

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-A**

Department requiring the report

**C R M D**

Secondary License Type, If Applicable

**Not Applicable**

**COMPANY INFORMATION**

Company's Email Address

**www.roxascompany.com.ph**

Company's Telephone Number/s

**(02) 810-8901**

Mobile Number

**-**

No. of Stockholders

**3,324**

Annual Meeting  
Month/Day

**Last Wednesday of May**

Calendar Year  
Month/Day

**December 31**

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

**Atty. Monica Isabelle I.  
Villanueva**

Email Address

**miv@roxascompany.com.  
ph**

Telephone Number/s

**(632) 751-9537**

Mobile Number

**-**

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

1. As of and for the year ended: **31 December 2017**
2. SEC Identification Number: PW- **834**
3. BIR Tax Identification No. : **000-269-435-000**
4. Exact name of issuer as specified in its charter: **ROXAS AND COMPANY, INC.**
5. **Philippines**  
Province, Country or other jurisdiction of  
Incorporation or Organization
6. (SEC Use Only)  
Industry Classification Code
7. **7<sup>th</sup> Floor Cacho-Gonzales Building, 101 Aguirre Street  
Legaspi Village, Makati City 1229**  
Address of Principal Office
8. **(632) 810-89-01 to 06**  
Registrant's telephone number, including area code
9. CADP GROUP CORPORATION  
6<sup>th</sup> Floor Cacho-Gonzales Building, 101 Aguirre Street  
Legaspi Village, Makati City 1229  
Former name and former address.

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</b>
No. of shares subscribed & outstanding: Common	<b>1,978,182,356</b>
Amount of loans outstanding as of 31 December 2017	<b>₱4,214,355,317</b>

Of the 1,978,182,356 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 []

1,978,182,356 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 [  ]

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

Assuming that the number of stockholdings of non-affiliates as of 31 December 2017 is 1,968,240,468 common shares and assuming further that the market bid price of the shares as of same date is ₱2.55 then the aggregate market value of the voting stocks held by non-affiliates as of said date is ₱5,019,013,193.

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

(a) Incorporated by reference in Part III on Financial Information is the Consolidated Financial Statements of Roxas and Company, Inc. and subsidiaries as at and for the year ended 31 December 2017.

## PART I – BUSINESS

### 1. Business Development

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

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

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

On November 29, 2013, the Parent Company sold its 31% equity interest in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. The Parent Company remained the major shareholder with 35% equity interest in RHI as at September 30, 2014. On October 1, 2014, the Parent Company acquired additional 5.0 million shares of RHI increasing its equity interest in RHI to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was further diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares to First Agri Holdings Corporation, a subsidiary of First Pacific. Also, on the same date, the Parent Company acquired additional 33.1 million shares of RHI from various shareholders that resulted to increased equity interest of 31% in RHI.

In May 2016, the Company's equity interest in RHI was further diluted from 31% to 25% as a result of the exercise of Stock Rights Option (SRO) by other stockholders of RHI. It was further diluted into 23% in July 2017 as a result of the converted debt securities into 125 million common shares of RHI.

On December 3, 2013, RCI's subsidiary, Roxaco Land Corp (RLC) entered into a Shareholders Agreement with VH Select Investments (Phil) Pte Ltd (VH Select) to form a joint venture company, namely – Roxaco-Vanguard Hotel Corporation (RVHC) [formerly Vanguard Hospitality Assets (Phils.), Inc.] duly registered and incorporated with the SEC on December 8, 2010, primarily to build and own a minimum of five "Go Hotels" through a franchise agreement with Robinsons Land (the Projects) in Metro Manila and in selected provincial destinations within two to three years.

On May 15, 2014, the SEC approved RVHC's increase in authorized capital stock from ₱4.0 million or 40,000 common shares to 800.0 million common shares with a reduction of par value from ₱100.0 to ₱1.0 a share and additional 200.0 million preferred shares at ₱0.01 par value a share aggregating ₱802.0 million.

On October 23, 2015, RLC made additional investment amounting to ₱25.0 million maintaining the same equity interest of 50% in RVHC.

On April 13, 2016, RLC made an additional investment of ₱61.0 million which increased the equity interest in RVHC from 50% to 51%. On the same date, certain provisions of the Shareholder's Agreements were amended, particularly increasing RLC's BOD representation in RVHC from two to three directors out of the five directors, representing increase from 50% to 60%, to obtain control over RVHC. Consequently, RVHC became a subsidiary from that date

On May 25, 2016, and August 18, 2016, RLC made additional investment amounting to ₱51.0 million and ₱41.0 million, respectively. On May 24, 2016 and September 8, 2016, VH Select made additional investments amounting to ₱50.0 million and ₱38.0 million, respectively. The said investments from RLC and VH Select maintain the same equity interest in RVHC.

GoHotel Manila Airport Road, North EDSA, Cubao, Malate, and Timog started commercial operations in October 2016, February 2017, April 2017, June 2017, and October 2017, respectively.

On May 14, 2015, the SEC approved the incorporation of Roxas Green Energy Corporation (RGEC), a wholly owned subsidiary of RCI. RGEC was established to venture in solar power generation for selling to any power distribution corporation, end users and other entities. RGEC is in the process of developing a 50 megawatt (MW) solar power plant within the properties owned by RCI in Nasugbu,

Batangas. RGEC has requested for an extension for the completion of the development of the project from the Department of Energy (DOE) and the Board of Investment (BOI).

On October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC), a Filipino owned company, to invest in Roxas Sigma Agriventures, Inc. (RSAI) (formerly Sigma Coco Xynergies, Inc.), a company duly registered and incorporated with the SEC, for the purpose of constructing a 300 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export. On April 8, 2016, RCI acquired 2,150,000 shares of stocks of RSAI at ₱100 par value for ₱215.0 million representing 81% equity to become a subsidiary of the Group. On September 25, 2017, RCI made an additional capital contribution of ₱21.5 million for 215,000 shares of stocks and maintain equity ownership at 81.13%. Plant testing started on the 3<sup>rd</sup> quarter of 2017 and became operational in December 2017.

## **2. Business**

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

The Company, a holding and investment corporation, has interests in the sugar businesses of RHI, the real estate and hotel business of RLC, renewable energy business of RGEC and the coconut processing business of RSAI.

After completing most of its real property development projects, RLC, in 2012, began the development of the first townhomes project with shop houses in Nasugbu, Batangas – the Landing Townhomes.

RLC also expanded its Orchards project in 2013 with the launch of Phase II at Balayan Subdivision, also in Batangas.

RLC started the development of Anya Resort and Residences in Tagaytay in 2013. It completed the development of the prime residential subdivision (Phase 1) in September 2014 and its Hotel and Resort Suites (Phase 2) in July 2017. It will continue to develop Phase 3 with the construction of its branded residences.

In December 2013, RLC entered into a joint venture with VH Select Investments (Phil) Pte Ltd to develop its “Budget Hotel” business in the Philippines. The joint venture was designed for the partners to put up and operate initially five (5) “GO Hotels” in Metro Manila. RLC gained control of RVHC in 2016.

On May 14, 2015, the Company formed Roxas Green Energy Corporation (RGEC) to venture in solar power generation for selling the electric power to any power corporation and other entities.

On October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC) to invest in Roxas Sigma Agriventures, Inc. (RSAI) for the purpose of constructing a 300 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export.

### **Business Units and Operations**

The Company directly owns (a) 100% of Roxaco Land Corporation (RLC), the real estate company of the Roxas Group, (b) 100% of Roxas Green Energy Corporation (RGEC), (c) 81.13% of Roxas Sigma

Agriventures, Inc. (RSAI) and (d) 23% of the total issued and outstanding shares of RHI, under which are its sugar milling, bio-ethanol manufacturing and sugar-based renewable energy producing operations.

The Company, through RLC, has investments in Fuego Development Corporation (FDC), Fuego Land Corporation (FLC), Club Punta Fuego, Inc. (CPFI), Anya Hospitality Corporation (AHC) [formerly Fuego Hotels Property and Management Corporation (FHPMC)], Roxaco-ACM Development Corporation (RADC), Anya Hotels and Resorts Corporation (AHRC) [formerly Roxaco Commercial Properties Corporation (RCPC)], AHR1 Hotels & Resort Corporation (AHR1), SAMG Memorial Management and Services, Inc. (SMMSI) and Roxaco-Vanguard Hotel Corporation (RVHC).

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

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

AHC is a management company with expertise in managing hotels, resorts and full and limited service companies. RLC has a 75% equity interest in AHC.

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

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

On December 2, 2009, RLC entered into a Joint Venture Agreement with VJ Properties, Inc. for the development of a 36,201 square-meter property in Tagaytay City into a boutique resort-type of residential subdivision known as Anya Resort and Residences (Tagaytay). RLC has 65% and 60% share in the net proceeds from the sale of 26 lots and 28 lots, respectively in Phase 1. The other 33,507 square-meter, which consist of Phase 2 & 3 of Anya Resort and Residences (Tagaytay), is being developed solely by RLC.

In July 2012, RLC launched its townhomes project, known as Landing Townhomes, in Nasugbu, Batangas. Landing Townhomes is a project consisting of 114 units of saleable house and lots, 21 commercial units for sale of which 2 units are being used as RLC office.

AHRC was formed to own, manage and operate the Anya Hotel Core of Phase 2 of Anya Resort and Residences project in Tagaytay.

On December 3, 2013, RLC entered into a 50%-50% Joint Venture Agreement with Singapore's VH Select Investments (Phil) Pte Ltd to build a minimum of five "Go Hotels" in Metro Manila and in selected provincial destinations within two or three years. In April 2016, the agreement was amended wherein each party's capital contribution share was changed thereby increasing RLC's equity interest from 50% to 51%.

On May 14, 2015, RGEN was incorporated and registered with the SEC to primarily engage in the development and construction of renewable energy resources, particularly solar power, in Nasugbu, Batangas.

On October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC), a Filipino owned company, to invest in Roxas Sigma Agriventures, Inc. (RSAI) (formerly Sigma Coco Xynergies, Inc.), a company duly registered and incorporated with the Securities and Exchange Commission (SEC), for the purpose of constructing a 300 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export. On April 8, 2016, RCI acquired 2,150,000 shares of stocks of RSAI at ₱100 par value for ₱215.0 million representing 81% equity to become a subsidiary of the Group. On September 25, 2017, RCI made an additional capital contribution of ₱21.5 million for 215,000 shares of stocks and maintain equity ownership at 81%.

### **Principal Products and Services**

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

Its joint venture projects include:

- (a) Peninsula De Punta Fuego, an 88-hectare world-class residential beach resort located in Nasugbu, Batangas developed in partnership with Landco Pacific Corporation (Landco). The Punta Fuego community consists of Spanish-Mediterranean inspired villas, a Beach Club, a Marina, a nine-hole golf course and a Country Club;
- (b) Terrazas De Punta Fuego, a 61-hectare prime seafront property, also located in Nasugbu, Batangas, and developed by Fuego Land Corporation (FLC), a 70%-30% joint venture company of Landco and RLC. This property is also home to Amara en Terrazas, a seaside condominium project;
- (c) Club Punta Fuego, an exclusive resort developed by FDC. Facilities include The Country Club, Upper Beach Club, Lower Beach Club, a Nelson-Haworth designed nine-hole golf course, twelve white sand beaches, casitas, a Marina, The Spa, The Boardwalk, Game Hall and KTC, Café Sol, double infinity pools and the Sunset Beach Cove. An associate membership to Club Punta Fuego is attached to every lot in Peninsula and Terrazas de Punta Fuego;
- (d) Woodstock Homes, a 5-hectare mass housing project located in Nasugbu, Batangas. This was developed by Roxaco-ACM Development Corporation, an incorporated joint venture company between RLC and ACM Landholdings, Inc. A total of 386 housing units and 100 open lots comprise the development, all of which have been sold out;
- (e) Goodwood Homes, a low-density residential development with only 150 duplex units in a 2-hectare area located in Imus, Cavite. The project was developed in joint venture with ACM Landholdings, Inc.; and
- (f) The Orchards at Balayan, a 9-hectare property located in Balayan, Batangas. This is an open-lot residential subdivision for Phase 1, a combination of an open-lot, house and lot residential subdivision for Phase 2 developed by RLC in joint venture with Marilo Corporation.

On its own, RLC developed the following projects:

- (a) Landing Subdivision, a residential open lot subdivision located in Nasugbu, Batangas. It has a total area of 23 hectares. All phases have been completed and sold out;
- (b) Landing Commercial Building, a commercial facility with a total land area of 13,000 square meters consisting of 20 stalls. It is located along J.P. Laurel Street, Nasugbu, Batangas;
- (c) Palm Estates Subdivision, a 23.6-hectare open-lot residential project consisting of three phases. Located in Nasugbu, Batangas, it offers a wide spectrum of lots designed to cater to families from all economic walks of life;
- (d) Palm Homes, a 10-unit house and lot project in Palm Estates;
- (e) San Antonio Memorial Gardens, the first master-planned memorial park in Western Batangas; and
- (f) Landing Townhomes, a 1.2-hectare property, is the first townhouse development in Nasugbu, Batangas. It consists of 114 two-storey residential units offered for sale, 21 commercial units for sale of which 2 units are being used as RLC office.
- (g) Anya Resort and Residences (Phases 1, 2 &3) which consist of open lots, boutique hotel and resort and branded residences.

RVHC offers 24/7 hotel services to all customers of its budget hotel brand “Go Hotels”. The first five hotels are located in Manila Airport Road, North EDSA, Cubao, Ermita and Timog -Quezon City.

RSAI produces coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export.

RGEC, thru solar power generation, will sell electric power to any power corporation and distributor and other entities.

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

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

RVHC and AHRC use online channels of marketing, catalogs, local travel agencies and direct selling to walk-in customers.

RSAI, as a bulk producer, markets its products by initially positioning itself as major ingredient supplier to branded manufacturers, and international brokers for its products. It will eventually develop its own brand and enter into toll manufacturing when volumes have been developed and expanded for retail sale.

RGEC, via transmission lines and substations developed with National Grid Corporation of the Philippines (NGCP), will directly sell electric power to any power distribution corporation, end user or buyer



## **Competition**

### For RLC

Most of RLC's projects are located in the Municipality of Nasugbu, Batangas using its land bank to develop commercial and residential projects for the local area market. Its recent development of Anya Resort and Residences project in Tagaytay is its entry in to the high end residential and luxury hotel market outside Batangas.

The local property competitors in the area are are Ayala Land, Robinsons Land and SM Investments.

### For RVHC

All of RVHC's five GO Hotels franchises are located in Metro Manila. Operations of the hotels are done in coordination with Robinson's Land as master franchisor.

GO Hotels are classified in the hotel and tourism industry as Economy or Budget Hotels and rated as a One-Star hotel.

Major competitors considered in this category are the likes of Red Planet and Hop Inn International chains, local established chains such as Eurotel plus other location – centric hotels with similar price points.

RVHC's vision is to establish ten to fifteen more GO Hotel branches nationwide in the next ten years, aiming to be the biggest budget hotel developer and operator in the Country.

### For RSAI

RSAI was established in 2015 to process 300 Metric Tons per day of raw coconuts to produce three major products for export: Coconut Water Concentrate; Virgin Coconut Oil and Coconut Milk / Cream.

Major competitors within the area include the following:

For the Virgin Coconut Oil category: Peter Paul Philippines, Inc., and Century Pacific Agri Ventures.

For the Coconut water category: Peter Paul Philippines Inc., Franklin Baker, Primex Foods, Inc., Profood International Corporation and Century Pacific Agri Ventures.

For the Coconut milk / Cream category: Celebes Foods, Inc., Fresh Fruits Ingredients, Inc. (Fiesta Foods), Primex, and ProFood Philippines.

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

RLC secured the services of Allied Metals Inc., Ena Power Builders Inc., MJ Catalonia Trading and Construction, Light Plan Inc., Total Innovative Security Solutions, RVP Architects and Emesae Design Corporation for its major real estate developments.

AHRC's suppliers includes Cornerstone International Philippines, Charles Seafoods Supply, Santis Delicatessen, Classic Fine Foods Philippines, Inc. and ESV International Corporation.

For RVHC, in its latest projects, has engaged Gridlines MGS Construction and Project Management Inc. for its project management services. General Contractors for the five Go Hotels include Vision Properties Development Corporation and Dreammakers Philippines Construction Company Inc. Other notable project consultants include A.C. Ong Consulting Inc. for its structural engineering design

consultancy services. For its hotel operations, RVHC secured the services of Kalinisan Steam Laundry Inc., Kublai Khan Security Services Inc. and Fieldmen Janitorial Services Corporation.

RSAI's processing plant was done through a limited Engineering, Processing and Construction (EPC) Contract with BERMA Procesys Corporation. Other major equipment and construction supplies were purchased by the company from various suppliers through its Purchasing Unit.

The main raw materials of dehusked coconuts, are sourced through existing buying stations or consolidators closely situated within 20 kilometers from the plant and also from identified big coconut farms with sizes ranging from 50 to more than 600 hectares straddling the provinces of South Cotabato, Sarangani to North Cotabato and even Lanao del Sur.

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

RLC, RVHC, RSAI and RGEC are not dependent on a few customers or related parties in the sale of their properties/products or in offering their services.

### **Patents, Trademarks and Copyrights**

The Company's real property arm, RLC, has applied for the registration of the trademark for its project "Anya Resort and Residences" and Device. The trademark/Logo is registered with the Intellectual Property Office of the Philippines.

For RVHC, the use of "Go Hotels" Trademark/Logo is covered by the terms and conditions of the Franchise Agreement with Robinsons Land Corporation.

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

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

RSAI secured approval from Food and Drug Administration in order to operate and sell products legally. It has likewise secured various international certifications as required by foreign buyers such as Halal, HACCP, Kosher, Organic and GMP.

RGEC secured a service contract with Department of Energy to have the exclusive right to explore, develop or utilize a particular renewable energy (i.e. solar energy) contract area in Nasugbu, Batangas. It has likewise secured BOI registration to qualify for tax incentives for the project.

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

#### For RLC

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

The Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, provides that revenue from construction of real estate is recognizable only upon completion of the project, except

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

#### *Value Added Tax System*

The present value-added tax (VAT) system imposes a 12% VAT on Sale of Real Properties. Section 4.106-3 of Revenue Regulations No. 16-2005 – Sale of real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business of the seller shall be subject to VAT.

This includes sale, transfer or disposal within a 12-month period of two or more adjacent residential lots, house and lots or other residential dwellings in favor of one buyer from the same seller for the purpose of utilizing the lots, house and lots or other residential dwellings as one residential area wherein the aggregate value of the adjacent properties exceeds ₱1,919,500, for residential lots and ₱3,199,200 for residential house and lots or other residential dwellings. Adjacent residential lots, house and lots or other residential dwellings although covered by separate titles and/or separate tax declarations, when sold or disposed to one and the same buyer, whether covered by one or separate Deed/s of Conveyance, shall be presumed as a sale of one residential lot, house and lot or residential dwelling. The tax consequence does not adversely affect the company's business because the tax is passed onto the buyer or consumer.

#### For RGEC

RGEC, being in the Renewable Energy (RE) industry, is covered by the *Renewable Energy act of 2008* (Republic Act No.9513) which provides substantial incentives and privileges such as VAT zero-rated sales and income tax holiday for a period of 7 years from the start of commercial operations.

#### For RSAI

RSAI, being a BOI registered company, is entitled to import duty exemption of its capital equipment and income tax holiday for six (6) years from the start of commercial operations or January 2017, whichever is earlier. RSAI is also entitled to zero-rated VAT on export sales.

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

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

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

RGEC, RVHC and RSAI also secured the required Environmental Compliance Certificates before commencement of commercial operations.

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

As of 31 December 2017, the Company has four (4) executives and fifteen (15) employees.

RLC, on the other hand, has three (3) executives and sixty (60) employees. Nine (9) of these RLC employees are based in Nasugbu, Batangas, two (2) in a satellite office in Balayan, Batangas and one (1) in satellite office in Tagaytay. The remaining employees are based in its administrative and corporate offices in Makati City.

RVHC has eighty (80) employees while RSAI has two (2) executives and one hundred sixty two (162) employees.

AHRC has one (1) executive and sixty one (61) employees; five (5) of these AHRC employees are based in Makati while the rest are based in Tagaytay.

RGEC has no full time employees yet as it is still at the pre-operating stage.

### **Property**

The Company is the owner of a big tract of land located in Nasugbu, Batangas with land area of more or less 2,500 hectares, and with total appraised values of ₱4,570.8 million as of December 31, 2017. Of these, 2,300.60 hectares were covered by the Comprehensive Agrarian Reform Program (CARP).

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

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

There are pending legal cases as of December 31, 2017. None of these contingencies are discussed in detail so as not to seriously prejudice the Company's position in the related disputes.

The Company is likewise the registered owner of a 1,030 sqm condominium unit located at the 7<sup>th</sup> Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₱790,308 while fair market value is at ₱65.92 million as of December 31, 2017. This property and 7,777 sqm of land properties in Nasugbu, Batangas with total appraised values of ₱6.8 million as at December 31, 2017 were used as collateral for the long-term borrowings of the Company.

### Real Estate

As of December 31, 2017, RLC's real estate for sale and development, consisting of real estate properties for sale, raw land and land improvements, amounted to ₱607.1 million. Of these, properties with total area of 677,522 sqm and carrying value of ₱178.8 million were used as collateral to secure certain loan obligations of the Company.

### RVHC

RVHC owns a total of 4,933 sqm land located in Metro Manila particularly in Parañaque, North EDSA, Malate, Cubao and Timog, Quezon City. The first five Go Hotels are situated on these sites and have a total appraised values ₱2,188.7 million as at December 31, 2017. These properties were used as collateral for the long-term borrowings of the Company.

## RSAI

RSAI is the owner of the 21,945 sqm land located in Purok 10, Poblacion, Tupi, South Cotabato wherein the Coconut Processing Plant is situated and used as collateral for the long-term borrowings of the Company.

## **Legal Proceedings**

RCI is a party to various legal proceedings mostly involving the coverage of its properties in Nasugbu, Batangas under the CARP.

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

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

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

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

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

To date, the said application has not been acted upon, primarily because it took the DOT some time to promulgate the Implementing Rules and Regulations ("IRR"). However, in July 2011, the IRR was published in newspapers of general circulation and the same took effect on 01 August 2011. At present, RCI's application is still pending with the TIEZA.

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

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

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

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

On 22 October 2012, the DAR published a Notice of Coverage over approximately 2,514.76 hectares of the Company's properties. The Company has filed its Protest with the DAR against this wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage) and the applicable law (RA No. 6657 vs. RA No. 9700). 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 Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of RCI.

On June 27, 2014, RCI filed a Petition for Certiorari with the Court of Appeals (CA). On 25 October 2017, the Court of Appeals rendered a Decision on the Petition for Certiorari filed by RCI. In its Decision, the Court of Appeals partially granted RCI's Petition. In particular, the CA nullified and set aside the Order and Resolution dated 16 October 2013 and 15 April 2014, respectively, of the Department of Agrarian Reform. It also nullified the Notice of Coverage published by the DAR on 22 October 2012. The CA further remanded the case back to the DAR for purposes of issuing a new Notice of Coverage after determining specific portions of the haciendas that should be covered by the Agrarian Reform Law. However, the CA did not order the cancellation of the existing CLOAs over the properties of RCI that were issued pursuant to the nullified Notice of Coverage. Thus, RCI filed a partial Motion for Reconsideration of the Decision of the CA on 22 November 2017. In its MR, RCI prayed that: (i) the CA cancel all the CLOAs covering the properties covered by the 1999 Roxas case; (ii) To order the DAR to act on the pending applications for exemption/exclusion/conversion; and (iii) For Respondents to cease and desist from committing any act that involves the coverage of the subject properties pending the final resolution of the applications of RCI with the DAR.

