Effect on Retirement Liability
Discount Rate	+0.5%	(₱127,357)
	-0.5%	140,776
Salary Rate	+1%	277,971
	-1%	(232,257)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement liability was expressed as a percentage change from the base retirement liability.

Weighted average duration of the defined benefit liability is 16 years.

The expected return of 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 fund's past performance.

## 18. 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 shares as at September 30, 2014	2,911,885,869	₱2,911,885,869
Treasury shares - at cost	(990,384,775)	(1,683,654,117)
Issued and outstanding as at March 31, 2015	1,921,501,094	₱1,228,231,752

On December 3, 2013, RCI implemented the buyback of 990,384,775 shares from four of its stockholders at the price of ₱1.70 per share in a private sale, representing 34% of the outstanding capital stock of RCI. The BOD approved the said plan to buy back shares on November 13, 2013.

### 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
(Forward)		

Date	Number of Shares Licensed	Issue/Offer Price
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 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 13).

## e. Retained Earnings

*Restricted and/or appropriated retained earnings*

Retained earnings that are not available for dividend declaration as at March 31, 2015 and September 30, 2014 are as follows:

	Note	Amount	
Appropriation for treasury stock		<b>₱1,683,654</b>	₱1,683,654
Net unrealized fair value gains on investment properties included in the retained earnings	13	<b>283,545</b>	283,545
Application of revaluation increment against deficit		<b>203,075</b>	203,075
		<b>₱2,170,274</b>	₱2,170,274

On November 13, 2014, the Company appropriated a portion of its retained earnings amounting to ₱1,684.0 million for the cost of treasury shares acquired.

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" (see Note 14).

Cash dividends declared by the Company from retained earnings are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Date Payable
December 13, 2013	₱0.02	₱38,430	January 6, 2014	January 30, 2014
December 12, 2014	₱0.02	₱38,430	January 15, 2015	January 30, 2015

Outstanding dividends payable amounted to ₱5.5 million and ₱5.3 million as at March 31, 2015 and September 30, 2014, respectively.

## 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 2014 through September 2015		
First	₱2.80	₱2.80
Second	3.19	3.19
October 2013 through September 2014		
First	4.44	3.50
Second	3.38	3.37
(Forward)		

Quarter	High	Low
Third	3.08	2.79
Fourth	2.96	2.85
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

## 19. Related Party Transactions

The transactions and related balances of the Group with other related parties as at and for the six-month period ended March 31, 2015 are as follows:

Related Party	Nature of Transaction	Transaction During the Period	Net Amount Due from Related Parties	Net Amount Due to Related Parties
<b>Associates</b>				
FDC	Noninterest-bearing advances	₱-	₱35,862	₱2,386
	Dividends receivable	-	4,500	-
	Interest-bearing advances	-	4,624	10,825
RADC	Noninterest-bearing advances	-	-	10,966
RHI	Dividend receivable	-	-	-
	Noninterest-bearing advances	-	-	12,873
Central Azucarera Don Pedro, Inc.	Noninterest-bearing advances	-	-	25,462
Central Azucarera Dela Carlota, Inc.	Noninterest-bearing advances	-	97,006	-
<b>Joint Venture Partner</b>				
VJ Properties, Inc.(VJPI)	Noninterest-bearing advances	-	5,098	1,261
Marilo Realty Development Corporation	Noninterest-bearing advances	-	-	2,678
<b>(Forward)</b>				
LPC	Defrayment of cost and expenses for restructuring	-	3,112	21,513
<b>Others</b>				
Cauyan Espana Islands Phils.*	Interest-bearing advances	25,075	25,075	-
Others		-	10,019	547
			185,296	88,511
Allowance for impairment			(3,110)	-
			₱182,186	₱88,511

\*Property managed by FHPMC Corporation which is 75.33% owned by RLC

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 advances to FDC, which bear interest at 10%.

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 CPF, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC were computed in proportion to the number of club shares they have each assigned. In 2005, PFHC and FDC merged with FDC, as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As at September 30, 2014, RLC is still in negotiation with FDC for the allocation of the actual number of shares assigned. RLC did not recognize assignment fee in 2014 and 2013.