On 05 June 2017, the DAR dismissed the application of RCI for exemption/exclusion of a total of 685 h.a. from CARP coverage. The DAR dismissed the application on purely technical grounds. Thus, RCI filed a Motion for Reconsideration on 14 August 2017. This MR has not been resolved by the DAR to date.

On 29 November 2017, the DAR denied RCI's Motion for Reconsideration of the denial of an application for exemption over a total of 285 h.a. for being agricultural in nature. The DAR found that there was no reversible error that would justify a reconsideration of the denial of exemption. Consequently, RCI filed an Appeal with the Office of the President on 22 January 2018. The Appeal is still currently pending before the Office of the President.

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

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

There are pending legal cases as at December 31, 2017. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

### Real Estate

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

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

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

## **PART II – SECURITIES OF THE REGISTRANT**

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

#### **1. Market Information.**

The Company has 1,978,182,356 common shares listed and traded in the Philippine Stock Exchange under the trading symbol "RCI".

(a) High and low share prices for the year ended December 31, 2017 and last three-month period ended December 31, 2016 and fiscal year ended September 30, 2016.

	High	Low
October 2015-December 2015	₱3.20	₱2.07
January 2016-March 2016	2.88	1.88
April 2016-June 2016	3.60	2.23
July 2016-September 2016	2.53	2.22
October 2016-December 2016	2.34	2.20
January 2017-March 2017	2.37	2.00
April 2017-June 2017	2.40	1.85
July 2017-September 2017	2.34	1.92
October 2017-December 2017	3.30	1.92

(b) Holders. There are 3,324 holders of the Company's listed shares as of 31 December 2017. The top twenty (20) holders of the Company's common shares as of said date are:

	<b>STOCKHOLDERS</b>	<b>NATIONALITY</b>	<b>TOTAL SHARES</b>	<b>%</b>
1	SPCI Holdings, Inc.	Philippine National	642,779,593	32.49%
2	Pesan Holdings, Inc.	Philippine National	340,527,520 <sup>4</sup>	17.21%

<sup>4</sup> This does not include the 191,291,547 shares beneficially owned by Pesan Holdings, Inc. (PHI) but owned on record by the PCD Nominee Corporation, the top 17 stockholder. Mr. Pedro E. Roxas is the controlling stockholder of Pesan Holdings, Inc. (PHI). In total, Mr. Pedro E. Roxas owns, directly and indirectly, 341,465,412 RCI shares representing 17.26% of the subscribed capital stock

3	PCD Nominee Corporation (Non-Filipino)	Other Alien	258,236,844	13.05%
4	PCD Nominee Corporation (Filipino)	Philippine National	206,718,213 <sup>5</sup>	10.45%
5	Cisco Holdings, Inc.	Philippine National	112,500,000	5.69%
6	CRE Holdings, Inc.	Philippine National	112,500,000	5.69%
7	IÑIGO Holdings, Inc.	Philippine National	112,500,000	5.69%
8	SRE Holdings, Inc.	Philippine National	112,500,000	5.69%
9	Antonio J. Roxas	Filipino	50,000,000	2.53%
10	Rizal Commercial Banking Corporation	Philippine National	3,048,161	0.15%
11	Antonio Roxas Chua	Filipino	2,379,610	0.12%
12	Mari Carmen R. Elizalde	Filipino	1,361,241	0.07%
13	Carlos Antonio R. Elizalde	Filipino	1,200,320	0.06%
14	Francisco R. Elizalde	Filipino	1,200,320	0.06%
15	Santiago R. Elizalde	Filipino	1,210,930	0.06%
16	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.06%
17	Pedro E. Roxas	Filipino	937,892	0.05%
18	Equitable Securities FAO Inigo Elizalde	Filipino	933,810	0.05%
19	Severo A. Tuazon & Company, Inc.	Filipino	537,000	0.03%
20	Dolores Teus De M. Vara Rey	Filipino	488,020	0.02%
	<b>SUBTOTAL</b>		<b>1,962,737,874</b>	<b>99.22%</b>
	OTHER STOCKHOLDERS		15,444,482	0.78%
	<b>GRAND TOTAL</b>		<b>1,978,182,356<sup>6</sup></b>	<b>100.00%</b>

## 2. Dividends.

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

<i>Declaration Date</i>	<i>Dividend Per Share</i>	<i>Record Date</i>	<i>Payment Date</i>
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	= 0.06	19 October 2006	10 November 2006
21 June 2007	= 0.06	13 July 2007	31 July 2007
20 September 2007	= 0.04	15 October 2007	8 November 2007
26 June 2008	= 0.06	15 July 2008	31 July 2008
2 October 2008	= 0.06	15 October 2008	30 October 2008
13 December 2013	= 0.02	06 January 2014	30 January 2014
12 December 2014	= 0.02	15 January 2015	30 January 2015
18 December 2015	= 0.01	15 January 2016	05 February 2016

<sup>5</sup> The total shareholdings of PCD Nominee Corporation (Filipino) as recorded by the stock and transfer agent is 1,140,421,727. However, out of those shares, 933,703,514 thereof are treasury shares and were thus, excluded for purposes of this report.

<sup>6</sup> The treasury shares amounting to 933,703,514 registered under PCD Nominee Corporation were excluded from the grand total.



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

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

There was no recent sale of unregistered or exempt securities.

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

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

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

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

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

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

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

The authorized capital stock of the company is ₱3,375,000,000 divided into 3,375,000,000 common shares with ₱1.00 par value a share.

Shareholders have no pre-emptive rights to any issue of shares, of whatever class by the corporation unless otherwise decided by the Board of Directors for the best interest of the corporation (Art. VIII, CADPGC Amended Articles of Incorporation). There is no provision in its charter or by-laws which would delay, defer or prevent a change in control of the Company.

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

#### **Calendar year 2017 Corporate Updates**

On May 14, 2015, Roxas Green Energy Corporation (RGEC), a wholly owned subsidiary of RCI, was incorporated to venture in solar power generation. RGEC is in the process of developing a 50 megawatt (MW) solar power plant within the properties owned by RCI in Nasugbu, Batangas. RGEC and RCI executed a 25-year lease agreement covering the land where the power plant will be constructed. RGEC has requested for an extension in the completion of the development of the project from the Department of Energy (DOE) and the Board of Investments (BOI).

On October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC), a Filipino owned company, to invest in Roxas Sigma Agriventures, Inc. (RSAI) (formerly Sigma Coco Xynergies, Inc.), a company duly registered and incorporated with the Securities and Exchange Commission (SEC), for the purpose of constructing a 300 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export. On April 8, 2016, RCI acquired 2,150,000 shares of stocks of RSAI at ₱100 par value for ₱215.0 million representing 81% equity to become a subsidiary of the Group. On September 25, 2017, RCI made an additional capital contribution of ₱21.5 million for 215,000 shares of stocks to maintain equity ownership at 81.13%. Plant testing started on the 3<sup>rd</sup> quarter of 2017 and became operational in December 2017.

On April 13, 2016, Roxaco Land Corporation (RLC) made an additional investment of ₱61.0 million in Roxaco Vanguard Hotel Corporation (RVHC) to increase its equity interest from 50% to 51% to become a subsidiary of the Group. In May and September 2016, RLC made an additional ₱51.0 million and ₱41.0 million, respectively, investment in RVHC to increase its total investment to ₱368.0 million. As of December 31, 2017, all five (5) Go hotels sites located in Manila Airport Road, North EDSA, Cubao, Ermita and Timog, Quezon City were operational.

On July 17, 2017, RLC's high-end Anya Hotel & Resorts in Tagaytay was opened with 80 suite rooms available.

### **Results of Operation**

Consolidated revenue for the year amounted to ₱503.3 million mainly from real estate sales of ₱322.7 million, hotel revenue contributions from Go Hotels of ₱138.3 million and Anya Hotel & Resorts, Tagaytay of ₱25.4 million.

Gross profit for the year amounted to ₱224.7 million or 45% of sales.

Operating expenses increased to ₱356.4 million due to pre-opening operating expenses incurred by the new businesses (Anya Hotel & Resorts, RSAI and Go Hotels).

Equity in net earnings of ₱23.2 million represents mainly the 23% share in the net income of RHI and RLC's associates.

Financing cost for the year of ₱106.7 million was due to increased bank debts to fund the completion of new projects.

Other income of ₱31.5 million represents sale of assets, realty fees and forfeited reservation deposits.

Consolidated net loss for the year amounted ₱170.8 million mainly due to recognition of pre-operating expenses of new businesses and higher financing cost, despite generating 45% gross profit. The increase in fair value of the assets of the new business mitigated the losses and reduced these to ₱36.3 Million.

### **Financial Position**

Consolidated total assets amounting to ₱12,270.8 million as at December 31, 2017 is 9.0% or ₱1,010.1 million higher than ₱11,260.7 million as at December 31, 2016 due to the completion of the development of Go Hotels, RSAI and Anya Tagaytay Resort and Residences Phase 2.

Debt to equity (D/E) ratio increased from 0.53:1 to 0.67:1 for the same period but within the allowable 0.75:1 DE ratio required by banks for term loans.

Book value per share is at ₱3.72 as at December 31, 2017.

Trade and other receivables of ₱357.1 million decreased by 47% from December 31, 2016 balance of ₱673.1 million due to decrease in advances to contractors on development projects.

Total liabilities increased by 27% from ₱3,878.8 million to ₱4,915.4 million mainly due to higher bank loans to fund investment projects.

Total equity amounting to ₱7,355.4 million as at December 31, 2017 decreased by ₱26.5 Million from December 31, 2016 due to the net loss.

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

1. *Gross profit.* This is recognized in full when the collection of the total contract price reached 10% on real estate sales. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lot buyer. In manufacturing and hotel industry, this is the margin on the revenue net of cost of sales.
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 Group.
3. *Hotel occupancy and average daily room rate (ADR).* The number represents the average rental income per paid occupied room in a given time period. ADR along with the property's occupancy are the foundations for the property's financial performance.
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 Group to generate returns for the shareholders.

The table below presents the top five performance indicators of the Group:

<b>Performance Indicator</b>	<b>December 2017 (One year)</b>	<b>December 2016 (Three Months)</b>	<b>September 2016 (One Year)</b>
Gross profit	₱224.7 million	₱13.1 million	₱67.9 million
Number of lots sold / reserved	273 units residential/ 126 memorial	4 units residential/ 14 memorial	35 units residential/ 86 memorial
Hotel occupancy and average daily room rate	40% / ₱1,468	-	-
EBITDA	(₱19.1 million)	(₱96.9 million)	(₱54.5 million)
Return on equity	(2.32%)	(1.31%)	(1.04%)

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

1. The Group 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 Group is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
3. The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
4. Description of material commitments for real estate and development.  
For CY 2018, RLC has programmed about ₱280.8M for various project developments. The Group is not aware of any known trend, events or uncertainties that will have material impact on sales.
5. Other than matters previously discussed, the Group is not aware of causes for any material changes from period to period in the financial statements.

#### **Plan of Operations**

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

- Completion of land development of Hacienda Palico Phase 1, residential project in Nasugbu, Batangas in 2018
- Reorganization of RLC and subsidiaries to improve operation by 1<sup>st</sup> semester of 2018.
- Start process of development for new Go Hotel sites in 2018.
- Start commercial operations and export sales of RSAI by January 2018.

#### **October to December 2016 Corporate Updates**

On May 14, 2015, Roxas Green Energy Corporation (RGEN), a wholly owned subsidiary of RCI, was incorporated to venture in solar power generation. RGEN is in the process of developing a 50 megawatt (MW) solar power plant within the properties owned by RCI in Nasugbu, Batangas. RGEN

and RCI executed a 25-year lease agreement covering the land where the power plant will be constructed.

On October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC), a Filipino owned company, to invest in Roxas Sigma Agriventures, Inc. (RSAI) (formerly Sigma Coco Xynergies, Inc.), a company duly registered and incorporated with the Securities and Exchange Commission (SEC), for the purpose of constructing a 300 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export. On April 8, 2016, RCI acquired 2,150,000 shares of stocks of RSAI at ₱100 par value for ₱215.0 million representing 81% equity to become a subsidiary of the Group. The coconut processing facility is expected to be operational by 2<sup>nd</sup> quarter of 2017.

On April 13, 2016, Roxaco Land Corporation (RLC) made an additional investment of ₱61.0 million in Roxaco Vanguard Hotel Corporation (RVHC) to increase its equity interest from 50% to 51% to become a subsidiary of the Group. In May and September 2016, RLC made an additional ₱51.0 million and ₱41.0 million, respectively, investment in RVHC to increase its total investment to ₱368.0 million. As of December 31, 2016, the first Go hotel in Manila Airport Road became operational. The next four Go hotels will be operational by 1<sup>st</sup> semester of 2017.

### **Results of Operation**

Consolidated sales for the three-month period ended December 31, 2016 amounted to P37.5 million mainly from real estate sales of ₱27.0 million, from Roxaco's Anya Resort and Residences, and hotel revenues of ₱10.5 million from the first Go Hotel site in Manila Airport.

Gross profit for the 3 months amounted to P13.1 million or 35% of sales.

Operating expenses of ₱104.6 million is mainly due to ₱41.0 million pre-operating expenses of Anya Hotel Resorts, RGEC, RSAI and RVHC, ₱18.3 million provision for doubtful accounts and the increase in compensation and benefits.

Equity in net loss of ₱26.5 million represents 25% share in the net loss of RHI amounting to ₱28.2 million and net amount in share in net income of RLC's associates amounting to ₱1.6 million (Fuego Land Corporation, Fuego Development Corporation and Club Punta Fuego, Inc.).

Financing cost for the three-month period amounted to ₱9.5 million which is due to long and short-term debts to fund project developments of RLC and investments in RGEC, RVHC and RSAI.

Other income of ₱17.6 million is mainly due to management fees and other realty fees including forfeited reservation deposits and net profit on the sale of furniture and fixtures of Anya Resort and Residences units sold in Phase 2.

Overall, the Group recognized a consolidated net loss for the three-month period of ₱96.7 million mainly due to lower sales as revenues from new investments, currently under development, will start contributing only in 2017, recognition of pre-operating expenses and loss in equity earnings from associates.

### **Financial Position**

Consolidated total assets amounting to ₱11,260.7 million as at December 31, 2016 is 5% or ₱558.0 million higher than ₱10,702.7 million as at September 30, 2016 mainly due to the continuing development of RVHC's Go Hotels, RSAI's coconut processing plant, and Anya Resort's phase 2

development.

Current ratio decreased from 0.95:1 as at September 30, 2016 to 0.74:1 as at December 31, 2016 mainly due to increase in short term debts to fund project development of RVHC and RSAI. The short term debts used to fund the development projects will be converted to long term loans upon completion of the projects.

Debt to equity (D/E) ratio increased from 0.43:1 to 0.53:1 for the same period due to increase in short term debts, but still within the allowable 0.75:1 DE ratio required by banks for term loans.

Book value per share is ₱3.74 and ₱3.78 as at December 31 and September 30, 2016, respectively.

Total trade and other receivables amounting to ₱673.1 million is lower by 3% than the balance as at September 30, 2016 of ₱691.4 million mainly due to decrease in receivables from realty sales.

Total liabilities increased by 20% from ₱3,241.0 million to ₱3,878.8 million due to the increase in short-term loans to fund the property group's real estate and hotel projects, and RSAI's coconut processing plant. Further, trade and other payables also increased due to increase in liabilities to contractors and customers' deposits.

Total equity amounting to ₱7,461.7 million as at September 30, 2016 decreased to ₱7,381.9 million as at December 31, 2016. The decrease of ₱79.8 million mainly represents consolidated net loss incurred for the three-month period.

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 Group'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 Group.
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 Group to generate returns for the shareholders.

The table below presents the top five performance indicators of the Group:

<b>Performance Indicator</b>	<b>December 2016</b>	<b>September 2016</b>	<b>September 2015</b>
Realized gross profit on real estate sales	₱5.9 million	₱67.9 million	₱97.5 million
Number of lots sold / reserved	4 units residential/ 14 memorial	35 units residential/ 86 memorial	72 units residential/ 92 memorial
Collection efficiency	97%	99%	98%
EBITDA	(₱98.6 million)	(₱64.0 million)	₱153.1 million
Return on equity	(1.31%)	(1.04%)	2%

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

1. The Group 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 Group is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
3. The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
4. Description of material commitments for real estate development.  
For the three-month period ended December 31, 2016, RLC has programmed ₱78M for project developments costs of which ₱51 million is for Anya Resort; ₱16 million is for Hacienda Palico; ₱9 million for Sananda Bay Project in Busuanga and ₱2 million for Landing Townhomes.
5. The Group is not aware of any known trend, events or uncertainties that will have material impact on sales.
6. Other than matters previously discussed, the Group is not aware of causes for any material changes from period to period in the financial statements.

#### **Plan of Operations**

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

- Start of land development of Hacienda Palico residential project in Nasugbu, Batangas by 4<sup>th</sup> quarter of 2016.
- Complete the development of phase two of Anya Resort and Residences and commence hotel operations by 2<sup>nd</sup> quarter of 2017.
- Launch Anya Resort and Residences phase three in 2018.
- Complete construction of the remaining 4 Go Hotels sites and commence full operations by 2<sup>nd</sup> quarter of 2017.
- Complete the development of the 30MW Solar Power Project in Nasugbu, Batangas by 2018.

- Complete construction of RSAI's coconut processing facility in Tupi, South Cotabato and commence commercial operations by 2<sup>nd</sup> quarter of 2017.

### PART III – MANAGEMENT AND SECURITY HOLDERS

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

**Pedro E. Roxas** is 62 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and held the position of President and Chief Executive Officer of the Company until 16 December 2016. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and he is a Trustee of Roxas Foundation, Inc. and the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

**Fernando L. Gaspar**, Filipino, is the President and Chief Executive Officer. He previously served as the Senior Vice President and Chief Administration Officer of International Container Terminal Systems, Inc. (ICTSI). Mr. Gaspar was also the Philippine Country Manager for the KUOK Group and the former President of Shangri-la Hotels Philippines. He was educated at the De La Salle University, where he took his undergraduate course in Chemical Engineering. He also took post-graduate courses at the INSEAD Asian Studies Centre, Fontainebleu, France, the Stanford University Graduate School of Business and the Columbia University Graduate School of Business.<sup>7</sup>

**Corazon S. de la Paz-Bernardo** is Honorary President of the Swiss-based International Social Security Association (ISSA), where she served as President from 2004 to 2010. She served as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman partner of Price Waterhouse International and was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) from 1981 to 2001. She was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. de la Paz-Bernardo was Chairperson of Equitable PCI Bank from 2006 until its merger with Banco de Oro in 2007. She had served as a member of the board of San Miguel Corp., PLDT, Ayala Land Ionics Inc. and Philex Mining. She was Chairman of NAMFREL for the 2013 elections and is Vice-Chairman of Jaime V. Ongpin Foundation. She is also a life member of the Cornell University Council, a member of the boards of trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, The Philippine Business for Education, MFI Polytechnic Institute, Makati Medical Center, among others. She is now the Chairman of Jaime V. Ongpin Microfinance Foundation. She is a member of the boards of directors of Phinma Energy Inc., Republic Glass Holdings, Inc., Medical Doctors, Inc., D&L Industries, Inc., and Phinma Petroleum & Geothermal, Inc. She is an advisor to the board and audit committee of BDO Unibank, Inc. and advisor to the board audit committee of PLDT. She is a trustee of Miriam College, University of the East, UE Ramon Magsaysay Memorial Medical Center, and Philippine Center for Population and Development, Inc. She is also a trustee and assistant treasurer of Laura Vicuna Foundation for

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<sup>7</sup> Mr. Gaspar was elected by the Board of Directors of the Company as its new President and Chief Executive Officer on 16 December 2016.



Street Children and trustee and Shareholders Association of the Philippines. A Certified Public Accountant, she graduated from the University of the East with a Bachelor of Business Administration degree in 1960, Magna Cum Laude, and obtained first place in the same year's CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fulbright grantee and UE scholar. She was awarded a Doctor of Humanities degree (Honoris Causa) by the University of the Cordilleras in 2017.

**Carlos R. Elizalde** is 49 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. ELRO Land Corp. and Twenty Four Hours Vendo Machine Corporation, Vice-President of ELRO Trading Corp. and Executive Vice President of Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay, BATAMA Marketing Cooperative and ELRO BPO Services, Inc. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

**Francisco Jose R. Elizalde** is 51 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the President and CEO of Elro Retail Corporation, Vice President of ELRO Corporation. He is a Director in SPCI Holdings, Inc., ELRO Land, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., ASpace Corporation and Hoppler Corporation. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

**Guillermo D. Luchangco** is 77 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman of Investment & Capital Corp of the Philippines ("ICCP"). He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: ICCP Holdings, Corp., Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., Science Park of the Philippines, Inc. , ICCP-SBI Venture Partners, Inc. (in HongKong and Cayman), Tech Venture Partners Ltd., Tech Ventures III Ltd., Pacific Synergies Partners IV Ltd. and Pacific Synergies Venture Partners Ltd.; Chairman and President of ICCP Managers, Inc., Beacon Property Ventures, Inc. and Ventrix Holdings Corporation; Chairman of Manila Exposition Complex, Inc., ICCP Group Foundation, Inc., Stamford Investors Ltd., Fiducia Asset Management Pte. Ltd., ICCP Capital Markets Ltd. and ICCP-SBI Venture Partners, Inc. in U.S.; and Director of Phinma Corp., Phinma Energy Corporation, Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Ionics Circuits, Ltd Iomni Precision, Inc. and Maxima Trading. Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

**Aurelio R. Montinola III**<sup>8</sup> is Chairman and Trustee of Far Eastern University (FEU) and FEU High School and Vice Chairman and Trustee of the Philippine Business for Education (PBED) Inc. He served as the President and CEO of Bank of the Philippine Islands from 2005 - 2013, and exited with BPI as the only Philippine bank rated Investment Grade by Fitch Ratings. He was twice awarded (2005 and 2009) the Asian Banker Leadership Achievement Award for the Philippines, and served as President of the Bankers Association of the Philippines from 2008 - 2012. Among others, he remains Director of BPI, BPI Family Savings Bank, Inc., BPI Capital Corporation, BPI Direct BankO, Inc. and BPI/MIS Insurance Corp. and Director of Western Resources Corporation and

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<sup>8</sup> Mr. Montinola was appointed as Independent Director on 16 December 2016, to fill-in the vacancy created by the election of Mr. Fernando L. Gaspar as President and Chief Executive Officer.

Xeleb Technologies, Inc. He is the Chairman of BPI Philam Life Assurance Corporation (BPI Philam), WWF Philippines, Nicanor Reyes Education Foundation, Inc., East Asia Computer Center Inc. He is also the Chairman and Director of FEU Alabang, Amon Trading Corporation, Amon Realty, Montirey, Inc., Derrc, Inc, Desrey, Inc. and Seyrell Investment & Realty Corporation. Other affiliations include: Chairman, Roosevelt College, Inc.; Vice Chairman and Director of Mere, Inc.; Chairman, President and Director of Amanda Carina Holdings, Inc.; Director and Trustee, Makati Business Club; Trustee, Pres. Manuel A. Roxas Foundation; and Member of Philippine Trade Foundation, Inc., Anita Magsaysay Ho Foundation and Management Association of the Philippines where he received the MAP Management Man of the Year Award in 2012. He graduated BS Management Engineering at the Ateneo de Manila in 1973, and MBA at the Harvard Business School in 1977.

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

### Corporate Officers

**Armando B. Escobar** is 58 years old and is a Filipino. He is the Executive Vice President - Chief Finance Officer, Treasurer & Risk Management Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation. He was formerly Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications, Director of Bancnet, Inc. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University, MBA units in University of the Philippines, Executive Business Program in Harvard Business School and Post-Graduate course in Strategic Business Economics Program in University of Asia and Pacific.

**Peter D. A. Barot** is 56 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

**Monica Isabelle I. Villanueva**<sup>9</sup>, Filipino, is the Assistant Corporate Secretary and Compliance Officer of the Company. She is also the Corporate Secretary of Roxaco Land Corporation. Prior to joining the Company, she worked as an Associate Lawyer in Ocampo and Manalo Law Firm and served as Director and Corporate Secretary for several domestic corporations, including PRIME Media Holdings, Inc. She obtained her Bachelor's Degree in Legal Management with a Minor in International Business from Ateneo de Manila University and thereafter obtained her Juris Doctor from the same university. She became a member of the Philippine Bar in April 2009.

### Significant Employees

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

### Family Relationships

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

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<sup>9</sup> Atty. Monica Isabelle I. Villanueva was appointed as Asst. Corp. Sec. and Compliance Officer of the Company on 27 October 2016.

Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde are brothers.

#### Legal Proceedings

No director, independent director, executive officer or senior officer of the company, during the past five (5) years, has been subject to:

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

#### Certain Relationships and Related Transactions

As part of the corporate reorganization of the Roxas Group, the Company's stockholders approved the following in 2008: (i) the sale to Roxas Holdings, Inc. (RHI) of sugar-related assets, liabilities and all interests of CADPGC in sugar-related operating subsidiaries and associate; and (ii) the merger of RCI and CADPGC.

Messrs. Pedro E. Roxas and Francisco Jose R. Elizalde, who are incumbent directors of the Company, were also directors of the absorbed company, RCI. They, together with director Carlos R. Elizalde, are members of the Roxas family which owned RCI prior to its merger with CADPGC.

Messrs. Pedro E. Roxas is also a director of RHI. As of 31 December 2017, the Company owns 23% of the total issued and outstanding capital of RHI.

Other than the foregoing, there is no transaction or proposed transaction during the last two (2) fiscal years to which the Company was or is to be a party in relation to any director, any nominee for election as director, any security holder of certain record or beneficial owner or management or any member of the immediate families of the directors.

#### Parent Company

As of 31 December 2017, the Company directly owns 100% of the issued and outstanding shares of Roxaco Land Corporation (RLC), Nasugbu Feeds Corporation, United Ventures Corporation and Roxas Green Energy Corporation, 81% of the issued and outstanding shares of Roxas Sigma Agriventures, Inc. and 23% of the total issued and outstanding shares of Roxas Holdings, Inc. (RHI).

In November, 2017, the Company also subscribed to 4,000,000 common shares of Anya Hotels and Resorts Corporation (AHRC) at a par value of ₱1.00 per share and paid up One Million Pesos (₱1,000,000.00) for the subscription. The subscription was on account of an application for increase of capital stock filed by AHRC with the Securities and Exchange Commission. AHRC is still currently awaiting the issuance of the Certificate of Increase in Authorized Capital Stock to perfect the transaction. Once this is effected, the Company will own 97.56% of the issued and outstanding shares of AHRC.

As of 31 December 2017, RLC still owns 100% of the total and outstanding shares of AHRC and SAMG Memorial Management and Services, Inc. It has interests in Fuego Development Corporation (30%), Fuego Land Corporation (30%), Roxaco-ACM Development Corporation (50%), Club Punta Fuego, Inc. (25%), Anya Hospitality Corporation (AHC) [formerly Fuego Hotels Property and Management Corporation] (75.33%), Roxaco-Vanguard Hotel Corporation (51%) and Brightnote Assets Corporation (10%).

RHI, a publicly-listed company, owns 100% of the issued and outstanding shares of Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation. It also has interests in Hawaiian-Philippine Company (45.09%), Najalin Agri-Ventures, Inc. (95.82%), San Carlos Bioenergy, Inc. (93.35%) and Roxas Power Corporation (50%).

#### Disagreement with the Company

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last meeting of shareholders because of a disagreement with the Company on any matter relating to its operations, policies and practices.

## 2. Executive Compensation

### COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

a) Section 7 of Art. 3 of the Amended By-Laws of the Company provides that the members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two (2%) of the net income of the Company before tax. Presently, the members of the Board of Directors receive ₱50,000 for every regular meeting attended, broken down as follows: ₱25,000 in cash and shares in such numbers equivalent to the ₱25,000 balance. For special meetings of the Board, a director will be given a per diem of ₱25,000 cash. A director of the Company who attends all meetings receives a total of roughly ₱200,000 annually. Each of the members of the four committees--(i) Audit and Risk; (ii) Nomination, Election and Governance; (iii) Compensation; and (iv) Related Party Transactions--also receive a per diem of ₱20,000 per meeting. No warrants and options have been granted to the directors and officers within the past three (3) years.

b) Compensation of Executive Officers

	Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation*
		FY 2015-16			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱150,000

	<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation*</b>
B	Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer				
C	Alezandro S. Casabar – Legal Manager / Compliance Officer				
D	CEO and Top Four Executives		₱16,015,694	₱548,392	
E	All officers & directors as group unnamed		₱16,015,694	₱548,392	₱800,000
		Oct-Dec 16			
A	Pedro E. Roxas – Executive Chairman		₱ -	₱ -	₱50,000
B	Fernando L. Gaspar - President and CEO				50,000
C	Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer				
D	Monica Isabelle I. Villanueva – Legal Manager / Compliance Officer				
E	CEO and Top Four Executives		₱6,527,217	₱1,295,993	₱100,000
F	All officers & directors as group unnamed		₱6,527,217	₱1,295,993	₱300,000
		CY 2017			
A	Pedro E. Roxas – Executive Chairman		₱ -	₱ -	₱200,000
B	Fernando L. Gaspar - President and CEO				200,000
C	Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer				
D	Monica Isabelle I. Villanueva – Legal Manager / Compliance Officer				
E	CEO and Top Four Executives		₱24,155,045	₱2,012,920	400,000
F	All officers & directors as group unnamed		₱24,155,045	₱2,012,920	₱1,250,000

\*Director’s fees

c) Estimated Compensation and Bonus for CY 2018

The estimated compensation and bonus of the directors and present officers of the Company for calendar year 2018 are as follows:

		<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
A	Pedro E. Roxas – Executive Chairman	₱ -	₱ -	₱ -
B	Fernando L. Gaspar - President and CEO	-	-	-
C	Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer	-	-	-
D	Monica Isabelle I. Villanueva – Legal			

	Manager / Compliance Officer			
E	CEO and Top Four Executives	₱27,000,000	₱2,500,000	
F	All officers & directors as group unnamed	₱27,000,000	₱2,500,000	₱1,400,000

The Company's accounting period has changed already from fiscal year to calendar year beginning 2017.

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

(a) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of December 31, 2017:

<i>Title of Class</i>	<i>Name and Address of Owner/Relationship with Issuer</i>	<i>Name of Beneficial Ownership and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class<sup>10</sup></i>
Common	SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	SPCI Holdings, Inc. <sup>11</sup>	Philippine National	642,779,593 (direct)	32.49%
Common	Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman	Pedro E. Roxas/ Pesan Holdings, Inc.	Filipino/ Philippine National	341,465,412 (direct & indirect)	17.26%
Common	PCD Nominee Corporation		Other Alien	258,236,844	13.05%
Common	PCD Nominee Corporation (Filipino)		Philippine National	206,718,213	10.45%
Common	CISCO Holdings Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	Francisco R. Elizalde	Philippine National	112,500,000	5.69%

<sup>10</sup> The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 1,978,182,356 common shares, the total outstanding shares as of 31 December 2017.

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

Common	CRE Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	Carlos R. Elizalde	Philippine National	112,500,000	5.69%
Common	IÑIGO Holdings, Inc.	Iñigo R. Elizalde	Philippine National	112,500,000	5.69%
Common	SRE Holdings, Inc. <sup>12</sup>	Santiago R. Elizalde	Philippine National	112,500,000	5.69%
<b>TOTAL</b>				<b>1,899,200,062</b>	<b>96.01%</b>

Except as stated above and in the related footnotes, the Board of Directors and the Management of the Company have no knowledge of any person who, as of 31 December 2017, was directly or indirectly the beneficial owner of, or who has voting power or investment power with respect to, shares comprising more than five percent (5%) of the Company's outstanding common stock.

(b) Security Ownership of Management as of 31 December 2017.

The following table sets forth the number of shares, listed and not listed, owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of December 31, 2017:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>Number and Nature Of Ownership</i>	<i>Percent of Class</i>
<i>Common</i>	<i>Pedro E. Roxas Executive Chairman</i>	<i>Filipino</i>	<i>341,465,412 (direct &amp; indirect)</i>	<i>17.26%</i>
<i>Common</i>	<i>Antonio J. Roxas Special Advisor to the Board</i>	<i>Filipino</i>	<i>50,000,000 (direct)</i>	<i>2.53%</i>
<i>Common</i>	<i>Carlos Antonio R. Elizalde<sup>13</sup> Director</i>	<i>Filipino</i>	<i>1,200,320 (direct) 755,279,593<sup>14</sup> (indirect)</i>	<i>0.06% (direct)</i>
<i>Common</i>	<i>Francisco Jose R. Elizalde<sup>15</sup> Director</i>	<i>Filipino</i>	<i>1,200,320 (direct)</i>	<i>0.06% (direct)</i>

<sup>12</sup> SRE Holdings, Inc., INIGO Holdings, Inc., CRE Holdings, Inc., and CISCO Holdings, Inc. are the personal holding companies of the respective indicated beneficial owners, who in turn are the stockholders of SPCI Holdings, Inc.

<sup>13</sup> Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each own 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). SPCI, in turn, owns 642,779,593 or 32.56% of the Company's shares. To be exact, Messrs. Carlos and Francisco Elizalde each hold 8.136% indirect ownership of the Company's shares.

<sup>14</sup> Mr. Carlos R. Elizalde is a shareholder of SPCI Holdings, Inc. (owner of 642,779,593 shares) and CRE Holdings, Inc. (owner of 112,500,000 shares).

			755,279,593 <sup>16</sup> (indirect)	
Common	Corazon S. Dela Paz- Bernardo Independent Director	Filipino	105,413 (direct)	0.00%
Common	Guillermo D. Luchangco Independent Director	Filipino	83,928 (direct)	0.00%
Common	Fernando L. Gaspar President / CEO	Filipino	95,588 (direct)	0.00%
Common	Aurelio R. Montinola, III Independent Director <sup>17</sup>	Filipino	26,397 (direct)	0.00%
Common	Armando B. Escobar Executive Vice-President / Chief Finance and Risk Management Officer/Treasurer	Filipino	0	0.00%
Common	Peter D. A. Barot Corporate Secretary	Filipino	0	0.00%
Common	Monica Isabelle I. Villanueva Asst. Corp. Secretary	Filipino	0	0.00%
Common	Directors and Officers As a Group		396,281,684	20.07%

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

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

<sup>15</sup> Please see footnote no. 10.

<sup>16</sup> Mr. Francisco R. Elizalde is a shareholder of SPCI Holdings, Inc. (owner of 642,779,593 shares) and CISCO Holdings, Inc. (owner of 112,500,000 shares).

<sup>17</sup> Mr. Aurelio Montinola III was appointed as Independent Director on 16 December 2016.



d) Change in Control

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

#### **PART IV - CORPORATE GOVERNANCE**

The Board approved the Company's Revised Manual on Corporate Governance on 08 December 2009 in conformity with Memorandum Circular No. 6, Series of 2009 issued by the Securities and Exchange Commission (SEC). Since the effectivity of the Company's original Manual on Corporate Governance on 01 January 2003, the Company has complied with the principles contained in the Manual, both the original and the revised, insofar as they may be relevant to the Company's business. The Company likewise established an evaluation system to measure or determine the level of compliance of its Board of Directors and top-level management with the Manual. The evaluation system basically consists of determining the Company's compliance with certain best practices act such as the observance of the basic rights of shareholders, equitable treatment of shareholders, recognizing the shareholders' role in corporate governance, timely disclosure and transparency and Board responsibility. Measures are also being undertaken by the Company to ensure full compliance with the leading practices it has adopted in the Manual such as the constitution of the Audit & Risk Committee, Compensation Committee, and Governance, Nomination and Election Committee, the election of the required number of independent directors to its Board of Directors, the amendment of Section 2 of Article II of its By-Laws dealing on the qualifications and disqualifications of its directors in order to adopt the provisions of the Manual which deal on the qualifications and disqualifications of directors.

On 07 August 2014, upon the directives of the SEC through Memorandum Circular No. 9, Series of 2014, the Board approved the revised Manual on Corporate Governance.

On 12 May 2017, the Board approved the Revised Manual on Corporate Governance. The revisions in the updated Manual included revisions recommended for Publicly Listed Companies as provided in SEC MC No. 19, Series of 2016.

The Company has not deviated from nor violated the provisions of the Manual. The Company undertakes to improve its corporate governance practices as may be required by law or the exigency of the business.

#### **PART V - EXHIBITS AND SCHEDULES**

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits

Certified Consolidated Financial Statements as of and for the year ended December 31, 2017.

(b) Reports on SEC Form 17-C.

The following were filed in the last 6 month period covered by this report, to wit:

1. On 16 June 2017, the stockholders of Roxas and Company, Inc., in its annual meeting elected the following persons to the Board of Directors of the Company for the Calendar year 2017:

Pedro E. Roxas  
Fernando L. Gaspar  
Carlos Antonio R. Elizalde  
Francisco R. Elizalde  
Corazon S. De La Paz-Bernardo (independent director)  
Guillermo D. Luchangco (independent director)  
Aurelio R. Montinola III (independent director)

They also elected the auditing firm of SGV & Co. as the external auditors of the Company for the calendar year 2017.

Further, the stockholders also approved to amend the Articles of Incorporation to reflect the extension of the corporate term for another 50 years from October 2018.

Immediately after the stockholders' meeting, the newly-elected members of the Board of Directors held an organizational meeting where they elected the following officers:

Pedro E. Roxas	-	Chairperson
Fernando L. Gaspar	-	President & CEO
Armando B. Escobar	-	Executive Vice President & CFO-Treasurer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Monica Isabelle I. Villanueva	-	Assistant Corporate Secretary Compliance Officer/ Corporate Information Officer
Julio Jude D. Montinola	-	Assistant Vice President- Business Development, Strategic Planning and Communications
Almer B. Pangilinan	-	Alternate Corporate Information Officer

They also elected the following Directors to the (a) Audit & Risk, (b) Compensation, (c) Nomination, Election & Governance Committees, and (d) Related Party Transaction Committee:

**Audit & Risk Committee:**

Corazon s. De La Paz-Bernardo	-	Chairperson (Independent Director)
Aurelio R. Montinola III	-	Member (Independent Director)
Francisco R. Elizalde	-	Member

**Compensation Committee:**

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

**Nomination, Election & Governance Committee:**

Pedro E. Roxas	-	Chairperson
Carlos R. Elizalde	-	Member
Corazon S. De La Paz-Bernardo	-	Member (Independent Director)

**Related Party Transaction Committee:**

Aurelio R. Montinola III	-	Chairperson (Independent Director)
Corazon De La Paz-Bernardo	-	Member (Independent Director)
Francisco R. Elizalde	-	Member (Independent Director)

2. On 11 August 2017, the Company reported that the Board of Directors approved the following in their regular Board meeting:
  - a. Consolidated financial report of the company for the quarter ending 30 June 2017;
  - b. Approval of the suretyship agreement of the company with Roxaco Vanguard Hotels Corporation for their short term loan with Robinsons Bank amounting to Two Hundred Million Pesos (Php200M); and
  - c. Appointing the Law Firm of Ocampo Manalo Valdez Lim as counsels for Roxas properties land cases and applications with the Department of Agrarian Reform.
3. On 11 August 2017, the Company reported that Roxaco Land Corporation (“RLC”), a subsidiary of the Company, entered into a Joint Venture Agreement (JVA) with the Sandoval family to develop an 87-hectare property located at Busuanga, Palawan into a Master Planned Resort Estate under the name of “Sananda Bay”.

The parties will initially develop 20 hectares of the property. The project will cater to the growing number of local tourists, business travellers and foreign visitors looking for quality resort in Palawan.

4. On 06 November 2017, the Company reported that the Board of Directors approved the subscription to Four Million (4,000,000) common shares of capital stock of Anya Hotels and Resorts Corporation (“AHRC”) with a paid-up capital of One Million Pesos (Php1,000,000.00). In view of this, AHRC will become a subsidiary of RCI, provided, the Securities and Exchange Commission approves AHRC’s application for increase in authorized capital stock.
5. On 10 November 2017, the Company reported that the Board of Directors approved the consolidated financial report of the company for the quarter ending 30 September 2017.
6. On 08 December 2017, the Company reported that the Board of Directors approved the budget for 2018 of the company and its subsidiaries.

## OTHER MATTERS

The following reports/minutes of meetings will be submitted for ratification/approval by the stockholders in the next Annual Stockholders' Meeting, which is on the last Wednesday of May 2017:

- a) Chairman's Report and the Consolidated Audited Financial Statements for the calendar year ended 31 December 2017.
- b) Minutes of the Annual Meeting of Stockholders held on 16 June 2017.

The minutes of meeting of the 16 June 2017 annual meeting of shareholders will be made available to all shareholders on the day of the annual meeting. Essentially, the minutes of the annual meeting contains the following:

- (i) reading and approval of the minutes of the 09 March 2016 annual meeting of shareholders;
  - (ii) presentation and approval of the 31 December 2016 annual report to shareholders;
  - (iii) approval and ratification of all acts and resolution of the Board of Directors since the annual meeting of shareholders on 09 March 2016;
  - (iv) the elected members of the Board of Directors for calendar year 2017;
  - (v) the external auditor for calendar year 2017; and
  - (vi) the approval of the amendment to the Articles of Incorporation to extend the Company's corporate term for another fifty (50) years from October 2018.
- c) Acts/Resolutions of the Board of Directors since the 16 June 2017 annual meeting of shareholders, which include the following:
- (i) Acts/resolutions approved during the 16 June 2017 Organizational Meeting of the Board of Directors. At the Organizational Meeting, the Board of Directors elected Ms. Corazon S. De La Paz-Bernardo, Mr. Aurelio R. Montinola III and Mr. Guillermo D. Luchangco to be independent directors of the Company. The Board also elected the following as officers of the Company:

Pedro E. Roxas	-	Chairman
Fernando L. Gaspar	-	President/CEO
Armando B. Escobar	-	Executive Vice President & CFO/Treasurer Risk Management Officer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Monica Isabelle I. Villanueva	-	Assistant Corporate Secretary Compliance Officer Corporate Information Officer

The following Directors were elected to the Audit & Risk; Executive Compensation; and Nomination, Election & Governance Committees:

### Audit & Risk Committee

Corazon S. De La Paz-Bernardo	-	Chairman (Independent Director)
-------------------------------	---	---------------------------------

Aurelio R. Montinola III	-	Member (Independent Director)
Francisco Jose R. Elizalde	-	Member

Executive Compensation Committee

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

Nomination, Election & Governance Committee

Pedro E. Roxas	-	Chairman
Carlos R. Elizalde	-	Member
Corazon S. De La Paz-Bernardo	-	Member (Independent Director)

- (ii) Acts/resolutions approved during the 11 August 2017 regular meeting of the Board: Approval of the Consolidated financial report of the company for the quarter ending 30 June 2017; Approval of the suretyship agreement of the company with Roxaco Vanguard Hotels Corporation for their short term loan with Robinsons Bank amounting to Two Hundred Million Pesos (Php200M); and Appointing the Law Firm of Ocampo Manalo Valdez Lim as counsels for Roxas properties land cases and applications with the Department of Agrarian Reform.
- (iii) Acts/resolutions approved during the special meeting held on 06 November 2017: subscription to Four Million (4,000,000) common shares of capital stock of Anya Hotels and Resorts Corporation (“AHRC”) with a paid-up capital on One Million Pesos (Php1,000,000.00).
- (iv) Acts/resolutions approved during the regular meeting held on 10 November 2017: approval of the consolidated financial report of the company for the quarter ending 30 September 2017.
- (v) Acts/resolutions passed during the regular meeting held on 08 December 2017: Approval of the budget for 2018 of the company and its subsidiaries.

VOTING PROCEDURES

(a) The vote required for the:-

- (1) Approval of the Minutes of Previous Stockholders’ Meeting - majority of the shares represented at the meeting
- (2) Approval of the Chairman’s and President’s Report - majority of the shares represented at the meeting
- (3) Approval of the Audited Financial Statements - majority of the shares represented at the meeting
- (4) Approval of All Acts and Resolutions of the Board of Directors and Management - majority of the shares represented at the meeting
- (5) Election of Directors - plurality of vote of the stockholders owning or representing a majority of the outstanding shares
- (6) Election of External Auditors - plurality of the shares represented at the meeting
- (7) Extension of corporate term - at least 2/3 of the outstanding capital stock

- (b) The method by which votes will be counted - Subject to cumulative voting in the election of directors, each stockholder shall have one vote for each share of stock entitled to vote and registered in his name at record date. Counting of votes will be done by representatives of Banco de Oro as the Company's stock transfer agent, representatives of SGV & Co., and the Assistant Corporate Secretary, all of whom shall serve as members of the election committee. Voting shall be done through raising of hands.

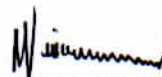
**THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST ADDRESSED TO THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY, 7/F CG BULDING, 101 AGUIRRE ST., LEGASPI VILLAGE, MAKATI CITY 1229.**

**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.**  
(formerly CADP GROUP CORPORATION)

By:



**MONICA ISABELLE I. VILLANUEVA**  
Assistant Corporate Secretary

Issuer

**ROXAS AND COMPANY, INC.**

Pursuant to the requirements of Section 17 of Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.

By:



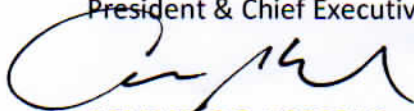
**PEDRO E. ROXAS**

Chairman



**FERNANDO L. GASPAR**

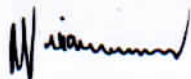
President & Chief Executive Officer



**ARMANDO B. ESCOBAR**

Executive Vice President - Chief Finance Officer





**MONICA ISABELLE I. VILLANUEVA**

Assistant Corporate Secretary

**APR 11 2018**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ in Makati City affiants exhibiting to me their respective competent ID's as follows:

Names	Competent ID	Date of Issue/Expiry	Place of Issue
Pedro E. Roxas	Passport No. EC2368933	10 Oct 2014 – 09 Oct 2019	Manila
Fernando L. Gaspar	Senior Citizen ID No. 69041	15 April 2013	Makati City
Armando B. Escobar	SSS ID# 03-6432908-7		
Monica Isabelle I. Villanueva	Passport No. P1265908A	17 Dec 2016 - 16 Dec 2021	Manila

Doc. No. 428

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Book No. 102

Series of 2018

**ATTY. JOHN DOMINGO A. PONCE, JR.**  
NOTARY PUBLIC  
APPOINTMENT No. M-2017/MAKATI CITY  
UNTIL DECEMBER 31, 2018  
PTR No. 6607875/01-3-2018/MAKATI CITY  
IWP No. 012942/12-12-2017/RRAL  
MCLE COMPLIANCE No. V-0022260/00-01-2015  
ROLL NO. 38452/TIN No. 105-000-002-000  
Unit G-14 Makati Executive Tower B  
Sen. Gil Puyat Avenue, Pinaricentro,  
Makati City, Metro Manila



Roxas & Company, Inc.

# **ANNEX "A"**

## **AUDIT COMMITTEE REPORT**



## Audit and Risk Committee Report

06 April 2018

The Board of Directors  
Roxas and Company, Inc.