Outstanding balances at year-end are unsecured and settlement normally occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest-bearing and have no fixed repayment terms unless otherwise indicated above. Impairment review is undertaken each financial year. As at September 30, 2014 and 2013, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

Transactions and balances with related parties eliminated during consolidation are as follows:

	<b>March 31, 2015</b>	March 31, 2014
Due to related parties:		
RLC	<b>₱14,312</b>	₱65,952
UVC	<b>224</b>	1,383
SMMSI	<b>1,217</b>	–
FHPMC	<b>10,000</b>	1,000
AMG	–	952
	<b>25,753</b>	69,287
Dividend Receivable	–	3,000
Deposit for stock subscription	<b>152,000</b>	–
Dividend income - RCI	<b>38,803</b>	37,856
Management fee - RLC	<b>3,600</b>	3,600
Property maintenance fee	<b>200</b>	–

Compensation of key management for the six-month period ended March 31, 2015 and in 2014 are as follows:

	<b>2015</b>	2014
Salaries and other short-term benefits	<b>₱9,175</b>	₱4,250
Retirement benefits	<b>2,207</b>	969
	<b>₱11,382</b>	₱5,219

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. On March 6, 2014, RCI applied with the SEC for the approval of share-based compensation as an exempt transaction. The issuance of the share component is pending the approval of the SEC as at March 31, 2015. Consequently, no shares have been issued.

The fair value of the shares based on the closing price of shares on the PSE on the last trading day immediately preceding the meeting follows:

Date of Meeting	Number of shares	Market Value	
		per Share	Amount
August 13, 2013	60,000	₱2.5	₱150,000
December 13, 2013 (Forward)	44,118	3.4	150,000
February 13, 2014	42,858	3.5	150,000
May 13, 2014	52,710	3.3	175,000
August 7, 2014	58,333	3.0	175,000
December 2, 2014	60,345	2.9	175,000
February 20, 2015	34,483	2.9	100,000



The expense recognized on the foregoing amounted to ₱0.9 million in 2014 presented as part of “Salaries, wages and other employee benefits” account in the consolidated statements of income.

---

## 20. Revenue

Revenue from continuing operations for the six-month period ended March 31 consists of the following:

	2015	2014
Sale of real estate	₱80,721	₱49,142
Others	–	7,522
	<b>₱80,721</b>	<b>₱56,664</b>

Revenue from discontinued operations for the six-month period ended March 31, 2014 consists of:

	Amount
Sale of:	
Refined sugar	₱586,235
Raw Sugar	432,770
Alcohol	121,881
Molasses	53,544
	<b>₱1,194,430</b>

---

## 21. Cost of Sales

Cost of sales from continuing operations pertain to cost of real estate amounting to ₱56.03 million and ₱27.4 million for the six-month periods ended March 31, 2015 and 2014, respectively.

Cost of sales from discontinued operations for the six-month period ended March 31, 2014 (see Note 6) consists of:

	Amount
Direct materials used	₱396,137
Cost of transporting cane to mill (Forward)	138,361
Materials and consumables	106,653
Depreciation	105,102
Salaries, wages and employee benefits	66,426
Repairs and maintenance	54,810
Fuel and oil	26,351
Taxes and licenses	19,818
Rent	13,417
Communication, light and water	8,767
Insurance	7,790
Others	10,409
	<b>₱954,041</b>

## 22. Operating Expenses

General and administrative expenses from continuing operations consist of:

	2015	2014
Salaries, wages and other employee benefits	<b>₱24,608</b>	₱18,818
Provision for yield guarantee	<b>4,323</b>	–
Communication, light and water	<b>3,992</b>	1,434
Taxes and licenses	<b>3,622</b>	1,871
Outside services	<b>3,558</b>	12,532
Representation and entertainment	<b>2,067</b>	1,752
Repairs and maintenance	<b>1,982</b>	744
Depreciation and amortization	<b>1,302</b>	1,285
Rent	<b>744</b>	779
Travel and transportation	<b>573</b>	656
Materials and consumables	<b>506</b>	243
Insurance	<b>120</b>	168
Corporate social responsibility	<b>32</b>	134
Others	<b>2,812</b>	4,111
	<b>₱50,241</b>	₱44,527

Others include association dues, training and development and other miscellaneous expenses.