Further to our compliance with applicable corporate governance laws and rules, we confirmed that for the period of 01 January to 31 December 2017:

- The Chairman of the Audit and Risk Committee is an independent director as determined by the Board of Directors;
- We had four (4) regular meetings during the said period;
- We have reviewed and approved the revised Audit Committee Charter which was subsequently endorsed to and adopted by the Board of Directors;
- We have discussed with RCI's internal audit group and Sycip Gorre Velayo & Co. ("SGV"), RCI's external auditor, the overall scope and plans for their respective audits, and the results of examinations, their evaluations of the internal controls and the overall quality of the financial reporting of Roxas and Company, Inc. and its subsidiaries (the Roxas Group);
- We have reviewed and approved all audit services rendered by SGV & Co. to the Roxas Group, and the related fees for such services, and concluded that the fees are not significant to impair their independence;
- We have discussed with SGV & Co. the matters required to be discussed by the prevailing applicable Auditing Standards, and we have received written disclosures and the letter from SGV & Co. as required by the prevailing applicable Independence Standards (Statements as to Independence) and have discussed with SGV & Co. its independence from the Roxas Group and Roxas Group's management;
- In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of the Roxas Group as of and for the year ended 31 December 2017 with the Roxas Group's management, which has the primary responsibility for the financial statements, and with SGV & Co., the Roxas Group's independent auditor, who is responsible for expressing an opinion on the conformity of the Roxas Group's audited financial statements with Philippine Financial Reporting Standards (PFRS);
- Based on the reviews and discussions referred to above, in reliance on the Roxas Group's management and SGV & Co. and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved, the inclusion of the Roxas Group's audited financial statements as of and for the year ended 31 December 2017 in the Roxas Group's Annual Report to the Stockholders and to the Philippines Securities and Exchange Commission (SEC) on Form 17-A; and
- Based on a review of SGV & Co.'s performance and qualifications, including consideration of management's recommendation, we approved the appointment of SGV & Co. as the Roxas Group's independent auditor.



**CORAZON DE LA PAZ-BERNARDO**  
Chairperson



**FRANCISCO R. ELIZALDE**  
Member



**AURELIO R. MOTINOLA III**  
Member



Roxas & Company, Inc.

# **ANNEX “B”**

**Statement of Management Responsibility for Consolidated Financial Statements**

**Certificate on the Compilation Services for the preparation of the Financial Statements and Notes to the Financial Statements**

**Report of Independent Auditors**

**Consolidated Balance Sheet**

**Consolidated Statements of Income**

**Consolidated Statements of Comprehensive Income**

**Consolidated Statements of Changes in Equity**

**Consolidated Statements of Cash Flows**

**Notes to Consolidated Financial Statements**

**Retained Earnings Available for Dividend Declaration**

**Index to Consolidated Financial Statements**

**Organizational Structure**

**List of Adoption of Effective Accounting Standards and Interpretations**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

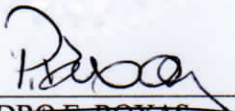
The management of **Roxas and Company, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the three months ended **December 31, 2016** and for the years ended **December 31, 2017 and September 30, 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

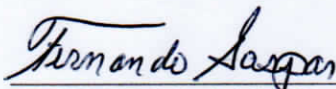
The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

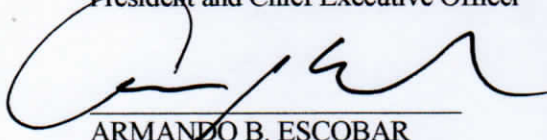
**SyCip Gorres Velayo & Co.**, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



**PEDRO E. ROXAS**  
Chairman



**FERNANDO L. GASPAR**  
President and Chief Executive Officer



**ARMANDO B. ESCOBAR**  
EVP-Chief Finance Officer/ Treasurer

Signed this **6th day of April, 2018**.





Roxas & Company, Inc.

**SUBSCRIBED AND SWORN** to before me this APR 06 2018 in Makati City, affiants exhibiting to me their respective competent ID as follows:

Names	Competent ID	Date of Issue/Expiry	Place of Issue
Pedro E. Roxas	Passport No. EC2368933	10 Oct 2014 – 09 Oct 2019	Manila
Fernando L. Gaspar	Senior Citizen ID No. 69041	15 April 2013	Makati City
Armando B. Escobar	SSS ID# 03-6432908-7		

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Page No. 46  
Book No. 102  
Series of 2018

*(Signature)*  
**ATTY. JOHN DOMINGO PONCE, JR.**  
**NOTARY PUBLIC**  
**APPOINTMENT No. M-202 / MAKATI CITY**  
**UNTIL DECEMBER 31, 2018**  
**PTR No. 6607875 / 01-3-2018 / MAKATI CITY**  
**ISP No. 018942 / 12-18-2017 / IRIZAL**  
**MCLE COMPLIANCE No. V-0821359 / 08-03-2018**  
**ROLL NO. 36452/TIN No. 108-999-102-000**  
**Unit G-14 Makati Executive Tower 3**  
**San. Gil Puyat Avenue, Pio del Pilar,**  
**Makati City, Metro Manila**

**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with Philippine Financial Reporting Standards (PFRS) and reports as required by accounting and auditing standards for **Roxas and Company, Inc. and Subsidiaries** for the period ended December 31, 2017.

In discharging this responsibility, I hereby declare that I am the Finance Manager of Roxas and Company, Inc. and Subsidiaries.

Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of SGV and Co. which is the external auditor who rendered the audit opinion for the said financial statements and notes to the financial statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.




Almer B. Pangilinan

CPA Certificate No. 123681  
Valid Until May 06, 2020

Accreditation No. 1128  
Valid Until May 06, 2019

**SUBSCRIBED AND SWORN** to before me this **FEB 27 2018** at Makati City, Philippines, affiant exhibited to me his Unified Multi-Purpose ID No. CRN-0111-4400114-2.

Doc. No. 141  
Page No. 30  
Book No. 92  
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**ATTY. JOHN DOMINGO A. PONCE, JR.**  
NOTARY PUBLIC  
APPOINTMENT No. M-292 / MAKATI CITY  
UNTIL DECEMBER 31, 2018  
PTR No. 6807873 / 01-3-2018 / MAKATI CITY  
MFP No. 618842 / 02-08-2017 / 00001  
MCLE COMPLIANCE No. V-0000000 / 00-00-2018  
ROLL NO. 38482 / TIN No. 000-000-000-000  
Unit G-14 Makati Executive Tower 3  
Sun. Gil Puyat Avenue, Pio del Pilar,  
Makati City, Metro Manila

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

P	W	-	8	3	4				
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**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

A	A	C	F	S
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Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

**COMPANY INFORMATION**

Company's Email Address

www.roxascompany.com.ph

Company's Telephone Number

(02) 810-8901

Mobile Number

-

No. of Stockholders

3,350

Annual Meeting (Month / Day)

Last Wednesday of May

Calendar Year (Month / Day)

December 31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Atty. Monica Isabelle I.  
Villanueva

Email Address

miv@roxascompany.com.  
ph

Telephone Number/s

(637) 751-9537

Mobile Number

-

**CONTACT PERSON'S ADDRESS**

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

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

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



## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the consolidated financial statements of Roxas and Company, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2017 and three months ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and three months ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

### **Basis for Opinion**

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

### **Other Matter**

The consolidated financial statements of the Group for the year ended September 30, 2016 were audited by another auditor who expressed an unmodified opinion on the consolidated financial statements on December 16, 2016.

### **Key Audit Matters**

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



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

### ***Revenue and costs recognition***

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs accounts for 64% of total consolidated revenue and 64% of the total consolidated cost of sales for the year ended December 31, 2017, respectively. The estimation of the total cost of the real estate project requires technical inputs by management's specialists (project development engineers). In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. It is the reaching of this level of collection that management has assessed that it is probable that economic benefits will flow to the Group because of the buyers' continuing commitment with the sales agreement. This matter is significant to our audit because the assessment of the stage of completion, total estimated costs, and level of buyer's equity involves significant management judgment. Refer to Notes 4 and 5 for the relevant accounting policy and a discussion of significant estimates.

### ***Audit Response***

We obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project development engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated to the supporting documents such as progress billings and accomplishment reports. We visited selected project sites and made relevant inquiries with project development engineers. We performed test computation of the POC calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as estimated cost per project activity. We likewise performed inquiries with the project development engineers for the revisions. We evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents.

### ***Classification of investment properties, and valuation of investment properties and land under property and equipment***

The Group has significant parcels of land in Nasugbu, Batangas that have been subjected to the revised Notice of Coverage (NOC) issued by the Department of Agrarian Reform (DAR) under the Comprehensive Agrarian Reform Program (CARP). On October 25, 2017, the Court of Appeals partially granted the Group's Petition for Certiorari dated June 26, 2014, in which the NOC issued by DAR last October 22, 2014 were nullified and set aside. Subsequently, the Group filed a Motion for Reconsideration over the issuance of Certificate of Land Ownership Awards by DAR in favor of the farmer-beneficiaries.





As of December 31, 2017, management continues to recognize the parcels of land under CARP as part of the Group's investment properties. As of December 31, 2017, these parcels of land have a carrying value of ₱4,316.3 million, representing 94% of the total investment properties. The classification of these parcels of land as part of investment properties is significant to our audit because the assessment requires significant judgment by management based on the status of the legal proceedings. The inherent uncertainty over the outcome of this matter is brought about by the differences in the interpretation and application of the regulations, laws and rulings, thus, a significant matter to our audit.

Further, the Group accounts for its investment properties at fair value and its land under property and equipment at revalued amount. As of December 31, 2017, the fair value of the Group's total investment properties and land under property and equipment amounted to ₱4,570.8 million and ₱733.6 million, representing 37% and 6% of the Group's consolidated total assets, respectively. The valuation of the investment properties and land under property and equipment requires the work of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 4 and 5 for the relevant accounting policy and a discussion of significant estimates, and Notes 12 and 13 for the detailed disclosure about the Group's land under property and equipment and investment properties and Note 27 for the disclosures about the related fair values.

#### *Audit Response*

For the parcels of land covered by CARP which were classified as investment properties, we inquired with the Group's internal legal counsel and finance officers about the status of the legal proceedings. We obtained legal opinion from external legal counsels about the progress of the legal proceedings, including their assessment on the likely outcome. We also inspected relevant correspondence with the regulatory bodies.

For the fair values of the entire investment properties and land under property and equipment, we involved our internal specialist in evaluating the methodologies and the assumptions used by the external appraiser, whose professional qualifications and objectivity were considered. We reviewed the relevant information supporting the sales price of similar properties and inquired from the external appraiser the basis of adjustments made to the sales price. We also reviewed the Group's disclosures with respect to the fair values of the investment properties and land under property and equipment.

#### *Investment in a significant associate*

The Group has a 23% interest in Roxas Holdings, Inc. (RHI), an associate, that is accounted for under the equity method. For the year ended December 31, 2017, the Group's share in the net income of RHI amounted to ₱28.18 million which accounts for 18% of the Group's consolidated net income whereas the Group's share in other comprehensive income of RHI amounted to ₱32.08 which accounts to 24% of the Group's consolidated other comprehensive income. The Group's share in RHI's net income is significantly affected by RHI raw sugar business which follows the quedan system, a negotiable instrument which shows ownership of a specified amount of raw sugar in a warehouse. RHI's physical possession may not necessarily indicate ownership. This matter is significant to our audit due to the volume of transactions covered by this unique system, which impacts sales and inventories which are



material in the determination of the share in RHI's net income. The Group's share in RHI's net income is also significantly affected by RHI's estimation of provision from certain claims by regulatory bodies and other penalties. The assessment of whether the provision should be recognized and the estimation of potential liability resulting from these assessments require significant judgment by management of RHI. The Group's share in other comprehensive income is significantly affected by the revaluation of land performed by external appraiser whose calculations involve certain assumptions such as sales prices of similar properties and adjustments to sales price based on internal and external factors. The disclosures on the investment in RHI are included in Note 11 to the consolidated financial statements.

PFRS also requires an impairment testing of an investment in associate where there are indicators of impairment. The Group's management assessed that the investment in RHI may be impaired due to the volatility in its share prices. We have identified the recoverability of the investment in an associate as a key audit matter because management's impairment assessment process requires significant judgment and is based on assumptions, specifically the forecasted revenue, operating costs, capital expenditures and discount rate. The disclosures about the significant estimates involving the impairment testing of the investment in RHI are included in Note 5 to the consolidated financial statements.

#### *Audit Response*

We obtained the financial information of RHI as at for the year ended December 31, 2017 and recomputed the Group's share in net income of RHI. With the involvement of our internal specialist, we obtained an understanding of RHI's queдання system and tested the relevant controls on the information system and manual processes. We observed the inventory count procedures of RHI to establish the physical existence of raw sugar as of count date and reviewed the rollforward procedures to arrive at the physical quantity as of reporting date. We reviewed the reconciliation of the physical quantity and queдан accountability report to test the quantity reported, which are supported by quedans, as the RHI's inventory and those which are held in trust for the planters and traders.

We inquired with RHI's legal counsels and management about the status and potential exposures of the significant claims and their basis of assessment of the outcome of the claims. We also inspected relevant correspondences with the regulatory bodies and other relevant parties, and reviewed the minutes of meetings of the Board of Directors and Audit Committee. We involved our internal specialist in the evaluation of management's assessment on whether provision should be recognized and estimation of such amount.

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



For the review of impairment testing, we obtained an understanding of the Group's impairment assessment process and tested the relevant controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions such as the forecasted revenue, operating costs and capital expenditures against the historical performance of the cash generating unit (CGU) and other relevant external data. We tested the parameters used in the derivation of the discount rate against market data.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20□IS (Definitive Information Statement), SEC Form 17□A and Annual Report for the twelve-month period ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20□IS (Definitive Information Statement), SEC Form 17□A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan  
Partner

CPA Certificate No. 109712

SEC Accreditation No. 1509-A (Group A),

October 1, 2015, valid until September 30, 2018

Tax Identification No. 233-299-245

BIR Accreditation No. 08-001998-109-2018,

February 14, 2018, valid until February 13, 2021

PTR No. 6621237, January 9, 2018, Makati City

April 6, 2018



**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*Amounts in Thousands*

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 7)	<b>₱136,859</b>	₱63,875
Trade and other receivables (Notes 8 and 19)	<b>236,696</b>	606,526
Real estate for sale and development (Note 9)	<b>565,307</b>	664,948
Other current assets (Note 10)	<b>328,088</b>	235,999
<b>Total Current Assets</b>	<b>1,266,950</b>	1,571,348
<b>Noncurrent Assets</b>		
Receivables - net of current portion (Note 8)	<b>120,445</b>	66,579
Investments in associates (Note 11)	<b>2,288,523</b>	2,233,224
Property and equipment (Note 12):		
At cost model	<b>3,063,502</b>	2,056,752
At revaluation model	<b>733,592</b>	551,240
Investment properties (Note 13)	<b>4,570,834</b>	4,570,834
Deferred tax assets - net (Note 23)	<b>21,220</b>	32,671
Other noncurrent assets (Note 10)	<b>205,718</b>	178,051
<b>Total Noncurrent Assets</b>	<b>11,003,834</b>	9,689,351
<b>TOTAL ASSETS</b>	<b>₱12,270,784</b>	₱11,260,699
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 16 and 19)	<b>₱637,534</b>	₱513,697
Short-term borrowings (Note 14)	<b>1,347,000</b>	1,410,226
Current portion of long-term borrowings (Note 15)	<b>594,165</b>	198,390
<b>Total Current Liabilities</b>	<b>2,578,669</b>	2,122,313
<b>Noncurrent Liabilities</b>		
Long-term borrowings - net of current portion (Note 15)	<b>2,273,190</b>	1,728,000
Retirement liability (Note 17)	<b>32,297</b>	19,654
Deferred income tax liabilities - net (Note 23)	<b>31,217</b>	8,845
<b>Total Noncurrent Liabilities</b>	<b>2,336,704</b>	1,756,499
<b>Total Liabilities</b>	<b>4,915,403</b>	3,878,812
<b>Equity attributable to the Equity Holders of the Parent Company (Note 18)</b>		
Capital stock	<b>2,911,886</b>	2,911,886
Additional paid-in capital	<b>1,630,408</b>	1,627,911
Treasury stock	<b>(1,587,296)</b>	(1,594,631)
Other equity reserves	<b>420,855</b>	330,552
Retained earnings	<b>3,578,111</b>	3,725,264
	<b>6,953,964</b>	7,000,982
<b>Non-controlling interests (Note 11)</b>	<b>401,417</b>	380,905
<b>Total Equity</b>	<b>7,355,381</b>	7,381,887
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱12,270,784</b>	₱11,260,699

*See accompanying Notes to Consolidated Financial Statements.*



**ROXAS AND COMPANY, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(With Comparative Figures for the Year Ended September 30, 2016)***Amounts in Thousands, except Basic/Diluted Loss per Share Data*

	December 31, 2017 (One Year)	December 31, 2016 (Three Months, Note 1)	September 30, 2016 (One Year)
<b>REVENUES</b>			
Real estate	₱322,725	₱26,984	₱193,915
Hotel	180,526	10,470	–
	<b>503,251</b>	37,454	193,915
<b>COST OF SALES AND SERVICES</b>			
Cost of real estate sales (Note 9)	(176,900)	(21,071)	(125,967)
Cost of hotel sales and services	(101,640)	(3,239)	–
	<b>(278,540)</b>	(24,310)	(125,967)
<b>GROSS INCOME</b>	<b>224,711</b>	13,144	67,948
<b>OPERATING EXPENSES</b> (Note 20)	<b>(356,446)</b>	(104,629)	(185,236)
<b>OTHER INCOME (CHARGES)</b>			
Equity in net earnings (loss) of associates and a joint venture (Note 11)	23,155	(26,532)	17,207
Interest expense (Notes 14 and 15)	(106,669)	(9,504)	(30,751)
Interest income (Notes 7, 8 and 19)	10,366	1,696	9,769
Unrealized fair value gain on investment properties (Note 13)	–	–	75,390
Loss on deemed disposal of an associate (Note 11)	–	–	(73,679)
Gain from step up acquisition of a subsidiary (Note 6)	–	–	6,949
Others - net (Note 22)	31,528	17,595	21,822
	<b>(41,620)</b>	(16,745)	26,707
<b>LOSS BEFORE INCOME TAX</b>	<b>(173,355)</b>	(108,230)	(90,581)
<b>INCOME TAX EXPENSE (BENEFIT)</b> (Note 23)			
Current	6,059	582	1,347
Deferred	(8,586)	(12,130)	(14,072)
	<b>(2,527)</b>	(11,548)	(12,725)
<b>NET LOSS</b>	<b>(₱170,828)</b>	(₱96,682)	(₱77,856)
<b>Net loss attributable to:</b>			
Equity holders of the Parent Company	(₱147,153)	(₱89,987)	(₱71,445)
Non-controlling interests	(23,675)	(6,695)	(6,411)
	<b>(₱170,828)</b>	(₱96,682)	(₱77,856)
<b>BASIC/DILUTED LOSS PER SHARE</b> <b>ATTRIBUTABLE TO THE EQUITY HOLDERS</b> <b>OF THE PARENT COMPANY</b> (Note 4)	<b>(₱0.07)</b>	(₱0.05)	(₱0.04)

*See accompanying Notes to Consolidated Financial Statements.*

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(With Comparative Figures for the Year Ended September 30, 2016)**  
*Amounts in Thousands*

	December 31, 2017 (One Year)	December 31, 2016 (Three Months, Note 1)	September 30, 2016 (One Year)
<b>NET LOSS</b>	<b>(₱170,828)</b>	<b>(₱96,682)</b>	<b>(₱77,856)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Appraisal increase on land of a subsidiary - net of tax (Note 12)	102,346	16,715	4,642
Remeasurement gain on retirement liability, net of tax (Notes 17 and 18)	-	-	155
Share in appraisal increase on land of an associate, net of tax (Note 11)	26,863	-	45,497
Share in remeasurement gain (loss) on retirement liability of an associate, net of tax (Note 18)	5,281	-	(11,294)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱36,338)</b>	<b>(₱79,967)</b>	<b>(₱38,856)</b>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Parent Company	(₱56,849)	(₱81,473)	(₱33,321)
Non-controlling interests	20,511	1,506	(5,535)
	<b>(₱36,338)</b>	<b>(₱79,967)</b>	<b>(₱38,856)</b>

*See accompanying Notes to Consolidated Financial Statements.*





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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**(With Comparative Figures for the Year Ended September 30, 2016)**

*Amounts in Thousands*

	Equity Attributable to Equity Holders of the Parent Company (Note 18)						Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Other Equity Reserve	Retained Earnings	Total		
<b>Balances as at September 30, 2015</b>	<b>₱2,911,886</b>	<b>₱1,626,393</b>	<b>(₱1,598,654)</b>	<b>₱283,914</b>	<b>₱3,906,433</b>	<b>₱7,129,972</b>	<b>(₱5,672)</b>	<b>₱7,124,300</b>
Non-controlling interest from step up acquisition of a subsidiary	-	-	-	-	-	-	358,899	358,899
Net loss for the year	-	-	-	-	(71,445)	(71,445)	(6,411)	(77,856)
Share in appraisal increase on land of an associate, net of tax (Note 11)	-	-	-	45,497	-	45,497	-	45,497
Acquisition of a subsidiary with non-controlling interest	-	-	-	-	-	-	31,707	31,707
Cash dividends	-	-	-	-	(19,737)	(19,737)	-	(19,737)
Share in remeasurement loss on retirement liability of an associate, net of tax	-	-	-	(11,294)	-	(11,294)	-	(11,294)
Issuances of treasury shares	-	1,512	3,905	-	-	5,417	-	5,417
Appraisal increase on land (Note 12)	-	-	-	3,766	-	3,766	876	4,642
Remeasurement loss on retirement liability, net of tax	-	-	-	155	-	155	-	155
<b>Balances as at September 30, 2016</b>	<b>2,911,886</b>	<b>1,627,905</b>	<b>(1,594,749)</b>	<b>322,038</b>	<b>3,815,251</b>	<b>7,082,331</b>	<b>379,399</b>	<b>7,461,730</b>
Net loss for the period	-	-	-	-	(89,987)	(89,987)	(6,695)	(96,682)
Appraisal increase on land - net of tax (Note 12)	-	-	-	8,514	-	8,514	8,201	16,715
Issuances of treasury shares	-	6	118	-	-	124	-	124
<b>Balances as at December 31, 2016</b>	<b>2,911,886</b>	<b>1,627,911</b>	<b>(1,594,631)</b>	<b>330,552</b>	<b>3,725,264</b>	<b>7,000,982</b>	<b>380,905</b>	<b>7,381,887</b>
Net loss for the year	-	-	-	-	(147,153)	(147,153)	(23,675)	(170,828)
Appraisal increase on land - net of tax (Note 12)	-	-	-	58,159	-	58,159	44,187	102,346
Share in appraisal increase on land of an associate, net of tax (Note 11)	-	-	-	26,863	-	26,863	-	26,863
Share in remeasurement loss on retirement liability of an associate, net of tax	-	-	-	5,281	-	5,281	-	5,281
Issuances of treasury shares	-	2,497	7,335	-	-	9,832	-	9,832
<b>Balances as at December 31, 2017</b>	<b>₱2,911,886</b>	<b>₱1,630,408</b>	<b>(₱1,587,296)</b>	<b>₱420,855</b>	<b>₱3,578,111</b>	<b>₱6,953,964</b>	<b>₱401,417</b>	<b>₱7,355,381</b>

See accompanying Notes to Consolidated Financial Statements.



**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(With Comparative Figures for the Year Ended September 30, 2016)**  
*Amounts in Thousands*

	December 31, 2017 (One Year)	December 31, 2016 (Three Months, Note 1)	September 30, 2016 (One Year)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax:	(P173,355)	(P108,230)	(P90,581)
Adjustments for:			
Equity in net loss (earnings) of associates and a joint venture (Note 11)	(23,155)	26,532	(17,207)
Interest expense (Notes 14 and 15)	106,669	9,504	30,751
Interest income (Notes 7, 8 and 19)	(10,366)	(1,696)	(9,769)
Depreciation and amortization (Note 12)	47,556	1,850	5,364
Unrealized fair value gain on investment properties (Note 13)	-	-	(75,390)
Gain on deemed disposal of an associate (Note 11)	-	-	73,679
Gain from step up acquisition of a subsidiary (Note 6)	-	-	(6,949)
Movement in retirement benefits (Note 17)	12,643	1,631	6,376
Operating loss before working capital changes	(40,008)	(70,409)	(83,726)
Decrease (increase) in:			
Trade and other receivables	315,964	52,844	(130,309)
Real estate for sale and development	99,641	(52,640)	(103,704)
Other current assets	(84,700)	(89,241)	119,525
Other noncurrent assets	(74,006)	32,333	(211,591)
Increase in trade and other payables	119,131	128,641	133,596
Net cash generated from (used for) operations	336,022	1,528	(276,209)
Interest received	10,366	1,696	9,769
Income taxes, paid including creditable withholding taxes	-	(2,257)	(13,736)
Net cash generated from (used in) operating activities	346,388	967	(280,176)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property and equipment (Note 12)	(1,054,306)	(518,567)	(650,991)
Investments in associates and a joint venture (Note 11)	-	-	(86,000)
Acquisition of subsidiaries, net of cash acquired (Note 6)	-	-	27,776
Net cash used in investing activities	(1,054,306)	(518,567)	(709,215)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net availments (payments) of short-term borrowings (Note 14)	(63,226)	171,926	397,696
Proceeds from availment of long-term borrowings (Note 15)	940,965	336,167	555,000
Payments of:			
Interest (including capitalized borrowing costs)	(106,669)	(26,289)	(30,751)
Dividends (Note 18)	-	(4,444)	(19,617)
Long-term borrowings (Note 15)	-	-	(80,122)

(Forward)



	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months, Note 1)	September 30, 2016 (One Year)
Subscriptions to subsidiaries' non-controlling interests (Note 6)	₱–	₱–	₱88,000
Proceeds from issuances of treasury shares (Note 18)	9,832	–	–
Net cash provided by financing activities	<b>780,902</b>	477,360	910,206
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD</b>	<b>72,984</b>	(40,240)	(79,185)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>63,875</b>	104,115	183,300
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>₱136,859</b>	₱63,875	₱104,115
<b>NONCASH FINANCIAL INFORMATION</b>			
Reclassification of investment in a joint venture as a subsidiary	₱–	₱–	(₱274,282)
Issuances of treasury shares	121	124	3,905

*See accompanying Notes to Consolidated Financial Statements.*



**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in Thousands, Except When Otherwise Indicated)**

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**1. Corporate Information**

Roxas and Company, Inc. (the Parent Company), formerly 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 will end by October 7, 2018, nine months from December 31, 2017. On June 16, 2017, the stockholders, representing more than two-thirds of the outstanding capital stock, approved the extension of the corporate term and the corresponding amendments of the Articles of Incorporation of the Parent Company. As of April 6, 2018, the Parent Company is in the process of completing the requirements in relation to the extension of its corporate term for filing with the Philippine SEC.

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

The Parent Company is owned by various individual shareholders and domestic corporations, namely: SPCI Holdings, Inc. and Pesan Holdings, Inc., among others. As at December 31, 2017 and 2016, the Parent Company has 3,350 and 3,352 shareholders, respectively.

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

Change in Accounting Period

On December 18, 2015, the Board of Directors (BOD) approved the amendment of the by-laws of the Parent Company and Roxaco Land Corporation (RLC), a wholly owned subsidiary of the former, changing the accounting period of the Parent Company and RLC from fiscal year ending September 30 to calendar year ending December 31 of each year. The change in accounting period of the Parent Company and RLC was approved by the SEC on May 26, 2016 and March 15, 2016, respectively.

The amounts presented for the period October 1, 2016 to December 31, 2016 in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and the related notes to consolidated financial statements are for three months, and accordingly, are not comparable with those in the statements for the years ended December 31, 2017 and September 30, 2016.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the Group) as at December 31, 2017 and 2016, three months ended December 31, 2016 and years ended December 31, 2017 and September 30, 2016 have been approved and authorized for issue by the BOD on April 6, 2018.

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

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land properties under property and equipment and investment properties that are stated at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Group. All balances and transactions are rounded to the nearest thousands, unless otherwise indicated.



The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

### 3. Summary of Changes in Accounting Policies and Disclosures

The Group adopted the new and amended PFRS and Philippine Accounting Standards (PAS) starting January 1, 2017. The adoption of these changes and improvements arising from the standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*  
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the required information in Note 15 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

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

The significant accounting and financial reporting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of Consolidation

The consolidated financial statements of the Group include the financial statements of the Parent Company and the following subsidiaries (all incorporated and domiciled in the Philippines) as of December 31, 2017 and 2016:

	Percentage of Ownership		Noncontrolling Interest		Description of Business
	2017	2016	2017	2018	
RLC	<b>100.00</b>	100.00	–	–	Real estate
Anya Hospitality Corporation (AHC)	<b>75.33</b>	75.33	<b>24.67</b>	24.67	Hotel and resort management
Anya Hotels and Resorts Corporation (AHRC)	<b>100.00</b>	100.00	–	–	Real estate
AHR1 Hotels & Resorts Corporation (A1HRC)	<b>100.00</b>	100.00	–	–	Real estate
Roxaco-Vanguard Hotels Corporation (RVHC) (see Note 11)	<b>51.00</b>	51.00	<b>49.00</b>	49.00	Hotel and leisure
United Ventures Corporation (UVC)	<b>100.00</b>	100.00	–	–	Warehouse leasing
Nasugbu Feeds Corporation (NAFECOR)*	<b>100.00</b>	100.00	–	–	Manufacturing
SAMG Memorial Management & Services Inc. (SMMSI)	<b>100.00</b>	100.00	–	–	Funeral and related services
Roxas Green Energy Corporation (RGEC)	<b>100.00</b>	100.00	–	–	Generation and distribution of energy
Roxas Sigma Agri Ventures, Inc. (RSAI)	<b>81.13</b>	81.13	<b>18.87</b>	18.87	Manufacturing

\* On April 10, 2008, its BOD approved the cessation of operations, closure of business and dissolution of NAFECOR. The application for dissolution is still pending with the SEC.



The Parent Company or its subsidiaries controls an investee if, and only if, the following criteria are met:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Parent Company or its subsidiaries have less than a majority of the voting or similar rights of an investee, the Parent Company or its subsidiaries consider all relevant facts and circumstances in assessing whether they have power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company or its subsidiaries voting rights and potential voting rights

The Parent Company or its subsidiaries reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company or its subsidiaries obtain control over the subsidiary and ceases when it ceases to have control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date control is lost.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-group balances, transactions, unrealized gains and losses, resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Parent Company loses control of a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Non-controlling interest represents the interest in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separate from the equity attributable to the parent.



### 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 acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are recognized as expense. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

### *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 (i.e. controlling shareholders) 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.

Comparative 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 and any previous interest held over the net identifiable assets acquired and liabilities assumed. 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 and is not tested for impairment separately.

### Financial Instruments

#### *Initial Recognition*

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

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*

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 income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax.

The Group classifies its financial assets in the following categories: FVPL financial assets, held-to-maturity (HTM) investments, loans and receivables 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 December 31, 2017 and 2016.





### *Loans and Receivables*

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables 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, cash equivalents, short-term placements, trade and other receivables (excluding advances to contractors) and refundable deposits as at December 31, 2017 and 2016 (see Notes 7, 8 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 non-derivative financial assets that are either designated as such or do not qualify to be classified as financial assets designated as at FVPL, loans and receivables and HTM investments. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS financial assets are measured at fair value, with unrealized gains and losses being recognized in other comprehensive income or loss until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is recognized in profit or loss. Accounting for the movement in equity is presented in the consolidated statements of changes in equity.

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 recognized as interest income or expense using the effective interest 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 year.

AFS financial assets consisting of unlisted shares of stock, which are unquoted and have no reliable sources of market value, are carried at cost, net of any impairment losses.

Classified as AFS financial assets are the unquoted equity investments as at December 31, 2017 and 2016 (see Note 10).



#### *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) activities.

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

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

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

Classified as other financial liabilities are trade and other payables (excluding statutory liabilities and deferred income) and short-term and long-term borrowings as at December 31, 2017 and 2016 (see Notes 14, 15, 16 and 19).

#### *Impairment of Financial Assets*

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

##### 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, or continues to be, 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 or has been transferred to the Group. 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 the 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 other comprehensive income and presented in the consolidated statement of changes in equity.

*Derecognition of Financial Assets and Liabilities*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have 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 or entered into a pass through arrangement 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, if any, 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.

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



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

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

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

#### *Offsetting of Financial Instruments*

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

#### Fair Value Measurement

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

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

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

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

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

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

- Note 5, Significant Judgments, Accounting Estimates and Assumptions
- Note 27, Fair Value Measurement



#### 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 net realizable value (NRV). Costs include costs incurred for development and improvement of the properties and qualifying 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 (CWT), input value-added tax (VAT) and prepaid expenses. Other current assets are carried at face value.

CWT represents the total accumulated tax credits for current and prior year's excess credits that will be applied against any income tax due.

Inventories are valued at the lower of cost or NRV. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Finished goods  
Cost includes raw materials, direct labor, other direct costs and related manufacturing overhead using the moving average method.
- Raw materials and other materials  
Purchase cost and directly attributable costs determined using the moving average method.

NRV for finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value for raw materials, packaging materials and other supplies is the current replacement cost.

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expenses as these are consumed in operations or expire with the passage of time.

Prepaid expenses are classified as current asset when the cost of goods or services related to the prepaid expenses is expected to be incurred within one year. Otherwise, prepaid expenses are classified as noncurrent assets.

#### Investments in Associates

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

An associate is an entity in which the Group has significant influence but not control or joint control, over the financial and operating policy decisions of the investee. 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 year 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 year, 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.

#### Joint Arrangements

##### *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 to joint control, and a jointly controlled entity is a joint venture that involves the 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.

##### *Investment in a Joint Operation*

RLC has investments in a joint operation, which pertains to agreements with joint venture partners, VJ Properties, Inc. (VJPI) and Marilo Realty Development Corporation and Landco Pacific Corporation (LPC), for the development of various projects. A joint operation is when a joint arrangement is not structured through a separate vehicle whereby parties have rights to the assets and obligations for the liabilities related to the joint arrangement. Assets, liabilities, revenues and expenses are recognized in relation to its interest in the joint operation.

#### Property and Equipment

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



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

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

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

The portion of appraisal increase on land, net of related deferred tax effect, realized upon disposal of the property is transferred to unrestricted retained earnings.

Depreciation and amortization on depreciable property and equipment are 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	40*
Building improvements	5
Machinery and equipment	5-25
Transportation equipment	3 to 6
Office furniture, fixtures and equipment	3 to 10

\*20 years in 2016

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

Major 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.

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

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property 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 retirement or 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 in the year it was derecognized.

#### Investment Properties

Investment properties comprise land 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 year in which these arise.

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

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.

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 in the period of derecognition.

#### Impairment of Nonfinancial Assets

The carrying amounts of investments in associates and a joint venture, property and equipment carried at cost 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 or cash generating unit's (CGU) 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. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining useful lives.

#### 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 entity 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. Appropriated or restricted retained earnings represent that portion, which has been appropriated or restricted and are not available for any dividend declaration. Unappropriated or unrestricted retained earnings represent that portion, which can be declared as dividends to shareholders.

#### *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 year are dealt with as event after the reporting year.

#### 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 year in accordance with PFRS. These include revaluation increment on land, share in changes in fair value of AFS financial assets of an associate and remeasurement loss on retirement liability, which are presented as part of "Other equity reserves" account in the consolidated statement of financial position.

#### Revenue Recognition

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

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

#### *Sale of Real Estate*

The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections, credit standing of the buyer, age and location of the property.

Revenue is recognized 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 10% or more of the total contract price.



Revenue from sales of raw land is accounted for using the full accrual method.

Revenue from sales of uncompleted real estate projects is accounted for using the percentage of completion (POC) method. In accordance with Philippine Interpretations Committee Questions and Answers No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after 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 actual costs incurred to date over the estimated total costs to complete the project.

Any excess of collections over the recognized receivables are included in the “Deferred income” account presented under “Trade and other payables” account in the consolidated statement of financial position.

If any of the criteria under the full accrual or POC 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 presented under “Trade and other payables” account in the consolidated statement of financial position.

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

#### *Hotel Revenue*

Hotel revenue from room rentals and other ancillary services are recognized when the services are rendered and revenue from food and beverage sales is recognized when orders are served. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services.

#### *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 method.

#### *Other Income*

Other income is recognized when services are rendered and when goods are received.

#### Cost and Expense 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 is recognized consistent with the revenue recognition method applied. Cost of units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, 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.

#### *Cost of Hotel Sales and Services*

Cost of sales and services include expenses incurred by the Group for the generation of revenue from food and beverage sales, room rentals and other hotel income. Cost of sales and services are expensed as incurred.

#### *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 Employee Benefits*

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short-term employee benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses.

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, AHC and RLC have an individual and separate defined benefit retirement plans. 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 benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The 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.

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 discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

#### *Termination Benefits*

Termination benefits are payable when employment is terminated before the 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 as expense 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.

#### 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

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



Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting year. 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 years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

#### *Deferred Tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred 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 carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

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

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

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

### VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.



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

#### Related Parties Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates: and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on 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 net income (loss) attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares.

Diluted earnings (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.

#### Share-based Payments

A certain employee and directors of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

#### *Equity-settled transactions*

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognised in employee benefits expense and director’s remuneration fee, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

#### 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 Roxas Holdings, Inc. (RHI), reportable



operating segments primarily consist of the real estate business, hotel and other segments, which are not reported separately.

#### 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 year (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Unless otherwise indicated, adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

##### *Effective beginning on or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is currently assessing the impact of adopting this amendment.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments



introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are connected with insurance or issue insurance contracts.

- *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business.

Based on its initial assessment, the requirements of PFRS 15 on the following may have significant impact on the Group's consolidated financial position, performance and disclosures in relation to its real estate agreements:

- Significant financing component in relation to advance payments received from customers or advance proportion of work performed.
- Determination if existing documentation would meet the definition of the contracts for real estate agreements





- Accounting for cost in obtaining contract for real estate agreements
- Measurement of progress of work performed
- Amendments to Philippine Accounting Standard (PAS) 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.



Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

*Effective beginning on or after January 1, 2019*

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

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

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

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Group is currently assessing the impact of adopting PAS 28.

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

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the



scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group is currently assessing the impact of adopting this interpretation.

#### *Deferred effectivity*

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

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

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

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

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

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

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



### Judgments

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

#### *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 Group 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.

#### *Classification of properties*

Management determines the classification of a property depending on its eventual realization of the asset. Further, the significant portion of the Group's parcels of land have been subjected to the revised Notice of Coverage (NOC) issued by Department of Agrarian Reform (DAR) under the Comprehensive Agrarian Reform Law (CARL). On October 25, 2017, Court of Appeals (CA) has partially granted the Group's Petition for Certiorari dated June 26, 2014, in which the NOC issued by DAR last October 22, 2014 were nullified and set aside. Subsequently, the Group filed a Motion for Reconsideration over the issuance of Certificate of Land Ownership Awards (CLOAs) by DAR in favor of the farmer-beneficiaries (see Note 25).

#### *Determination and assessment of the revenue recognition*

Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Buyer's continuing commitment to the sales agreement*  
Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor the obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property. In determining whether the sales prices are collectible, the Group considers that the initial payments from the buyer of about 10% would demonstrate the buyer's commitment to pay.
- *Stage of completion of the project*  
The Group commences the recognition of revenue from sale of uncompleted projects when the construction is beyond the preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), as determined by the project engineers.



*Determination of provisions and evaluation of contingencies*

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 pretax 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.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable (see Note 25).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting date 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.

*Revenue and cost recognition*

The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amount of revenue and cost. The Group's revenue from real estate properties based on the POC is measured principally on the basis of actual costs incurred to date over the estimated total costs to complete the project.

*Estimation of POC of real estate projects*

The Group estimates the POC of ongoing projects for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the independent project engineer as well as management's monitoring of the costs, progress and improvements of the projects. Sales of real estate properties amounted to ₱322.7 million for the year ended December 31, 2017 and ₱27.0 million and ₱193.9 million for the three months ended December 31, 2016 and for the year ended September 30, 2016, respectively. Cost of real estate sales amounted to ₱176.9 million for the year ended December 31, 2017 and ₱21.1 million and ₱126.0 million for the three months ended December 31, 2016 and for the year ended September 30, 2016, respectively.

*Determination of fair value of the investment properties and land properties under property and equipment*

The Group accounts for its investment properties at fair value and its land properties under property and equipment at revalued amount. The fair value of the investment properties and land under property and equipment were determined by professional qualified independent appraisers. Investment properties are valued using generally acceptable valuation techniques and methods and estimates based on local market conditions. The land properties under property and equipment are carried at revalued amount, which approximates its fair value at the date of the revaluation. The fair value was arrived at using the Sales Comparison Approach for land using gathered available market evidences. This considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison and adjustments to sales price which pertain to factors affecting value such size, location, time and shape. Revaluations are made on a regular basis to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting period.



Investment properties, including land properties that are subjected to the CARL with total land area of approximately 2,300.6 hectares and total value of ₱4,316.3 million as at December 31, 2017 and 2016, are stated at fair value amounting to ₱4,570.8 million as at December 31, 2017 and 2016 (see Note 13). For the year ended December 31, 2017, determination of the fair value of the investment properties is based on the latest appraisal report made on December 11, 2017.

Land carried at revalued amounts as at December 31, 2017 and 2016 amounted to ₱733.6 million and ₱551.2 million, respectively (see Note 12). The resulting increase in the valuation of these assets is presented under “Appraisal increase on land” in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity.

*Estimation of useful lives of property and equipment*

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

In 2017, the Group’s review indicated that the estimated useful life of building should be extended from 20 years to 40 years, effective beginning January 1, 2017. This is based on management’s reassessment of the expected period over which the Group will benefit from the use of these assets. Management obtained the services of the appraiser in determining the estimated useful life of building. The change in estimated useful life reduced the current year depreciation expense and future yearly depreciation expense by ₱9.7 million.

The carrying value of the depreciable property and equipment as at December 31, 2017 and 2016 amounted to ₱3,063.5 million and ₱2,056.8 million, respectively (see Note 12).

*Estimation of 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 the past collection experience and other factors that may affect collectability and the fact that title is not yet transferred until contract price is fully paid. 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.



As at December 31, 2017 and 2016, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables) amounted to ₱357.1 million and ₱673.1 million, respectively. Allowance for impairment losses of receivables amounted to ₱45.9 million as at December 31, 2017 and 2016 (see Note 8).

*Determination of NRV of real estate for sale and development*

The NRV of real estate for sale and development are based on the most reliable evidence available at the time the estimates of the amount that the real estate for sale and development are expected to be realized and/or sold. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting year to the extent that such events confirm conditions at the end of the reporting year. A new assessment of NRV is made 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.

The carrying amount of real estate for sale and development amounted to ₱565.3 million and ₱665.0 million as at December 31, 2017 and 2016, respectively (see Note 9). No allowance for impairment losses on real estate for sale and development is necessary as of December 31, 2017 and 2016 (see Note 9).

*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 nonfinancial assets which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets 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.

Nonfinancial assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenue or other external indicators) as of December 31 are as follows:

	2017	2016
Investments in associates and a joint venture (Note 11)	<b>₱2,288,523</b>	₱2,233,224
Available-for sale-investment	<b>7,534,374</b>	7,534,374
Property and equipment, excluding land carried at revalued amount (Note 12)	<b>3,063,502</b>	2,056,752



The Group's management assessed that the volatility in the share prices of RHI, an associate, is an indicator of impairment. As of December 31, 2017 and 2016, no impairment loss was recognized on investment in RHI as its carrying value is recoverable based on management's value-in-use calculation.

No impairment indicators were noted on the property and equipment of the Group as of December 31, 2017 and 2016.

*Determination of retirement liability*

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 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.

Retirement liability as at December 31, 2017 and 2016 amounted to ₱32.3 million and ₱19.7 million, respectively (see Note 17). Retirement benefits amounted to ₱1.6 million for the three months ended December 31, 2016, and ₱12.6 million and ₱6.4 million for the years ended December 31, 2017 and September 30, 2016, respectively (see Note 17).

*Assessment of realizability of deferred tax assets*

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

Total gross deductible temporary differences, carryforward benefits of NOLCO and excess MCIT amounted to ₱58.5 million and ₱58.8 million as at December 31, 2017 and 2016, respectively (see Note 23).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT with income tax effect amounting to ₱44.5 million as at December 31, 2017 and 2016, respectively (see Note 23). Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

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## 6. Acquisition of Subsidiaries

Acquisition of RSAI

On April 8, 2016, the Parent Company subscribed to 2,150,000 shares of RSAI representing 81.13% ownership interest from RSAI's increase in capital stock and paid a total consideration of ₱101.0 million. As a result, the Parent Company gained control over RSAI.

RSAI is an existing entity incorporated in February 16, 2015, which started its commercial operations in December 2017.

The fair value of assets acquired and liabilities assumed at the date of acquisition are as follows:

Cash	₱22,832
Trade and other receivables	91,001
Other current assets	522

(Forward)





Property and equipment:	
At appraised values	₱10,000
At cost	4,266
Trade and other payables	(5,684)
	₱122,937

The non-controlling interest in RSAI amounted to ₱21.9 million, which was measured based on proportionate value of net assets of RSAI as at the date of acquisition.

Subsequently, in May 2016, RSAI collected subscriptions to the capital stock of the non-controlling interest amounting to ₱9.8 million.

The net loss of RSAI from the acquisition date until September 30, 2016 amounting to ₱7.0 million was included in the Group's result of operations for the year ended September 30, 2016.

During 2017, RCI and the non-controlling interest made additional investments amounting to ₱21.5 million and ₱2.0 million, respectively, maintaining the same equity interest in RSAI.

#### Step Up Acquisition of RVHC

On April 13, 2016 (date of acquisition), RLC made an additional investment of ₱61.0 million that increased the equity interest of the Group in RVHC from 50% to 51%. On the same date, certain provisions of the Shareholder's Agreements were amended, particularly increasing RLC's BOD representation in RVHC from two to three directors out of the five directors to obtain control over RVHC. Consequently, RVHC became a subsidiary from said date, resulting to a gain from step up acquisition amounting to ₱6.9 million. RVHC's principal place of business is located at 7F Cacho Gonzales Bldg., 101 Aguirre Street, Legazpi Village, Makati City.

The fair values of the identified assets and liabilities of RVHC as at the date of acquisition are as follows:

Cash	₱96,160
Trade and other receivables	133,176
Other current assets	164,485
Property and equipment:	
At cost	847,504
At appraised values	512,707
Other noncurrent assets	17,641
Trade and other payables	(40,545)
Short-term borrowings	(750,000)
Long-term borrowings	(410,000)
Deferred tax liability	(19,720)
Net assets	551,408
Percentage share of net assets acquired	51%
Net assets acquired	₱281,218
Total consideration	(274,269)
Gain from step up acquisition	₱6,949

The non-controlling interest in RVHC amounted to ₱270.9 million, which was measured based on proportionate fair value of net assets of RVHC as at the date of acquisition.



Subsequently, RLC and the non-controlling interest made additional investments amounting to ₱92.0 million and ₱88.0 million, respectively, maintaining the same equity interest in RVHC (see Note 11).

The net loss of RVHC from the acquisition date until September 30, 2016 amounting to ₱7.0 million was included in the Group's result of operations for the year ended September 30, 2016.

#### Incorporation of RGEC

On February 16, 2015, RGEC, an entity that will be engaged in the generation and distribution of solar power, was incorporated with authorized capital stock of 500.0 million at ₱1.00 par value a share, of which ₱125.0 million was subscribed and paid by the Parent Company in December 2015.