General and administrative expenses from discontinued operations (see Note 6) consist of the following:

	2014
Salaries, wages and other employee benefits	₱54,524
Taxes and licenses	23,522
Depreciation and amortization	6,697
Outside services	4,272
Materials and consumables	3,572
Corporate social responsibility	2,836
Rent	2,737
Insurance	2,303
Communication, light and water	1,787
Travel and transportation	885
Repairs and maintenance	768
Others	24,805
	₱128,708

### Selling Expenses

Selling expenses mainly pertain to marketing, commission on real estate sales and advertising and promotion expenses.

	Note	2015	2014
Continuing operations		<b>₱13,274</b>	₱8,946

Discontinued operations:

	Note	2015	2014
Sugar liens and monitoring fees		₱—	₱5,662
Advertising and shipping cost		—	25
	6	₱—	₱5,687

### 23. Personnel Costs

The components of employee benefits are as follows:

	2015	2014
Salaries and wages	₱13,734	₱11,722
Allowances and other employee benefits	6,625	4,966
Pension costs	4,249	2,130
	₱24,608	₱18,818

The components of employee benefits from discontinued operations are as follows:

	2014
Salaries and wages	₱76,407
Allowances and other employee benefits	37,044
Pension costs	7,499
	₱120,950

### 24. Other Income

Other income from continuing operations consists of:

	2015	2014
Rental	₱446	₱321
Interest Income	4,331	4,326
Others	8,065	9,421
	₱12,842	₱14,068

Other income from discontinued operations amounted to ₱11.6 million for the six-month period ended March 31, 2014 (see Note 6).

### 25. Income Taxes

The components of the Group's recognized deferred tax assets and liabilities represent the tax effects of the following temporary differences:

	March 31, 2015	September 30, 2014
	Net Deferred Tax Assets	Net Deferred Tax Assets
Deferred tax assets on:		
Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting (Forward)	(₱2,564)	(₱2,564)
Retirement liabilities	2,140	2,140

	March 31, 2015	September 30, 2014
	Net Deferred Tax Assets	Net Deferred Tax Assets
Cash advances from customers	1,801	1,801
Unrealized gross profit on inventory	634	634
Allowance for:		
Investments losses on investment in associates	939	1,213
Impairment losses on receivables	933	933
Inventory losses and obsolescence	697	697
Net unrealized foreign exchange loss	8	8
Various accruals	600	600
	<b>5,188</b>	<b>5,462</b>
Deferred tax liabilities on:		
Retirement assets	(381)	(381)
Revaluation increment on land	(171)	(171)
Prepaid commission	(118)	(118)
	<b>(670)</b>	<b>(670)</b>
Net deferred tax assets	<b>₱4,518</b>	<b>₱4,792</b>

## 26. Earnings (Loss) Per Share

Basic/diluted earnings per share are computed as follows:

	March 31, 2015	March 31, 2014
Net income attributable to the equity holders of the Parent Company:		
<i>Continuing operations</i>	₱8,647	₱1,385,833
<i>Discontinued operations</i>	-	41,999
Weighted average number of shares issued and outstanding	1,921,501	2,911,886
Basic/diluted earnings per share	₱0.005	₱0.06
<i>Continuing operations</i>	0.005	0.61
<i>Discontinued operations</i>	-	0.01

There are no potential dilutive common shares as at March 31, 2015 and 2014.

## 27. Commitments and Contingencies

### Contingencies

*Land Properties Subjected to 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. 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 lands in Nasugbu, Batangas to non-agricultural lands. However, the Court noted that the 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 fourteen (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 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 6657 vs. RA 9700)). The protest is still pending before the DAR. On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Parent Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of the Parent Company. On June 27, 2014, the Parent Company filed a Petition for Certiorari to the Court of Appeals (CA). As at the date of the report, the petition is still pending before the CA.

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

In total, there are about 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of 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 CARP. As at the March 31, 2015, there is no agreement yet with the DAR on the properties approved for VOS.

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.