In May 2016, RCI received a Cease and Desist Order (CDO) issued by the DAR not to undertake further development on the land used for the construction by RGEC of solar power. Subsequently, RGEC filed a request to lift the CDO and as of April 6, 2018, RGEC is waiting response from DAR.

As at December 31, 2017, RGEC is still in construction phase.

#### Investment in AHRC

In November 2017, the Parent Company paid ₱1.0 million for future subscription on the shares of stock of AHRC. The payment by Parent Company was related to the application for increase of capital stock filed by AHRC with Philippine SEC on January 4, 2018. As of April 6, 2018, AHRC is still currently awaiting the issuance of the Certificate of Increase in Authorized Capital Stock.

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## 7. Cash and Cash Equivalents

This account consists of:

	<b>December 31, 2017</b>	December 31, 2016
Cash on hand	<b>₱1,741</b>	₱393
Cash in banks	<b>135,118</b>	59,540
Cash equivalents	–	3,942
	<b>₱136,859</b>	₱63,875

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 an average interest of 0.45% to 1.25% for the year ended December 31, 2017 and 0.63% and 0.4% to 1.25% for the three months ended and for the year ended December 31, 2016 and September 30, 2016, respectively.

Total interest income earned from cash in banks amounted to ₱1.1 million for the year ended December 31, 2017, and ₱0.1 million and ₱0.7 million for the three months ended December 31, 2016 and for the year ended September 30, 2016, respectively.



## 8. Trade and Other Receivables

This account consists of:

	December 31, 2017	December 31, 2016
Trade	<b>₱223,163</b>	₱264,995
Advances to:		
Contractors	<b>34,432</b>	334,563
Supplier	<b>10,449</b>	12,742
Due from:		
Related parties (Note 19)	<b>120,455</b>	65,398
Employees	<b>4,702</b>	6,234
Others	<b>9,804</b>	35,037
	<b>403,005</b>	718,969
Allowance for impairment losses	<b>(45,864)</b>	(45,864)
	<b>₱357,141</b>	₱673,105

Breakdown as to current and noncurrent portion follows:

	December 31, 2017	December 31, 2016
Current	<b>₱236,696</b>	₱606,526
Noncurrent	<b>120,445</b>	66,579
	<b>₱357,141</b>	₱673,105

Trade receivables represent the following:

- a. 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 14% to 18% depending on the terms of the sales contract amounting to ₱186.8 million as of December 31, 2017.
- b. Outstanding individual, corporate and travel agency accounts earned from the hotel operation amounting to ₱36.4 million as of December 31, 2017 which generally have a 30-day term.

Total interest income on trade and other receivables amounted to ₱9.3 million for the year ended December 31, 2017, ₱1.6 million for the three months ended December 31, 2016, and ₱7.3 million for the year ended September 30, 2016 (see Note 7).

Cash received from the sale of real estate properties, that does not meet the revenue recognition criteria set out in Note 4 are recognized in "Customers' deposits" account which is presented as part of "Trade and other payables" account in the consolidated statements of financial position.

Breakdown as to current and noncurrent portion of the installment contract receivables recorded under "Trade" account follows:

	December 31, 2017	December 31, 2016
Current	<b>₱66,357</b>	₱186,163
Noncurrent	<b>120,445</b>	66,579
	<b>₱186,802</b>	₱252,742



Advances to contractors pertain to advances made for services to be rendered. This will be recouped through future billings.

Advances to supplier pertain to advances made for services to be rendered, which are refundable upon noncompliance of the agreed terms.

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

Other receivables, which are normally settled within one year, pertains to nontrade receivables.

Movements of allowance for impairment losses of receivables follow:

	Trade	Due from Related Parties	Others	Total
Balance as at September 30, 2016	₱975	₱12,641	₱14,950	₱28,566
Provisions for the period (Note 20)	5,130	–	12,168	17,298
Balance as at December 31, 2016	6,105	12,641	27,118	45,864
Provisions for the year (Note 20)	–	–	–	–
Balance as at December 31, 2017	<b>₱6,105</b>	<b>₱12,641</b>	<b>₱27,118</b>	<b>₱45,864</b>

## 9. Real Estate for Sale and Development

This account consists of:

	December 31, 2017	December 31, 2016
Raw land and land improvements	<b>₱192,180</b>	₱236,488
Real estate properties for sale	<b>373,127</b>	428,460
	<b>₱565,307</b>	₱664,948

Movements of allowance for impairment loss are as follows:

	December 31, 2017	December 31, 2016
Balance at beginning of period	₱–	₱2,323
Provision (Note 20)	–	925
Write-off	–	(3,248)
Balance at end of period	<b>₱–</b>	₱–

The movements in real estate properties for sale follows:

	December 31, 2017	December 31, 2016
Balances at beginning of period	<b>₱428,460</b>	₱375,820
Construction/development costs incurred	<b>119,434</b>	71,032
Disposals (cost of real estate sales)	<b>(176,900)</b>	(21,071)
Borrowing costs capitalized (Note 15)	<b>2,133</b>	2,679
Balances at end of period	<b>₱373,127</b>	₱428,460



Cost of real estate sales amounted to ₱176.9 million for the year ended December 31, 2017 and ₱21.1 million and ₱126.0 million for the three months ended December 31, 2016 and for the year ended September 30, 2016, respectively.

Borrowing costs incurred to finance the development of the Group's real estate projects amounting to ₱2.1 million for the year ended December 31, 2017 and ₱2.7 million and ₱12.2 million for the three months ended December 31, 2016 and for the year ended September 30, 2016, respectively, were capitalized using a weighted average rate of 3.75% for the year ended December 31, 2017 and 3.63% and 1.48% for the three months ended December 31, 2016 and for the year ended September 30, 2016, respectively (see Note 15).

Certain properties for sale and development owned by RLC amounting to ₱180.9 million as at December 31, 2017 and 2016 are being used as collateral for the loans availed by the Parent Company and RLC (see Note 15).

In 2017, the parcels of land recorded as part of inventory was reclassified to property and equipment account. These properties with a size of 11,266 square meters and cost amounting to ₱36.1 million pertain to the land where the AHRC hotel core is located. It was carried at fair value amounting to ₱46.3 million based on the appraisal report as of December 31, 2017. Appraisal increase on this land amounting to ₱7.1 million, net of tax effect, (see Note 12) was recognized in the consolidated statement of comprehensive income.

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## 10. Other Current and Noncurrent Assets

Other current assets account consists of:

	<b>December 31, 2017</b>	December 31, 2016
Input VAT	<b>₱160,184</b>	₱149,697
Creditable withholding taxes	<b>80,682</b>	55,755
Inventories	<b>65,460</b>	–
Prepaid expenses	<b>7,712</b>	15,990
AFS financial assets - net of allowance for impairment loss	<b>7,534</b>	7,534
Refundable deposits	<b>2,949</b>	–
Others	<b>3,567</b>	7,023
	<b>₱328,088</b>	₱235,999

Input VAT mainly arises from construction of real estate for sale, construction of the hotel and plant buildings and purchases of goods and services for operations.

As at December 31, 2017 and 2016, allowance for impairment loss on creditable withholding taxes and AFS financial assets amounted to ₱5.6 million. No provision for impairment losses was recognized for the year ended December 31, 2017, for the three months ended December 31, 2016 and for the year ended September 30, 2016.

Prepaid expenses pertain to prepaid rent, insurance and taxes.



Other noncurrent assets account consists of:

	December 31, 2017	December 31, 2016
Deferred input VAT	₱190,155	₱161,799
Franchise fee	9,983	10,740
Utility deposits	5,580	4,710
Others	–	802
	<b>₱205,718</b>	<b>₱178,051</b>

Franchise fee pertains to RVHC's franchise fee to a third-party hotel chain company for the non-exclusive, non-assignable right to use the proprietary marks and system in connection with the establishment and operation of GoHotels. The agreement is for 10 years beginning the opening day of the hotels. Amortization expense amounted to ₱0.8 million for the year ended December 31, 2017 (nil for the three months ended December 31, 2016 and for the year ended September 30, 2016, respectively).

#### 11. Investments in Associates and Investment in a Subsidiary with Material Non-controlling Interest

Movements in investment in associates follow:

	December 31, 2017	December 31, 2016
<b>Associates</b>		
Acquisition cost:		
Balance at beginning of period	₱2,167,054	₱2,167,054
Accumulated equity in net earnings (loss):		
Balance at beginning of period	105,533	132,065
Equity in net earnings (loss)	23,155	(26,532)
Balance at end of period	128,688	105,533
Unrealized loss on transfer of land -		
Balance at beginning and end of period	(59,030)	(59,030)
Other comprehensive income:		
Balance at beginning of period	34,900	34,900
Share in appraisal increase in land, net of tax	26,863	–
Share in remeasurement gain on retirement liability, net of tax	5,281	–
Balance at end of period	67,044	34,900
	<b>2,303,756</b>	<b>2,248,457</b>
Allowance for impairment loss	(15,233)	(15,233)
	<b>₱2,288,523</b>	<b>₱2,233,224</b>



The following Philippine-incorporated and domiciled companies are the associates of the Group:

	Percentage of Ownership		Description of Business
	December 31, 2017	December 31, 2016	
RHI and subsidiaries**	<b>23.05</b>	25.07	Production and selling of sugar and related products
Roxaco-ACM Development Corporation (RADC)*	<b>50.00</b>	50.00	Real estate
Fuego Land Corporation (FLC)*	<b>30.00</b>	30.00	Real estate
Fuego Development Corporation (FDC)*	<b>30.00</b>	30.00	Real estate
Club Punta Fuego, Inc. (CPFI)*	<b>25.00</b>	25.00	Social recreational and athletic activities

\* Effective ownership through RLC.

\*\*Accounting period ends September 30 of every year due to seasonality of its business. For purposes of the Group's consolidation, RHI and subsidiaries, report its financial statements from January 1 to December 31.

The following are the subsidiaries of RHI:

	Percentage of Ownership		Description of Business
	December 31, 2017	December 31, 2016	
Central Azucarera Don Pedro, Inc. (CADPI)	<b>100.00</b>	100.00	Production and selling of raw and refined sugar, molasses and related products
Central Azucarera de la Carlota, Inc. (CACI)	<b>100.00</b>	100.00	Production and selling of raw sugar and molasses
CADP Insurance Agency, Inc. (CIAI)	<b>100.00</b>	100.00	Insurance agency
Roxol Bioenergy Corp. (RBC)	<b>100.00</b>	100.00	Production and selling of bioethanol fuel and trading of goods such as sugar and related products
CADP Port Services, Inc. (CPSI)	<b>100.00</b>	100.00	Providing ancillary services
RHI Agri-Business Development Corporation (RABDC)	<b>100.00</b>	100.00	Agricultural business
Roxas Pacific Bioenergy Corporation (RPBC)	<b>100.00</b>	100.00	Holding company for bioethanol investments
RHI Pacific Commercial Corp. (RHIPCC)	<b>100.00</b>	100.00	Selling arm of products of RHI Group
San Carlos Bioenergy, Inc. (SCBI)	<b>93.35</b>	93.35	Production and selling of bioethanol fuel
Najalin Agri Ventures, Inc. (NAVI)	<b>86.91</b>	86.91	Agricultural and industrial development
Roxas Power Corporation (RPC)	<b>50.00</b>	50.00	Sale of electricity

The carrying amounts of investments in associates are as follow:

	December 31, 2017	December 31, 2016
<b>Associates</b>		
RHI and subsidiaries	<b>₱2,160,757</b>	₱2,100,423
FLC	<b>88,883</b>	91,729
CPFI	<b>16,110</b>	17,709
FDC	<b>14,345</b>	14,935
RADC	<b>8,428</b>	8,428
	<b>₱2,288,523</b>	₱2,233,224



Associates

On November 29, 2013, the Parent Company sold its 31% equity interest in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. The Parent Company remained the major shareholder with 35% equity interest in RHI as at September 30, 2014.

On October 1, 2014, the Parent Company bought 5.0 million shares of stock of RHI for ₱34.5 million increasing its equity interest to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was further diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares at ₱7.00 a share amounting to ₱1,692.6 million to First Agri Holdings Corporation, a subsidiary of First Pacific (see Note 1). As a result, the Parent Company recognized a gain on deemed disposal amounting to ₱84.8 million in 2015. Also, on the same date, the Parent Company purchased 33.1 million shares of RHI from various stockholders for a total purchase price of ₱231.8 million, increasing the Parent Company's equity interest from 28% to 31%.

On May 31, 2016, the equity interest of the Parent Company was further diluted from 31% to 25%, as a result of the exercise of SRO by other stockholders of RHI. Consequently, the Parent Company recognized a loss on deemed disposal amounting to ₱73.7 million for the year ended September 30, 2016. It was further diluted into 23% in July 2017 as a result of the converted debt securities into 125 million common shares of RHI. As at December 31, 2017, the Parent Company has 23% equity interest in RHI.

Shares of stock of RHI totaling 99.6 million are used as security for long-term loan of the Parent Company amounting to ₱590.0 million and ₱597.5 million, respectively, as at December 31, 2017 and 2016 (see Note 15).

RHI is a Philippine corporation with its shares listed on the PSE. The fair value based on quoted share price of RHI's shares held directly by the Parent Company amounted to ₱1,447.5 million and ₱980.5 million as of December 31, 2017 and 2016, respectively.

Reconciliation of proportionate share in net assets of RHI and subsidiaries and investment carried at equity method:

	<b>December 31, 2017</b>	December 31, 2016
Proportionate share on the net assets of the associate	<b>₱2,405,049</b>	₱2,422,094
Fair value adjustments	<b>(244,292)</b>	(321,671)
Carrying value of investment at equity method	<b>₱2,160,757</b>	₱2,100,423

In accordance with the Group's accounting policies, the retained interest in RHI was remeasured at its fair value upon lost of control and changes in the Group's ownership interest as discussed above.

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

Outstanding provision for losses for disputed claims and assessments amounted to ₱42.8 million and nil as of December 31, 2017 and 2016, respectively.





Investments in CPFI, RADC and FLC were provided with allowance for impairment loss amounting to ₱7.9 million, ₱3.7 million and ₱3.6 million, respectively, as at December 31, 2017 and 2016.

Joint Venture (accounted for as a subsidiary effective April 13, 2016)

On December 3, 2013, RLC entered into a Joint Venture Agreement with VH Select Investments (Phil) Pte. Ltd. to form a joint venture company, namely - RVHC [formerly Vanguard Hospitality Assets (Phils.), Inc.] duly registered and incorporated with the SEC on December 8, 2010, primarily to build and own a minimum of five “GoHotels” (the “Projects”) in Metro Manila and in selected provincial destinations over the next two to three years.

On May 15, 2014, the Philippine SEC approved RVHC’s increase in authorized capital stock from ₱4.0 million or 40,000 common shares to 800.0 million common shares with a reduction of par value from ₱100.0 to ₱1.0 a share and additional 200.0 million preferred shares at ₱0.01 par value a share aggregating ₱802.0 million.

On October 23, 2015, RLC made additional investment amounting to ₱25.0 million maintaining the same equity interest of 50% in RVHC.

On April 13, 2016, RLC made an additional investment of ₱61.0 million which increased the equity interest in RVHC from 50% to 51%. On the same date, certain provisions of the Shareholder’s Agreements were amended, particularly increasing RLC’s BOD representation in RVHC from two to three directors out of the five directors, representing increase from 50% to 60%, to obtain control over RVHC. Consequently, RVHC became a subsidiary from that date.

On May 25, 2016 and August 18, 2016, RLC made additional investment amounting to ₱51.0 million and ₱41.0 million, respectively. On May 24, 2016 and September 8, 2016, VH Select Investments (Phil) Pte. Ltd. made additional investments amounting to ₱50.0 million and ₱38.0 million, respectively. The said investments from RLC and VH Select Investments (Phil) Pte. Ltd. maintain the same equity interest in RVHC.

GoHotel Manila Airport Road, North EDSA, Cubao, Malate and Timog started its commercial operations in October 2016, February 2017, April 2017, June 2017, and October 2017, respectively.

As at December 31, 2017 and 2016, total costs incurred on the Projects amounted to ₱2,435.0 million and ₱1,877.8 million, respectively, recorded under “Property and equipment” carried at cost in the consolidated statements of financial position.

The accumulated equity in net earnings of associates and a joint venture amounting to ₱128.7 million and ₱105.5 million as at December 31, 2017 and 2016, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

Summarized financial information of associates are as follows:

	Associates			
	RHI and Subsidiaries*		CPFI, FLC, FDC and RADC**	
	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	December 31, 2017 (One Year)	December 31, 2016 (Three Months)
Current assets	<b>₱5,623,800</b>	₱5,709,377	<b>₱457,764</b>	₱555,980
Noncurrent assets	<b>17,613,445</b>	17,172,732	<b>595,106</b>	642,045
Current liabilities	<b>6,793,660</b>	5,948,927	<b>271,726</b>	394,672
Noncurrent liabilities	<b>6,009,533</b>	7,271,856	<b>4,488</b>	465

(Forward)



	Associates			
	RHI and Subsidiaries*		CPFI, FLC, FDC and RADC**	
	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	December 31, 2017 (One Year)	December 31, 2016 (Three Months)
Net assets	<b>₱10,434,052</b>	₱9,661,326	<b>₱776,657</b>	₱802,888
Revenue	<b>11,531,002</b>	10,834,611	<b>202,430</b>	241,152
Net income (loss)	<b>117,803</b>	(112,293)	<b>(33,641)</b>	4,009
Other comprehensive income (loss)	<b>64,142</b>	12,158	<b>1,554</b>	(1,069)
Total comprehensive income (loss)	<b>28,639</b>	5,597	<b>(32,097)</b>	(2,940)

\* *Material associate*

\*\* *Individually immaterial associates*

There are no significant restrictions on the ability of the associates to transfer funds to the Parent Company in the form of cash dividends and repayment of loans, among others.

#### Subsidiary with Material Non-controlling Interest

Below are the summarized financial information of the subsidiaries that have non-controlling interests that are material to the Group. The amounts disclosed are based on those financial information included in the consolidated financial statements before intercompany eliminations.

RVHC became a subsidiary of the Parent Company through RLC as of September 30, 2016. Proportion of equity interest held by non-controlling interests of RVHC is 49% as of December 31, 2017 and 2016.

Summarized balance sheets of RVHC are as follows:

	December 31, 2017	December 31, 2016
Total assets	<b>₱2,710,736</b>	₱2,302,129
Total liabilities	<b>1,929,752</b>	1,566,374
Equity	<b>780,984</b>	735,755
Attributable to non-controlling interests	<b>382,682</b>	360,684

Summarized statements of income are as follows:

	December 31, 2017 (One year)	December 31, 2016 (Three months)	September 30, 2016 (One year)
Revenue	<b>₱138,301</b>	₱11,224	₱412
Expenses	<b>183,438</b>	20,372	9,830
Benefit from income tax	<b>(13,541)</b>	(3,063)	(2,426)
Net loss	<b>(31,596)</b>	(6,085)	(6,992)
Net loss attributable to non-controlling interests	<b>(15,505)</b>	(2,986)	(3,431)



Summarized statements of comprehensive income are as follows:

	<b>December 31, 2017</b>	December 31, 2016	September 30, 2016
	(One year)	(Three months)	(One year)
Total comprehensive loss	<b>(₱31,596)</b>	(₱6,085)	(₱6,992)
Attributable to non-controlling interests	<b>(15,505)</b>	(2,986)	(3,431)

The ability of pay dividends or make other distributions or payments to its shareholders (including the Parent Company) is subject to applicable laws and other restrictions contained in financing agreements that prohibit or limit the payment of dividends or other transfers of funds (see Note 15).

## 12. Property and Equipment

Details and movements of the property and equipment carried at cost follows:

	December 31, 2017 (One Year)					Total
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
<b>Cost</b>						
Balance at beginning of year	₱20,324	₱248,102	₱14,649	₱62,471	₱1,749,987	₱2,095,533
Additions	3,431	394,034	2,915	35,434	618,492	1,054,306
Reclassifications	2,250,075	-	-	-	(2,250,075)	-
Balance at end of year	2,273,830	642,136	17,564	97,905	118,404	3,149,839
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	14,694	-	10,524	13,563	-	38,781
Depreciation and amortization	25,727	8,311	1,656	11,862	-	47,556
Balance at end of year	40,421	8,311	12,180	25,425	-	86,337
<b>Net Book Value</b>	<b>₱2,233,409</b>	<b>₱633,825</b>	<b>₱5,384</b>	<b>₱72,480</b>	<b>₱118,404</b>	<b>₱3,063,502</b>

	December 31, 2016 (Three Months)					Total
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
<b>Cost</b>						
Balance at beginning of period	₱20,273	₱57,964	₱14,649	₱43,084	₱1,458,410	₱1,594,380
Additions	51	190,138	-	19,387	291,577	501,153
Balance at end of period	20,324	248,102	14,649	62,471	1,749,987	2,095,533
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of period	₱13,655	₱-	₱10,240	₱13,036	₱-	₱36,931
Depreciation and amortization	1,039	-	284	527	-	1,850
Balance at end of period	14,694	-	10,524	13,563	-	38,781
<b>Net Book Value</b>	<b>₱5,630</b>	<b>₱248,102</b>	<b>₱4,125</b>	<b>₱48,908</b>	<b>₱1,749,987</b>	<b>₱2,056,752</b>

Construction in progress pertains to the RGEC's solar power project and RSAI coconut processing plant.

Capitalized borrowing costs amounted to ₱27.5 million for the year ended December 31, 2017 and ₱11.9 million and ₱33.0 million for the three months and for the year ended December 31, 2016 and September 30, 2016, respectively, for the construction of GoHotels (see Note 15).

Fully depreciated property and equipment with an aggregate cost of ₱14.5 million as at December 31, 2017 and 2016, respectively, are still being used in the operations.



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

	December 31, 2017	December 31, 2016
At appraised values:		
Balance at beginning of year	₱551,240	₱527,361
Reclassification from real estate for sale and development to property and equipment (Note 9)	36,143	-
Appraisal increase	146,209	23,879
Balance at end of year	<b>₱733,592</b>	<b>₱551,240</b>
At cost	<b>₱540,345</b>	<b>₱504,202</b>

Certain assets were mortgaged and used as collateral to secure the loan obligations of the Parent Company, RLC, RSAI and RVHC with the local banks as at December 31, 2017 and 2016 (see Note 15).

### 13. Investment Properties

#### The Parent Company

This account consists of land properties located in Nasugbu, Batangas, which are held either to earn rentals and/or for capital appreciation amounting to ₱4,570.8 million as of December 31, 2017 and 2016, respectively.

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the CARL with total land area of 2,300.6 hectares and total value of ₱4,316.3 million as at December 31, 2017 and 2016 (see Note 25).

As at December 31, 2017 and 2016, the fair value of investment properties, including land properties subjected to the CARL, are based on the appraised values of the properties as at January 8, 2018 as determined by a professional qualified independent and SEC-accredited appraiser. The fair value measurement for investment properties has been categorized under Level 3, which was determined by using the Sales Comparison Approach that disregards all existing liens and encumbrances, and appraises the properties as though free and with clean titles. Such approach is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison and adjustments to sales price which pertain to factors affecting value such size, location, time and shape (see Note 27).

The Philippine SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve" to deficit. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulted from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc., the parent company of CADPGC, which was absorbed and liquidated (see Note 18). The Philippine SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

Investment properties with carrying value of ₱6.8 million as at December 31, 2017 and 2016 are used as collateral for the long-term borrowings of the Parent Company and RLC (see Note 15).



#### 14. Short-term Borrowings

This account represents unsecured short-term loans obtained from various local banks for the Group's working capital requirements amounting to ₱1.3 billion and ₱1.4 billion as of December 31, 2017 and 2016, respectively, payable within 30 to 180 days. These loans bear an annual interest ranging from 2.75% to 4.00% for the year ended December 31, 2017, 2.75% to 5.00% for the three months ended December 31, 2016, and 2.75% to 3.75% for the year ended September 30, 2016.