In the opinion of management and legal counsel, there are no other pending labor or other legal cases and claims in the ordinary course of business that will have a material effect on the financial position and performance of the Group except for the disputed claims for which the Group did not recognize a provision for losses in 2014 and 2013.

#### Joint Operations

On December 2, 2009, RLC entered into a joint arrangement 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 developments costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advances ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate between them the developed saleable lots.

Total costs incurred for the project as at September 30, 2014 amounted to ₱101.4 million and are presented as part of "Real estate for sale and development" account in the consolidated statements of financial position (see Note 9).

#### Lease-back Guarantee

In 2014, RLC entered into a lease-back guarantee with buyers of Anya Resort Suites. The said buyers will be entitled to a guaranteed lease along with the usage allowance for the first five years, equivalent to a 37% of the purchase price, inclusive of fixtures, furniture and equipment and VAT. The guaranteed funds will be distributed each quarter reckoned from the date of full opening of operations of the Resort.

As at March 31, 2015 and September 30, 2014, the provision for lease-back guarantee amounted to ₱4.3 million and ₱1.1, respectively.

#### Unused Credit Lines

As at March 31, 2015, the Group has unused lines of credit with local banks amounting to ₱496.38 million and ₱678.64 million as at September 30, 2014.

## **28. 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).

*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 ₱73.4 million as at September 30, 2013.

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.

*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 Sales 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.

*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 collectability.

*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 quantitative disclosures on risks associated with the Group's financial instruments and the related risk management processes and procedures are disclosed in the annual consolidated financial statements as at September 30, 2014.

#### 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 nine-month period ended December 31, 2014 and 2013.

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>March 31, 2015</b>	September 30, 2014
Total liabilities	<b>₱983,706</b>	₱539,561
Total equity	<b>6,903,459</b>	6,932,963
Total liabilities and equity	<b>₱7,887,165</b>	₱7,472,524
Debt-to-equity ratio	<b>0.14:1.00</b>	0.08:1.00



Fair Values

*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* – Fair values of long-term borrowings as at March 31, 2015 and 2014 were determined based on Level 3 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

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 has no financial instruments carried at *fair value* in the consolidated financial statements as at March 31, 2015 and September 30, 2014.

**29. Segment Reporting**

The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. Real Estate

RLC is the real estate arm of the Group. RLC acquires, develops, improves, subdivides, leases and sells agricultural, industrial, commercial, residential and other real properties. The Group, through RLC, has subsidiaries in other real estate companies, namely: FHPMC, RVHC, FDC, FLC, CPFI and RADC. Others

b. Others

Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas and UVC, a leasing company.

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

The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with 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 real estate. The real estate segment's customers are mainly direct.

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale and development, prepayments and property 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 price charged to unrelated customers or by suppliers for similar goods or services.

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

<b>Six-month period ended March 31, 2015 (Unaudited)</b>				
	Real Estate	Others	Eliminations/ Adjustments	Consolidated Balance
<b>Revenue</b>				
Sale of real estate	₱80,721	₱–	₱–	₱80,721
Others	4,699	9,982	(3,800)	10,882
	<b>85,421</b>	<b>9,982</b>	<b>(3,800)</b>	<b>91,603</b>
<b>Costs and expenses</b>				
Cost of real estate sales	(56,030)	–	–	(56,030)
Operating expenses	(40,786)	(13,165)	3,710	(50,241)
Selling expenses	(13,274)	–	–	(13,274)
Interest income	–	1,960	–	1,960
Interest expense	(2,652)	(4,691)	–	(7,343)
	<b>(112,742)</b>	<b>(15,896)</b>	<b>3,710</b>	<b>(124,928)</b>
Loss before income tax	(27,321)	(5,914)	(90)	(33,325)
Income tax expense	(586)	–	–	(586)
Income discontinued operations	–	–	–	–
Segment loss	(27,908)	(5,914)	(90)	(33,912)
Equity in net earnings of associates	–	–	42,559	42,559
<b>Consolidated net profit (loss)</b>	<b>(₱27,908)</b>	<b>(₱5,914)</b>	<b>₱42,469</b>	<b>₱8,647</b>
<b>Assets and Liabilities</b>				
Current assets	₱838,594	₱153,713	(₱23,601)	₱968,706
Noncurrent assets	323,825	6,193,474	401,160	6,918,458
<b>Total assets</b>	<b>₱1,162,419</b>	<b>₱6,347,186</b>	<b>₱377,559</b>	<b>₱7,887,164</b>