Interest expense arising from short-term borrowings amounted to ₱5.3 million for the three months ended December 31, 2016, and ₱19.4 million and ₱15.2 million for the years ended December 31, 2017 and September 30, 2016, respectively (see Note 15). Capitalized borrowing cost from short-term borrowings amounted to ₱1.1 million during the three months ended December 31, 2016 and ₱2.8 million and ₱9.8 million for the years ended December 31, 2017 and September 30, 2016, respectively.

#### 15. Long-term Borrowings

Long-term borrowings consist of loans from:

	December 31, 2017	December 31, 2016
Bank of the Philippine Islands (BPI)	₱1,648,000	₱1,355,000
United Coconut Planters Bank (UCPB)	500,000	-
Banco de Oro Unibank, Inc. (BDO)	389,355	571,390
Robinsons Bank Corporation	330,000	-
	<b>2,867,355</b>	1,926,390
Current portion	(594,165)	(198,390)
Noncurrent portion	<b>₱2,273,190</b>	<b>₱1,728,000</b>

	December 31, 2017	December 31, 2016
Parent	₱60,000	₱90,000
RLC	504,355	531,390
RVHC	1,803,000	1,305,000
RSAI	500,000	-
	<b>₱2,867,355</b>	<b>₱1,926,390</b>

##### Loan of the Parent Company

The bank loan is classified as follows:

	December 31, 2017	December 31, 2016
Current portion	₱30,000	₱30,000
Noncurrent portion	30,000	60,000
	<b>₱60,000</b>	<b>₱90,000</b>

On September 20, 2012, the Parent Company obtained a short-term loan from BPI amounting to ₱400.0 million, which bore interest at prevailing market rate (initially at 4.50%) with a maturity period of 30 days.



On January 21, 2013, BPI approved the modified principal repayment schedule of the short-term loan into a long-term loan, which bears interest ranging from 4.50% to 5.50% and is payable quarterly in arrears. The principal is payable in 20 equal amortization starting January 20, 2015 until December 20, 2019.

As at December 31, 2017 and 2016, the said loan is secured by real estate mortgages and pledge over shares of stock owned by the Parent Company as follows:

	2017	2016
Shares of stock of RHI (99.6 million shares)	<b>₱322,265</b>	₱322,265
Real estate for sale and development of RLC (Note 9)	<b>180,900</b>	178,821
Investment properties (Note 13)	<b>6,838</b>	6,838
Property and equipment (Note 12)	<b>797</b>	32
	<b>₱510,800</b>	₱507,956

#### Loan of RLC

The bank loan is classified as follows:

	2017	2016
Current portion	<b>₱504,355</b>	₱31,390
Noncurrent portion	-	500,000
	<b>₱504,355</b>	₱531,390

In 2013, RLC obtained a new term loan facility from BDO amounting to ₱130.0 million. The loans bear fixed interest of 4.25%, which is being repriced every 30 to 180 days. Principal amounts are payable quarterly after the one-year grace period for five years until 2018.

The loan facility is secured by RLC's real estate for sale and development amounting to ₱2.1 million as at December 31, 2017 and 2016 (see Note 9).

On September 30, 2016, RLC obtained a new loan from BPI, with RCI as the co-mortgagor, amounting to ₱500.0 million. The loan bears variable interest rate and is repriced every quarter. Principal amount is payable quarterly for five years until 2023 with the first payment payable after two years from the release of the loan. As at December 31, 2017 and 2016, the loan from BPI is secured by RLC's real estate for sale and development amounting to ₱178.8 million and certain properties of the Parent Company (see Note 9).

#### Loans of RVHC

The bank loans are classified as follows:

	December 31, 2017	December 31, 2016
Current portion	<b>₱59,810</b>	₱137,000
Noncurrent portion	<b>1,743,190</b>	1,168,000
	<b>₱1,803,000</b>	₱1,305,000

In September 2014, RVHC entered into a new term loan facility with BDO amounting to ₱220.0 million for the development of GoHotel Manila Airport Road. The loan bears interest rate of 3.75% and is repriced every quarter. Principal amount is payable quarterly after the two-year grace period for seven years until 2022.



In October 2015, RVHC obtained another term loan facility from BDO amounting to ₱385.0 million for the development of GoHotel Malate that bears interest of 3.75% and is repriced every quarter. Principal amount is payable quarterly after the three-year grace period for eight years until 2023.

In September 2016, RVHC converted its short-term loan facility from BPI amounting to ₱628.0 million into term loan facility for the development of GoHotel North EDSA and Cubao. The loan bears variable interest rate for the first two years and fixed interest rate for the succeeding five years until maturity. Principal amount is payable quarterly after the two-year grace period for seven years until 2023.

In May 2017, RVHC converted another short-term loan facility from BPI amounting to ₱460.0 million into term loan facility for the development of GoHotel Timog. The loan bears variable interest rate for the first two years and fixed interest rate for the succeeding five years until maturity. Principal amount is payable quarterly after the two-year grace period for seven years until 2024.

In September 2017, RVHC entered into a new term loan facility with Robinsons Bank Corporation amounting to ₱330.0 million to take out existing loan with BDO which funded the development of GoHotel Manila Airport Road and for general working capital purposes. The loan bears minimum interest rate of 3.75% for the first two years and indicative interest of 6% for the succeeding years until maturity. Principal amount is payable quarterly after the two-year grace period for eight years until 2027.

As at December 31, 2017, RVHC had drawn total loan of ₱1,088.0 million from BPI, ₱385.0 million from BDO and ₱330.0 million from Robinsons Bank to fund the construction and development of the five GoHotel sites.

The loan facilities are secured by RVHC's properties amounting to ₱2,264.7 million and ₱1,574.2 million as at December 31, 2017 and 2016, respectively (see Note 12).

#### Loan of RSAI

On June 1, 2017, RSAI converted its short-term loan facility from UCPB amounting to ₱500.0 million into term loan facility that bears fixed interest of 4.79%. Principal amounts are payable quarterly after the two-year grace period for seven years until 2024.

The loan facility is secured by RSAI's coconut processing plant amounting to ₱723.0 million as at December 31, 2017 (see Note 12).

#### *Interest Expense*

Total interest expense incurred amounted to ₱26.0 million for the three months ended December 31, 2016, and ₱88.4 million and ₱76.3 million for the years ended December 31, 2017 and September 30, 2016, respectively (see Notes 9 and 12). Details of interest expense, net of capitalized borrowing costs follow:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Long-term borrowings	<b>₱41,393</b>	₱4,250	₱15,569
Short-term borrowings	<b>19,446</b>	5,254	15,182
	<b>₱60,839</b>	₱9,504	₱30,751



Details of capitalized borrowing costs related to real estate projects of RLC and its subsidiaries are as follows:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Long-term borrowings	<b>₱24,752</b>	₱12,728	₱35,675
Short-term borrowings	<b>2,794</b>	3,725	9,844
	<b>₱27,546</b>	₱16,453	₱45,519

Borrowing costs were capitalized using rates ranging from 3.08% to 3.75% for the year ended December 31, 2017 and 3.53% to 4.47% and 1.48% for the three months ended December 31, 2016.

#### *Loan Covenants*

##### Parent Company and RLC

The long-term borrowings of the Parent Company and RLC are subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1.0:1.0 and 1.10:1.0, respectively, and debt to equity ratio of not more than 0.75:1.00;
- prohibition on sale, lease, transfer, or otherwise disposal of any of its properties and assets, or its existing investments therein;
- 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.

As of December 31, 2017, RLC has not met the DSCR requirement. As of December 31, 2017, RLC reclassified the ₱500.0 million loan from BPI as current liability. On March 16, 2018, RLC obtained a letter from BPI approving the suspension of the DSCR requirement effective from January 1, 2018 until December 31, 2018.

The Parent Company obtained a letter from BPI approving the suspension of the DSCR requirement effective for the period starting October 1, 2016 until December 31, 2017. On March 16, 2018, BPI approved the extension of the suspension of the DSCR requirement until December 31, 2018.

##### RVHC

The significant covenants attached to the borrowings of RVHC include the following restrictions:

- Materially change the character of its business from that being carried on at a date of agreement;
- Materially change ownership or control of its business or its capital stock or its composition of top level management;
- Secure indebtedness by or to benefit of any lien, unless the benefit of such lien is at the same time extended equally and ratably to secure the payment of principal, interest, and other sums payable;
- Declare or pay dividends to its stockholders or partners upon the occurrence of an event of default;





- Sell, lease, transfer, or otherwise dispose of all or substantially all of its properties and assets, divest any of its existing investments therein or consolidate or merge with any other person or acquire all or substantially all of the properties or assets of any other persons;
- Extend loans, advances or subsidies to any corporation or entity owned or in which it may have equity other than advances in the ordinary course of business;
- Extend loans or advances to any of its directors, officers, or stockholders except duly approved employee benefit loans;
- Incur any long-term loan or increase its borrowings or re-avail of existing facilities with other bank or financial institutions, except for working capital requirement;
- Act as guarantor or surety for any obligation of any person unless in ordinary course of business; and
- Undertake nor incur any capital expenditure or purchase of capital equipment or other fixed assets outside ordinary course of business.

*Maturities*

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

	<b>December 31, 2017</b>	December 31, 2016
Less than one year	<b>₱594,165</b>	₱198,390
Between one and two years	<b>469,313</b>	107,000
Between two and five years	<b>1,547,893</b>	1,621,000
Over five years	<b>255,984</b>	–
	<b>₱2,867,355</b>	₱1,926,390

*Change in Liabilities Arising from Financing Activities*

	Short-term borrowings (Note 14)	Long-term borrowings (Note 15)
Balance at the beginning of the year	₱1,410,226	₱1,926,390
Availments	2,664,700	940,965
Payments	(2,727,926)	–
Balance at the end of the year	₱1,347,000	₱2,867,355

There are no non-cash changes in short-term borrowings, long-term borrowings and accrued interests.

**16. Trade and Other Payables**

This account consists of:

	<b>December 31, 2017</b>	December 31, 2016
Trade	<b>₱57,385</b>	₱180,281
Retention payable	<b>137,499</b>	83,154
Payables to contractors	<b>101,423</b>	8,630
(Forward)		



	<b>December 31, 2017</b>	December 31, 2016
Accrued expenses:		
Outside services	<b>90,547</b>	72,615
Interest	<b>9,093</b>	6,053
Payroll and other benefits	<b>5,926</b>	4,588
Others	<b>32,249</b>	13,930
Due to related parties (Note 19)	<b>80,742</b>	63,196
Customers' deposits	<b>42,101</b>	30,959
Payables to government agencies for taxes and statutory contributions	<b>21,631</b>	21,793
Deferred income	<b>15,639</b>	10,242
Dividends (Note 18)	<b>1,202</b>	1,202
Others	<b>42,097</b>	17,054
	<b>₱637,534</b>	₱513,697

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

Retention payable pertains to amounts withheld on payments made to contractors equivalent to 10% of the amount billed. The amounts withheld will be remitted to the contractors upon successful completion of the related projects and acceptance by the Group.

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

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.

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

Deferred income pertains to collections from buyers exceeding the recognized sale of real estate based on percentage-of-completion.

Payables to contractors pertain to liabilities for the services rendered for the construction of the coconut plant facility.

Others pertain to titling payable, rental of office, utilities, sales commission and SL and VL conversion payable.

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## 17. Retirement Benefits

The Parent Company, AHC and RLC have an unfunded, noncontributory defined benefit retirement plan based on the minimum amount required by law, covering its permanent employees. Retirement benefits costs and contributions are determined in accordance with an actuarial study and are based on years of service and the employee's final covered compensation.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



Retirement Benefits

The amounts recognized as retirement benefits in the consolidated statements of income are as follows:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Current service cost	<b>₱11,782</b>	₱1,435	₱5,815
Interest cost	<b>861</b>	196	561
	<b>₱12,643</b>	₱1,631	₱6,376

The cumulative remeasurement gain on retirement liability (shown as part of other equity reserve) recognized as other comprehensive income amounted to ₱3.3 million, net of tax, as of December 31, 2017 and 2016.

Retirement Liability

Retirement liability recognized in the consolidated statements of financial position follows:

	<b>December 31, 2017</b>	December 31, 2016
Present value of obligation	<b>₱43,040</b>	₱30,397
Fair value of plan assets	<b>(10,743)</b>	(10,743)
	<b>₱32,297</b>	₱19,654

Movements in the defined benefit obligation follow:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)
Balance at beginning of period	<b>₱30,397</b>	₱28,766
Current service cost	<b>11,782</b>	1,435
Interest cost	<b>861</b>	196
Balance at end of period	<b>₱43,040</b>	₱30,397

No movements in the fair value of plan assets for the periods ended December 31, 2017 and 2016.

Plan assets of the Parent Company and RLC as at and December 31, 2017 and 2016 consist of:

Cash in banks and cash equivalents	25%
Government securities and other assets	75%
	<b>100%</b>

The Parent Company and RLC are expected to contribute a total of ₱4.1 million to its respective plans in 2018.

The latest actuarial valuation of the plan is as of September 30, 2016, which was also used for the estimation of the retirement benefits as at December 31, 2017 and 2016.



The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of each period follows:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Discount rate	<b>4.34% to 4.42%</b>	4.34% to 4.42%	4.34% to 4.42%
Future salary increases	<b>5.00%</b>	5.00%	5.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2017 are as follows:

	Change in Assumption	Effect on Retirement Liability
Discount Rate	+0.5%	(₱1,412)
	-0.5%	1,525
Salary Rate	+1%	3,042
	-1%	(2,664)

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. There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The Group does not currently employ any asset-liability matching.

The maturity analysis of the undiscounted payments as of December 31, 2017 are as follows:

	Amount
One year and less	₱2,200
More than one year to five years	6,400
More than five years to 10 years	38,400
More than 10 years to 15 years	33,100
More than 15 years to 20 years	29,900
More than 20 years	139,300

Weighted average duration of the defined benefit liability is 21 years.

## 18. Equity

### a. Capital Stock

	December 31, 2017		December 31, 2016	
	Number of Shares	Amount	Number of Shares	Amount
“Class A” common stock - ₱1 par value				
Authorized	<b>3,375,000,000</b>	<b>₱3,375,000</b>	3,375,000,000	₱3,375,000

(Forward)



	December 31, 2017		December 31, 2016	
	Number of Shares	Amount	Number of Shares	Amount
Issued -				
Balance at beginning and end of period	2,911,885,869	₱2,911,886	2,911,885,869	₱2,911,886
Treasury stock:				
Balance at beginning of period	(938,018,483)	(1,594,631)	(938,087,667)	(1,594,749)
Issuances	4,314,969	7,335	69,184	118
Balance at end of period	(933,703,514)	(1,587,296)	(938,018,483)	(1,594,631)
Issued and outstanding	1,978,182,355	₱1,324,590	1,973,867,386	₱1,317,255

On December 3, 2013, the Parent Company implemented the buyback of 990,384,775 shares from four of its stockholders at the price of ₱1.70 a share in a private sale, amounting to ₱1,683.7 million and representing 34% of the issued and outstanding capital stock of the Parent Company. The BOD approved the plan to buy back shares on November 13, 2013.

Consequently, the BOD approved the appropriation of a portion of retained earnings amounting to ₱1,683.7 million for the cost of treasury shares acquired.

On May 18, 2015, the Parent Company has issued 50.0 million treasury shares for ₱2.00 a share aggregating ₱100.0 million, resulting to an increase in additional paid-in capital amounting to ₱15.0 million.

For the year ended September 30, 2016, the Parent Company has issued 2.3 million treasury shares, on various dates, ranging from ₱2.21 to ₱2.47 a share aggregating ₱3.9 million, resulting to an increase in additional paid-in capital amounting to ₱1.5 million.

For the three months ended December 31, 2016, the Parent Company issued 69,184 treasury shares based on the market rate of ₱2.19 per share aggregating ₱0.2 million, resulting to an increase in additional paid-in capital amounting to ₱5,996, net of transaction costs of ₱27,904.

For the year ended December 31, 2017, the Parent Company issued 4,314,969 treasury shares based on the average market rate of ₱2.25 per share aggregating ₱9.7 million, resulting to an increase in additional paid-in capital amounting to ₱2.4 million, net of transaction costs of ₱120,719.

b. Track Record of Registration

Date	Number of Shares Licensed	Issue/Offer Price
October 7, 1918	15,000	₱100.00
February 15, 1963	2,500,000	10.00
September 30, 1969	3,000,000	10.00
January 13, 1977	5,000,000	10.00
May 21, 1990	12,500,000	10.00*
December 3, 1996	200,000,000	1.00
October 26, 1999	400,000,000	1.00
April 2, 2002	2,000,000,000	1.00
February 7, 2005	1,962,500,000	1.00
June 23, 2009	3,375,000,000	1.00

\* Par value was subsequently reduced to ₱1.00



c. Other equity reserves

Details of other equity reserves follow:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
<b>Revaluation Increment on Land</b>			
Balance at end of period	₱280,091	₱280,091	₱280,091
<b>Share in Revaluation Increment on Land of an Associate</b>			
Balance at beginning of period	45,497	45,497	–
Share in revaluation increment on land, net of tax	26,863	–	45,497
Balance at end of period	72,360	45,497	45,497
<b>Cumulative Share in Changes in Fair Value of AFS Financial Assets of an Associate</b>			
Balance at beginning and end of period	5,129	5,129	5,129
<b>Revaluation Increment on Land of a Subsidiary</b>			
Balance at beginning of period	12,280	3,766	–
Share in appraisal increase, net of tax	58,159	8,514	3,766
Balance at end of period	70,439	12,280	3,766
<b>Cumulative Remeasurement Gain (Loss) on Retirement Liability</b>			
Balance at beginning of period	3,281	3,281	3,126
Remeasurement gain, net of tax	5,272	–	155
Balance at end of period	8,553	3,281	3,281
<b>Cumulative Share in Remeasurement Gain (Loss) on Retirement Liability of Associates</b>			
Balance at beginning of period	(15,726)	(15,726)	(4,432)
Share in remeasurement loss, net of tax	9	–	(11,294)
Balance at end of period	(15,717)	(15,726)	(15,726)
	<b>₱420,855</b>	<b>₱330,552</b>	<b>₱322,038</b>

Restructuring on equity and revaluation increment on land

In 2002, RHI undertook the Reorganization Program. As part of the Reorganization Program, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI. The assets and liabilities, excluding the land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI.

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CADPI Consultancy Services, Inc. (CCSI) and CADPI Farm Services, Inc. (CFSI) for ₱1.3 billion of common shares of CADPGC with a par value of ₱1 a share for ₱2.0 billion, the cost of investments of RHI immediately before transfer. CADPGC recognized a premium of ₱596.8 million and share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's equity interest in



CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC. CCSI and CFSI were subsequently merged with CADPI, as the surviving entity, in 2014.

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.

CADPGC and Roxas & Company, Inc. have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. On the same date, the Philippine SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc. The transaction was accounted for under pooling of interest and as such, comparative balances were presented as if the combining entities have always been combined. As a result, the investment of Roxas & Company, Inc. in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock and revaluation increment on land of CADPGC increased from ₱150.6 million to ₱280.0 million. 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 debit balance in the "Other equity reserve" arising from the merger between CADPGC and Roxas & Company, Inc. as discussed in the preceding paragraph, to deficit. Management believes that such transfer of the debit balance in "Other equity reserve" account arising from the merger will result to a more useful and relevant financial statements. The transfer of the debit balance in the "Other equity reserve," consequently, resulted to retained earnings as at June 30, 2011. In January 2011, the Philippine SEC had concurred with the adjustments made by the Parent Company (see Note 13).

d. Retained Earnings

Details of retained earnings follow:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
<b>Appropriated/Restricted</b>			
Balance at beginning of period	<b>₱2,081,251</b>	₱2,081,369	₱2,085,274
Reversal for treasury stock	<b>(7,335)</b>	(118)	(3,905)
<b>Balance at end of period</b>	<b>₱2,073,916</b>	₱2,081,251	₱2,081,369
Balance at beginning of period	<b>₱1,644,013</b>	₱1,733,882	₱1,821,159
Net loss	<b>(147,153)</b>	(89,987)	(71,445)
Cash dividends	-	-	(19,737)
Appropriation for treasury stock	<b>7,335</b>	118	3,905
<b>Balance at end of period</b>	<b>1,504,195</b>	1,644,013	1,733,882
	<b>₱3,578,111</b>	₱3,725,264	₱3,815,251



Retained earnings that are not available for dividend declaration are as follows:

	December 31, 2017	December 31, 2016	September 30, 2016
Restricted for treasury stock	₱1,587,296	₱1,594,631	₱1,594,749
Net unrealized fair value gains on investment properties included in the retained earnings	283,545	283,545	283,545
Undistributed earnings of subsidiaries and equity in net earnings of the associates	101,421	169,430	247,555
Application of revaluation increment against deficit	203,075	203,075	203,075
	<b>₱2,175,337</b>	<b>₱2,250,681</b>	<b>₱2,328,924</b>

On October 14, 1999, the 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 should 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 reserves" account (see Note 13).

On November 13, 2014, the Parent Company appropriated a portion of its retained earnings amounting to ₱1,683.6 million for the cost of treasury shares acquired.

For the three months ended December 31, 2016, the Parent Company issued 0.1 million treasury shares and reversed the related appropriation amounting to ₱0.1 million. For the years ended December 31, 2017 and September 30, 2016, the Parent Company issued 4.3 million and 2.3 million treasury shares and reversed the related appropriation amounting to ₱7.3 million and ₱3.9 million, respectively.

*Dividend Declaration*

Cash dividends declared by the Parent Company against the unappropriated retained earnings are as follows:

Date Approved	Dividend		Stockholders of	
	Per Share	Total Amount	Record Date	Payment Date
December 18, 2015	₱0.01	₱19,734	January 15, 2016	February 5, 2016
December 12, 2014	0.02	38,430	January 15, 2015	January 30, 2015
December 13, 2013	0.02	38,430	January 6, 2014	January 30, 2014

Dividends payable amounted to ₱1.2 million as at December 31, 2017 and 2016, respectively (see Note 16).





e. 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 periods are as follows:

Quarter	High	Low
January through December 2017		
First	₱2.37	₱2.00
Second	2.40	1.85
Third	2.34	1.92
Fourth	3.30	1.92
October 2016 through December 2016	2.34	2.20
October 2015 through September 2016		
First	3.20	2.07
Second	2.88	1.88
Third	3.60	2.23
Fourth	2.53	2.22

## 19. Related Party Transactions and Balances

The transactions and related balances of the Group with other related parties are as follows:

Related Party	Nature of Transaction	Period	Transactions during the Period*	Trade and Other Receivables (see Note 8)	Amount Due to Related Parties (see Note 16)
<b>Associates</b>					
FDC	Interest-bearing advances	<b>December 31, 2017</b>	<b>₱-</b>	<b>₱40,362</b>	<b>₱2,388</b>
		December 31, 2016	-	40,362	2,388
	Interest-bearing advances	<b>December 31, 2017</b>	-	-	<b>10,822</b>
		December 31, 2016	-	-	10,822
FLC	Dividends receivable	<b>December 31, 2017</b>	-	-	-
		December 31, 2016	-	4,624	-
RADC	Noninterest-bearing advances	<b>December 31, 2017</b>	-	-	<b>10,966</b>
		December 31, 2016	-	-	10,966
CACI	Interest-bearing advances	<b>December 31, 2017</b>	<b>3,600</b>	-	-
		December 31, 2016	(3,600)	-	3,944
<b>Joint Ventures</b>					
JVPI	Noninterest-bearing advances	<b>December 31, 2017</b>	-	<b>1,021</b>	<b>119</b>
		December 31, 2016	-	1,021	119
Marilo Realty Development Corporation	Noninterest-bearing advances	<b>December 31, 2017</b>	<b>520</b>	<b>784</b>	<b>337</b>
		December 31, 2016	94	1,272	305
LPC	Defrayment of cost and expenses for restructuring	<b>December 31, 2017</b>	<b>354</b>	<b>3,112</b>	<b>10,413</b>
		December 31, 2016	2,948	3,112	23,573
<b>Entities under common control</b>					
	Noninterest-bearing advances	<b>December 31, 2017</b>	<b>148</b>	<b>75,176</b>	<b>45,697</b>
		December 31, 2016	-	15,007	11,079
		<b>December 31, 2017</b>		<b>₱120,455</b>	<b>₱80,742</b>
		December 31, 2016		₱65,398	₱63,196

\*Amounts represent transactions for the year ended December 31, 2017 and three months ended December 31, 2016.