**Six-month period ended March 31, 2015 (Unaudited)**

	Real Estate	Others	Eliminations/ Adjustments	Consolidated Balance
Current liabilities	₱496,416	₱333,269	(₱24,532)	₱805,153
Noncurrent liabilities	216,936	113,617	(152,000)	178,553
<b>Total liabilities</b>	<b>₱713,352</b>	<b>₱446,886</b>	<b>(₱176,532)</b>	<b>₱983,706</b>

**Six-month period ended March 31, 2014 (Unaudited)**

	Real Estate	Parent Company	Others	Eliminations/ Adjustments	Consolidated Balance
Revenue					
Sale of real estate	₱56,664	₱–	₱–	₱–	₱56,664
Others*	1,767	1,358,438	263	(41,372)	1,319,096
	58,431	1,358,438	263	(41,372)	1,375,760
Costs and expenses					
Cost of real estate sales	(27,359)	–	–	–	(27,359)
Operating expenses	(30,277)	(17,790)	(218)	3,577	(44,707)
Selling expenses	(8,946)	–	–	–	(8,946)
Interest income	2,312	2,012	7	–	4,331
Interest expense	(2,313)	(7,340)	–	–	(9,653)
	(66,583)	(23,118)	(210)	3,577	(86,334)
Income (loss) before income tax	(8,152)	1,335,320	52	(37,795)	1,289,426
Income tax expense (benefit)	(519)	–	–	–	(519)
Income discontinued operations	–	–	–	41,999	41,999
Segment profit (loss)	(8,671)	1,335,410	52	4,204	1,330,906
Equity in net earnings of associates	–	–	–	96,227	96,227
Consolidated net profit (loss)	(₱8,671)	₱1,335,320	₱52	₱100,431	₱1,427,133
Assets and Liabilities					
Current assets	₱621,750	₱314,504	₱2,217	(₱72,287)	₱866,184
Noncurrent assets	244,207	5,759,087	1,166	543,428	6,547,889
Total assets	₱865,957	₱6,073,591	₱3,383	₱471,141	₱7,414,073
Current liabilities	₱317,958	₱61,312	₱716	(₱72,264)	₱307,722
Noncurrent liabilities	96,341	150,393	–	–	246,733
Total liabilities	₱414,299	₱211,705	₱716	(₱72,264)	₱554,455

\*Includes 1.3M gain on sale of RHI shares

### 30. The Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows that are Unusual Because of their Nature, Size or Incidence

Other than those disclosed in the notes to the unaudited interim consolidated financial statements, there are no assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.

### 31. The Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Period of the Current Year or Changes in Estimates of Amounts Reported in Prior Years, if those Changes Have a Material Effect in the Current Interim Period

There are no significant changes in estimates reported in prior interim periods of the current year or changes in estimates reported in prior years, which are considered to have material effect on the unaudited interim consolidated financial statement.



# **ANNEX “B”**

## **MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS**

**Second Quarter Ending March 31, 2015 and 2014**

## MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### INTERIM RESULTS – 2ND QUARTER FY 2014-2015

Last year, Roxas and Company, Inc. (RCI or the Parent Company) made a major strategic decision to give up majority control of its investment in Roxas Holdings, Inc. (RHI) in order to buy-out its minority shareholders, fund the expansion of its tourism-related realty projects and to pay its debts.

On October 7, 2014, the Parent Company acquired 5 million shares in RHI for a total consideration of ₱34.5 million.

On February 27, 2015, the Parent Company acquired additional 33 million shares in RHI amounting to ₱231.8 million to maintain its ownership at 31%.

#### **Results of Operation**

Consolidated gross revenue from real estate operations and share in net earnings of associates for the second quarter amounted to ₱123.3 million, lower than last year's ₱153.2 million due to lower actual earnings of RHI for the period.

Gross profit for the second quarter amounted to ₱24.7 million or 31% of gross revenue. This is lower by 16% than last year's gross profit of ₱29.3 million or 52% of gross revenue due to higher development costs related to Anya project this year.

Operating expenses of ₱50.2 million is 13% higher than last year due to provision for marketing cost.

Selling and marketing expenses amounting to ₱13.3 million is higher by 48.47% than last year due to commissions and marketing expenses incurred by the property group for its Anya Resort project.

Equity in net earnings from its investment in RHI for the six month period ended March 31, 2015 amounted to ₱42.6 million.

Other income from consultancy, leases, interest and forfeited deposits and fees amounting to ₱12.8 million is higher than last year's ₱6.7 million of the same period.

Overall, the Group recognized a consolidated net income for the second quarter amounting to ₱8.6 million. Substantial decrease from last year's net income of ₱1,427.3 million due to one time gain on the sale of its investment in RHI amounting ₱1,317.0 in 2014.

#### **Financial Position**

Consolidated total assets amounted to ₱7,887.2 million as at March 31, 2015 which is 6% higher than the consolidated total assets amounting to ₱7,472.5 million as at September 30, 2014 as a result of revenue and construction boost in property group projects.

Current ratio decreased from 2.85:1 as at September 30, 2014 to 1.23:1 as at March 31, 2015. Debt to equity (D/E) ratio increased from 0.08:1 to 0.14:1 for the same period, but still within the allowable 0.75:1 DE ratio required in the debt covenant for term loans.

Book value per share is ₱3.59 and ₱3.61 as at March 31, 2015 and September 30, 2014, respectively.

Cash and cash equivalents amounted to ₱32.9 million as at March 31, 2015, lower by 16.5% compared to ₱139.8 million as at September 30, 2014.

Total trade and other receivables amounting to ₱377.5 million is 2 times higher than the balance as at September 30, 2014 of ₱194.1 million due to higher real estate sales in Landing Townhomes and Anya Resort project of the property group.

Total liabilities increased by 82.3% from ₱539.6 million to ₱983.7 million as a result of ongoing construction of property group's real estate projects.

Total equity is ₱6,933.0 million as at September 30, 2014 to ₱6,903.5 million as at March 31, 2015.

Other than the matters discussed above, there are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result 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.

#### **Top Five Performance Indicators**

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

1. *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 10%. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lot buyer.
2. *Number of lots sold.* The lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Company.
3. *Collection efficiency on trade receivables and interest.* Income recognition is a factor of collection, plus the interest income component.
4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.
5. *Return on Equity* - denotes the capability of the Company to generate returns for the shareholders.

The table below presents the top five performance indicators of Roxaco Land Corporation (RLC):

Performance Indicator	For the Period Ended March 31,	For the Year Ended September 30,	
	2015 (Six Months)	2014 (One Year)	2013 (One Year)
Realized gross profit on real estate sales	₱80.7 million	₱94 million	₱48.8 million
Number of lots sold / reserved	49 units residential/ 69 memorial	119 unit residential/ 72 memorial	121 unit residential/ 164 memorial
Collection efficiency	98%	98%	99%
EBITDA	(₱18.4 million)	₱2,418.6 million	₱1,137.8 million
Return on equity	(4.90%)	33%	4%

#### 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 real estate development.

For FY 2014-2015, RLC has programmed ₱919 million for project development costs of which ₱758.9 million is for Anya Resort, ₱94.8 million for Landing Townhomes, ₱14.8 million for Orchards and ₱50.5 million is for new projects.

5. The Company is not aware of any known trend, events or uncertainties that will have material impact on sales.
6. Other than matters previously discussed, the Company is not aware of causes for any material changes from period to period in the financial statements.

#### **Plan of Operation**

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

- Complete the land development of the two current Batangas residential projects, Landing Townhomes and Orchards Phase II, including townhomes and houses due for completion.
- Complete the development of phase two of Anya Resort and Residences.
- Formally launch Anya Resort and Residences phase three and break ground for its construction.
- Aggressively pursue acquisition of new properties within greater Metro Manila for potential low-to-medium-density residential development.



- Complete the construction of the 1<sup>st</sup> Go Hotel property, a joint venture project with Vanguard, which will be opened by October 2015 and start construction of the other four properties with target completion in the year 2016.
- Increase ownership in Fuego Hotels up to 100% (currently at 75%) and enlarge its property management operations through investment and partnership.

**ROXAS AND COMPANY, INC AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**

	<u>March 31, 2015</u>	<u>March 31, 2014</u>	<u>September 30, 2014</u>
1. LIQUIDITY RATIO			
Current Ratio	1.20 : 1.00	2.81 : 1.00	2.85 : 1
2. SOLVENCY RATIO			
Debt to Equity ratio	0.14 : 1.00	0.08 : 1.00	0.08 : 1
3. Asset to Equity Ratio	1.14	1.08	1.08
4. Interest Rate Coverage Ratio	2.39	142.58	31.15
5. PROFITABILITY RATIOS			
Return on Assets	0.11%	19%	18%
Return on Equity	0.13%	21%	19%
Book Value per share	3.59	3.57	3.61

**ROXAS AND COMPANY, INC AND SUBSIDIARIES**  
**AGING OF RECEIVABLES**  
**As of March 31, 2015**

IN P'000	Total	Not yet due	Current	Past due			
				30 days	60 days	90 days	Over 90 days
<b>TRADE RECEIVABLES</b>							
Management	347	-	-	-	-	-	347
Real Estate Installment Buyers	-	-	-	-	-	-	-
Palm Estates	21,607	13,664	7,905	-	-	-	38
Punta Fuego	9,815	3,276	126	126	126	126	6,035
Role Subdivision	1,343	-	-	-	-	-	1,343
Landing Townhomes	35,952	23,840	3,077	2,718	88	1,224	5,004
Anya Resort & Residences	109,352	106,059	1,937	293	189	189	685
Orchards at Balayan	30,746	28,828	814	302	160	376	266
San Antonio Memorial Gardens	3,878	3,367	38	42	23	50	359
Leasing	173	-	-	-	-	-	173
<b>TOTAL</b>	<b>213,213</b>	<b>179,034</b>	<b>13,897</b>	<b>3,481</b>	<b>586</b>	<b>1,965</b>	<b>14,249</b>
Less Allowance for doubtful accounts	-	-	-	-	-	-	-
<b>Balance</b>	<b>213,213</b>	<b>179,034</b>	<b>13,897</b>	<b>3,481</b>	<b>586</b>	<b>1,965</b>	<b>14,249</b>

NON TRADE	Total	Not yet due	Current	Past due			
				30 days	60 days	90 days	Over 90 days
Officers and Employees	2,019	-	1,226	-	-	-	793
Related Parties	185,072	31,873	95,454	31	0	581	57,133
Others	21,636	10,000	1,527	2,538	805	307	6,459
<b>Total</b>	<b>208,727</b>	<b>41,873</b>	<b>98,206</b>	<b>2,569</b>	<b>805</b>	<b>889</b>	<b>64,385</b>
Less : Allowance for doubtful accounts	(12,487)	-	-	-	-	-	(12,487)
	<b>196,240</b>	<b>41,873</b>	<b>98,206</b>	<b>2,569</b>	<b>805</b>	<b>889</b>	<b>51,898</b>

TOTAL SUMMARY	Total	Not yet due	Current	30 days	60 days	90 days	Over 90 days
Trade	213,213	179,034	13,897	3,481	586	1,965	14,249
Non-Trade	208,727	41,873	98,206	2,569	805	889	64,385
<b>Total</b>	<b>421,940</b>	<b>220,907</b>	<b>112,103</b>	<b>6,051</b>	<b>1,391</b>	<b>2,853</b>	<b>78,634</b>
Less : allowance for doubtful accounts	(12,487)	-	-	-	-	-	(12,487)
	<b>409,453</b>	<b>220,907</b>	<b>112,103</b>	<b>6,051</b>	<b>1,391</b>	<b>2,853</b>	<b>66,148</b>

Certified true and correct

  
 MARYLET O. GUILLERMO  
 Finance Manager