- a. In the normal course of business, the Parent Company extends/avails of advances to/from its related parties, with no definite repayment terms. The advances to and from related parties are noninterest-bearing, except for short-term loan to CACI, which bears interest at 3% and interest-bearing advances to FDC, which bear interest at 10%. No interest income was recognized for the three months ended December 31, 2016. For the years ended December 31, 2017 and



September 30, 2016, interest income recognized amounted to nil and ₱1.7 million, respectively (see Note 8).

- b. In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC 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. RLC did not recognize assignment fee in 2017 and 2016.

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 reporting date. As at December 31, 2017 and 2016, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

Revenue and income by	Expense by	Nature	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
RCI	RGEC	Lease charges	₱-	₱-	₱16,724
RCI	RLC	Management fee	7,200	1,800	7,200

- c. Compensation of key management personnel is as follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Salaries and short-term benefits	₱43,293	₱13,563	₱24,587
Retirement benefits	4,971	937	2,634
	<b>₱48,264</b>	<b>₱14,500</b>	<b>₱27,221</b>

#### Directors' Remuneration

The Parent Company settled director's remuneration through issuance of treasury shares for the regular board meetings held as follows:

Date of Meeting	Number of shares	Market Value per Share	Amount
May 19, 2016	67,266	₱2.28	₱153,366
August 12, 2016	56,305	2.21	124,434
December 16, 2016	68,184	2.19	149,323
April 6, 2017	75,000	2.02	151,375
May 12, 2017	62,190	2.01	125,002

For the year ended September 30, 2016, the Parent Company settled the President's remuneration through issuance of treasury shares amounting to ₱3.4 million, resulting to an increase in additional paid-in capital amounting to ₱1.4 million.



The expense recognized on the foregoing amounted to ₱0.1 million for the three months ended December 31, 2016, and ₱1.9 million and ₱3.8 million for the years ended December 31, 2017 and September 30, 2016, respectively, presented as part of “Salaries and employee benefits” account in the consolidated statements of comprehensive income.

## 20. Operating Expenses

Operating expenses consist of:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
General and administrative expenses	<b>₱339,585</b>	₱93,442	₱155,571
Selling expenses	<b>16,861</b>	11,187	29,665
	<b>₱356,446</b>	₱104,629	₱185,236

General and administrative expenses consist of:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Salaries, wages and other employee benefits (Notes 17 and 22)	<b>₱119,475</b>	₱45,384	₱68,618
Outside services	<b>44,062</b>	6,858	16,552
Communication, light and water	<b>27,383</b>	2,817	2,868
Depreciation and amortization (Note 12)	<b>17,277</b>	1,850	5,364
Yield guarantee to real estate buyers (Note 25)	<b>14,898</b>	-	-
Taxes and licenses	<b>9,556</b>	2,491	15,343
Travel and transportation	<b>5,317</b>	1,457	4,706
Rent	<b>4,871</b>	1,766	2,801
Representation and entertainment	<b>3,081</b>	2,876	2,628
Repairs and maintenance	<b>2,234</b>	580	1,523
Materials and consumables	<b>1,713</b>	710	799
Insurance	<b>1,097</b>	1,665	219
Provision for impairment loss on receivables (Note 8)	-	17,298	15,163
Provision for impairment loss on real estate for sale and development (Note 9)	-	-	925
Others	<b>88,621</b>	7,690	18,062
	<b>₱339,585</b>	₱93,442	₱155,571

Others include professional fees, training and development and other miscellaneous charges.

### Selling Expenses

This account mainly pertains to marketing, commission on real estate sales and advertising and promotion expenses.



## 21. Personnel Costs

The components of employee benefits from continuing operations presented under “General and administrative expenses” account in the consolidated statements of income are as follows (see Note 20):

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Salaries and wages	₱90,685	₱29,757	₱48,277
Allowances and other employee benefits	20,592	12,132	10,724
Retirement benefits (Note 17)	8,198	1,631	6,376
	<b>₱119,475</b>	<b>₱43,520</b>	<b>₱65,377</b>

## 22. Other Income (Charges)

Other income (charges) consists of:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Rent income (Notes 13)	₱3,387	₱-	₱893
Management fee	2,238	8,610	-
Interment income	199	119	477
Net foreign exchange gains (losses) - net	(15)	30	57
Others	25,719	8,836	4,972
	<b>₱31,528</b>	<b>₱17,595</b>	<b>₱6,399</b>

Others include sale of furniture and fixtures, other hotel charges such shuttle services, laundry services, early and late checkout fees, among others.

## 23. Income Taxes

a. Provision for (benefit from) income taxes comprise the following:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Current	₱6,059	₱582	₱1,347
Deferred	(8,586)	(12,130)	(14,072)
	<b>₱2,527</b>	<b>(₱11,548)</b>	<b>(₱12,725)</b>



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

	December 31, 2017		December 31, 2016	
	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
Deferred tax assets on:				
NOLCO	<b>₱13,459</b>	<b>₱34,315</b>	₱17,736	₱19,271
Customers' deposit	<b>8,095</b>	–	11,995	–
Allowance for:				
Impairment losses of receivables	<b>8,418</b>	–	8,418	–
Impairment losses on investments in associates	<b>1,384</b>	–	1,384	–
Retirement liability	<b>6,459</b>	<b>1,343</b>	5,846	–
Deferred income	<b>1,348</b>	–	–	–
Excess MCIT over RCIT	<b>5,120</b>	<b>1,559</b>	1,308	161
Various accruals	–	<b>634</b>	465	–
	<b>44,283</b>	<b>37,861</b>	47,152	19,432
Deferred tax liabilities on:				
Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting	<b>(19,482)</b>	–	(14,290)	–
Revaluation increment on land	<b>(3,059)</b>	<b>(49,357)</b>	–	(8,556)
Excess of fair value over carrying values of property and equipment (Note 6)	–	<b>(19,720)</b>	–	(19,720)
Prepaid commissions	<b>(488)</b>	–	(153)	–
Borrowing costs	<b>(32)</b>	–	(32)	–
Net unrealized foreign exchange gain	<b>(2)</b>	<b>(1)</b>	(6)	(1)
	<b>(23,063)</b>	<b>(69,078)</b>	(14,481)	(28,277)
Net deferred tax assets (liabilities)	<b>₱21,220</b>	<b>(₱31,217)</b>	₱32,671	(₱8,845)

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Through profit or loss	<b>(₱8,586)</b>	(₱12,130)	(₱14,072)
Through other comprehensive income	<b>43,859</b>	7,164	1,393
	<b>₱35,273</b>	(₱4,966)	(₱12,679)

- d. Deductible temporary differences, carryforward benefits of NOLCO and excess MCIT for which no deferred income tax assets were recognized:

	December 31, 2017	December 31, 2016
NOLCO	<b>₱189,556</b>	₱106,530
Allowance for impairment losses on:		
Investments in associates	<b>1,384</b>	1,384
Receivables	<b>3,862</b>	2,813
AFS financial assets	<b>687</b>	687
Excess MCIT over RCIT	–	277



Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

Details of benefits arising from NOLCO and MCIT and the corresponding analysis of the tax effect are as follow:

#### NOLCO

Period Incurred	Balance at Beginning of Period	Additional	Expired	Balance at End of the Period	Tax Effect	Available Until
September 30, 2015	₱30,597	₱-	₱30,597	₱-	₱-	31-Dec-17
September 30, 2016	132,025	-	-	132,025	39,608	31-Dec-18
December 31, 2016	-	67,265	-	67,265	20,180	31-Dec-19
December 31, 2017	67,265	82,248	-	149,513	44,854	31-Dec-20
	<b>₱229,887</b>	<b>₱149,513</b>	<b>₱30,597</b>	<b>₱348,803</b>	<b>₱104,641</b>	

#### MCIT

Period Incurred	Balance at Beginning of Period	Additional	Expired	Balance at End of the Period	Tax Effect	Available Until
September 30, 2015	₱15	₱-	₱15	₱-	₱-	31-Dec-17
September 30, 2016	1,343	-	-	1,343	1,343	31-Dec-18
December 31, 2016	-	582	-	582	582	31-Dec-19
December 31, 2017	582	9,344	-	9,926	9,926	31-Dec-20
	<b>₱1,940</b>	<b>₱9,926</b>	<b>₱15</b>	<b>₱11,851</b>	<b>₱11,851</b>	

- e. The reconciliation between the income tax benefit computed at the applicable statutory tax rate and income tax benefit presented in the consolidated statements of income follows:

	December 31, 2017 (One Year)	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Income tax benefit at statutory rate	<b>(₱52,007)</b>	<b>(₱32,470)</b>	<b>(₱27,174)</b>
Changes in unrecognized deferred tax assets	<b>15,330</b>	6,195	9,518
Adjustments resulting from:			
Expired NOLCO	<b>9,329</b>	7,301	12,179
Expired excess MCIT	<b>15</b>	184	15
Tax effects of:			
Equity in loss (net earnings) of associates	<b>(6,947)</b>	7,960	(5,162)
Nondeductible interest expense	<b>2,572</b>	627	59
Interest income already subjected to final tax and dividend income exempt from tax	<b>8</b>	(12)	203
Nontaxable gain on change in fair value of investment properties	-	-	(22,617)
Loss on deemed disposal of an associate	-	-	22,104
Gain on step up acquisition of a subsidiary	-	-	(2,085)
Others	-	(1,333)	235
Income tax benefit	<b>(₱2,527)</b>	<b>(₱11,548)</b>	<b>(₱12,725)</b>



## 24. Earnings (Loss) Per Share

Basic/diluted loss per share are computed as follows:

	<b>December 31, 2017 (One Year)</b>	December 31, 2016 (Three Months)	September 30, 2016 (One Year)
Net loss attributable to the equity holders of the Parent Company:	<b>(₱147,153)</b>	(₱89,987)	(₱71,445)
Weighted average number of shares issued and outstanding:			
Issued and outstanding ordinary shares	<b>1,973,809,482</b>	1,973,798,202	1,973,798,202
Effect of issuance of treasury shares	<b>2,748,558</b>	11,280	1,667
	<b>1,976,558,040</b>	1,973,809,482	1,973,799,869
Basic/diluted loss per share:	<b>(₱0.07)</b>	(₱0.05)	(₱0.04)

There are no potential dilutive common shares as at December 31, 2017 and December 31, 2016.

## 25. Contingencies and Commitments

### Contingencies

#### *Land Properties Subjected to the CARL*

The 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 DAR issued Notices of Coverage, and subsequently, CLOA covering 2,676 hectares of the Parent Company's three *haciendas*, namely: 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 CLOA. 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 CLOA 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 the exemption with the CARL of its three haciendas in Nasugbu, Batangas. The application for exemption was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu, Batangas as a Tourist Zone. The Parent Company likewise filed applications for exemption for certain smaller land areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that the PP No. 1520 did not automatically reclassify the agricultural land in Nasugbu, Batangas to non-agricultural land. However, the Supreme Court noted that the Parent Company "can only look to the provisions of the Tourism Act and not to the PP No. 1520, for possible exemption."

On February 8, 2011, the Supreme Court denied the Parent Company's Second Motion for Reconsideration (MR) and affirmed with finality its December 2009 decision.



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

In September 2011, the Supreme Court affirmed the exemption of the 21.1236-hectare property from the coverage of the Comprehensive Agrarian Reform Program (CARP).

In October 2012, the Parent Company disclosed that the DAR published the NOC 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 (Republic Act - RA No. 6657 vs. RA No. 9700). 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 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 CA. On May 7, 2016, the DAR denied the application for exemption filed by the Parent Company for the 285.9 hectares of land located in Nasugbu, Batangas. On June 27, 2016, the Parent Company filed an MR for the 285.9 hectares application, which the DAR denied. The Parent Company then filed an appeal with the Office of the President.

The Parent Company shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the 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 the CARL, including the 21 hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GR No. 169331.

On May 14, 2013, the BOD approved to authorize 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. However, the said negotiations have not yet commenced as the possible VOS is merely an option that the Parent Company will consider after exhausting all means possible. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP/CARL.

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. As at the date of the report, there is no agreement yet with the DAR on the properties approved for possible VOS.

On October 26, 2017, CA has partially granted the Group's Petition for Certiorari pertaining to the NoC. Subsequently, the Group filed a MR over the issuance of CLOAs by DAR in favor of the farmer-beneficiaries.

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 for the three months ended December 31, 2016, and for the years ended December 31, 2017 and September 30, 2016.





#### Joint Operations

On December 2, 2009, RLC entered into a joint arrangement with VJPI for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate between them the developed saleable lots and villas.

As at December 31, 2017 and 2016, the Project is fully sold. Outstanding balance due from VJPI amounted to ₱1.0 million as at December 31, 2017 and 2016 is included as part of due from related parties and presented in the consolidated statements of financial position (see Note 19).

#### Yield Guarantee to Real Estate Buyers

During the year ended September 30, 2014, RLC entered into a yield guarantee agreement with buyers of Anya Resort Suites. The said buyers will be entitled to a yield guaranteed along with the usage allowance for the first five years inclusive of fixtures, furniture and equipment and VAT. The hotel operator will be A1HRC, wholly owned subsidiary of the RLC.

#### Lease Commitments

The Parent Company has an existing lease agreement for a portion of its investment property with a third party for a period of three crop years until December 20, 2016. Rent income recognized amounted to nil and ₱0.9 million for the years ended December 31, 2017 and 2016, respectively (see Note 13).

Future minimum lease receivable for less than one year amounted to nil and ₱0.9 million as at December 31, 2017 and 2016 respectively. Future minimum lease receivable after one year but not more than five years amounted to nil as at December 31, 2017 and 2016.

#### Unused Credit Lines

As at December 31, 2017 and 2016, the Group has unused lines of credit with local banks amounting to ₱818.6 million and ₱978.4 million, respectively (see Notes 14 and 15).

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## **26. Financial Instruments**

#### Risk Management, Objectives and Policies

The 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 financial instruments are liquidity risk, interest rate risk and credit 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 14 and 15).

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management as at December 31, 2017 and 2016:

December 31, 2017						
	On Demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Short-term borrowings	₱-	₱1,347,000	₱-	₱-	₱-	₱1,347,000
Trade and other payables*	-	535,161	-	-	-	535,161
Due to related parties	80,742	-	-	-	-	80,742
Long-term borrowings	-	594,165	469,313	1,547,893	255,984	2,867,355
	₱80,742	₱2,476,326	₱469,313	₱1,547,893	₱255,984	₱4,830,258
Cash in banks and short-term placements	₱136,859	₱-	₱-	₱-	₱-	₱136,859
Trade receivables**	-	96,613	64,984	34,086	21,375	217,058
Due from related parties	107,814	-	-	-	-	107,814
Advances to supplier	10,449	-	-	-	-	10,449
	₱255,122	₱217,058	₱64,984	₱34,086	₱21,375	₱472,180

\* Excludes payable to government agencies amounting to ₱21.6 million.

December 31, 2016						
	On Demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Short-term borrowings*	₱-	₱1,419,132	₱-	₱-	₱-	₱1,419,132
Trade and other payables**	-	427,506	-	-	-	427,506
Due to related parties	63,196	-	-	-	-	63,196
Dividends payable	1,202	-	-	-	-	1,202
Long-term borrowings	-	215,705	139,285	1,652,324	23,504	2,030,818
	₱64,398	₱2,062,343	₱139,285	₱1,652,324	₱23,504	₱3,941,854
Cash in banks and short-term placements	₱63,875	₱-	₱-	₱-	₱-	₱63,875
Trade receivables***	96,561	95,750	25,722	24,975	15,882	258,890
Due from:						
Related parties	48,133	-	-	-	-	48,133
Employees	6,234	-	-	-	-	6,234
Advances to suppliers	12,742	-	-	-	-	12,742
Dividends receivable	4,624	-	-	-	-	4,624
Other receivables	7,919	-	-	-	-	7,919
	₱143,527	₱192,311	₱25,722	₱24,975	₱15,882	₱402,417

\* Includes expected interest payments for short-term and long-term borrowings amounting to ₱8.9 million and ₱104.4 million, respectively.

\*\* Excludes payable to government agencies amounting to ₱21.3 million.

\*\*\* Includes noncurrent portion of installment contract receivables ₱66.6 million.

### Credit risk

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

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. There is no concentration of credit risk with respect to receivables relating to real estate sales.



Credit risks for contract receivables is mitigated because the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

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

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

*Maximum exposure to credit risk without taking account of any collateral and other credit enhancements.*

The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

	<b>December 31, 2017</b>	December 31, 2016
Cash in banks and cash equivalents	<b>₱136,859</b>	₱63,875
Trade and other receivables*	<b>357,141</b>	673,105
AFS financial assets	<b>7,534</b>	7,534
	<b>₱501,534</b>	₱744,514

\* Net of allowance for impairment losses totaling ₱45.9 million as of December 31, 2017 and 2016.

*Collaterals and other credit enhancements*

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

*Credit quality per class of financial assets*

The credit quality of receivables is managed by the Group through its Marketing Department.

High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts:

	December 31, 2017						Total
	Neither Past Due nor Impaired			Past Due but not Impaired		Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Financial Assets	
Cash in banks and cash equivalents*	₱135,118	₱-	₱-	₱-	₱-	₱-	₱135,118
Trade receivables	217,058	-	-	-	-	6,105	282,550
Due from:							
Related parties	107,814	-	-	-	-	12,641	120,455
Advances to supplier	10,449						10,449
Other receivables						27,118	27,118
AFS financial assets	7,534	-	-	-	-	688	8,222
	<b>₱477,973</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱46,552</b>	<b>₱583,912</b>



	December 31, 2016						Total
	Neither Past Due nor Impaired			Past Due but not Impaired		Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	High Grade		
Cash in banks and cash equivalents	₱63,482	₱-	₱-	₱-	₱-	₱-	₱63,482
Trade receivables	258,890	-	-	-	-	6,105	264,995
Due from:							
Related parties	48,133	-	-	-	-	12,641	60,774
Employees	6,234	-	-	-	-	-	6,234
Advances to supplier	12,742	-	-	-	-	-	12,742
Dividends receivable	4,624	-	-	-	-	-	4,624
Other receivables	7,919	-	-	-	-	27,118	35,037
AFS financial assets	7,534	-	-	-	-	688	8,222
	<b>₱409,558</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱46,552</b>	<b>₱456,110</b>

\*Excluding cash on hand amounting to ₱1,741 and ₱393 as of December 31, 2017 and 2016, respectively.

### *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.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing loans which bear floating interest rate and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity for the year ended December 31, 2017 and three months ended December 31, 2016. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at December 31, 2017 and 2016.

	<b>Change in Basis Points (bps)</b>	<b>Effect on Income before Income Tax</b>
<b>December 31, 2017</b>	<b>+/-50 bps</b>	<b>+/-₱14,143</b>
December 31, 2016	+/-50 bps	+/-₱3,980

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

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



### Capital Management

The primary objective of the 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 dividend declaration is dependent on availability of retained earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2017 and September 30, 2016 and three months ended December 31, 2016.

Management considers the total consolidated equity reflected in the consolidated statements of financial position as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio.

The Group is required to maintain a maximum debt-to-equity ratio of 3:1. The Group has the following debt-to-equity ratio:

	<b>December 31, 2017</b>	December 31, 2016
Total liabilities	<b>₱4,915,403</b>	₱3,878,812
Total equity	<b>7,355,381</b>	7,381,887
Total liabilities and equity	<b>₱12,270,784</b>	₱11,260,699
Debt-to-equity ratio	<b>0.67:1.0</b>	0.53:1.0

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## 27. Fair Value Measurement

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

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets which are investment properties and land under property and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussion with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.



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

*Cash in banks and short-term placements, trade and other receivables (except installment receivables), short-term borrowings, trades and other payables and dividends payable*

The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

*Intstallment receivables*

The fair values of installment receivables are calculated by discounting the expected future cash flows at the prevailing market rates. The discount rate used in 2017 and 2016 ranges from 5.41% to 5.83% and 4.58% to 4.10%, respectively. The carrying value and fair value of the receivables amounted to ₱307.2 and ₱292.8 million as of December 31, 2017 and ₱319.3 and ₱313.5 million as of December 31, 2016.

*Long-term borrowings*

The carrying value of long-term borrowings as at December 31, 2017 and 2016 approximates its fair value as they carry interest rates of comparable instruments in the market.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at December 31, 2017 and 2016.

*Investment properties and Land under property and equipment*

The valuation technique used for the investment properties and land under property and equipment is Sales Comparison Approach which is a process to value based on sales of similar or substitute properties and related market data and establishes a value estimated by processes involving comparison.

The table below summarizes the significant unobservable input valuation for investment properties and land under property and equipment held by the Group.

Asset measured at fair value (Level 3)	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
<b>Investment properties</b>		
<b>December 31, 2017</b>	Price per square meter. Estimates range from is about	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
December 31, 2016	₱138 per sqm to ₱1500 per sqm	square meter increase (decrease)
<b>Land under property and equipment</b>		
<b>December 31, 2017</b>	Price per square meter. Estimates range from is about	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
December 31, 2016	₱52,000 per sqm to ₱155,000 per sqm	square meter increase (decrease)
December 31, 2016	Price per square meter. Estimates range from is about	The estimated fair value would increase (decrease) if the price per square meter increase (decrease)
December 31, 2016	₱49,100 per sqm to ₱147,900 per sqm	square meter increase (decrease)

There are no transfers to Level 1 and Level 2 fair value measurement.



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## 28. 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, namely: AHC, SMMSI, RVHC, AHRC and A1HRC.

b. Hotel

RVHC, a subsidiary of RLC, is incorporated primarily to build and own a minimum of five GoHotels in Metro Manila and in selected provincial destinations over the next two to three years. GoHotel Manila Airport Road, North EDSA, Cubao, Malate, and Timog started its commercial operations in October 2016, February 2017, April 2017, June 2017, and October 2017, respectively. RVHC offers 24/7 hotel services to all customers of its budget hotel brand "GoHotels".

AHRC was formed to be the asset holding company that owns the Anya Hotel Core of Phase 2 of Anya Resort and Residences project in Tagaytay.

c. Others

Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas, RGEC, an entity established primarily for renewable energy, RSAI, an entity established primarily for the manufacture of coconut products 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 statements 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, prepaid expenses 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 prices charged to unrelated customers or by suppliers for similar goods or services.

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

December 31, 2017					
	Real Estate	Hotel	Others	Eliminations/ Adjustments	Consolidated Balances
<b>Sales</b>	<b>₱322,725</b>	<b>₱180,526</b>	<b>₱-</b>	<b>₱-</b>	<b>₱503,251</b>
<b>Cost of Sales and Services</b>	<b>(176,900)</b>	<b>(101,640)</b>	<b>-</b>	<b>-</b>	<b>(278,540)</b>
Interest income	9,389	815	607	(445)	10,366
Interest expense	(23,434)	(56,887)	(26,793)	445	(106,669)
Others	(77,138)	(142,550)	(95,034)	(10,196)	(324,918)
Loss before income tax	54,642	(119,736)	(121,220)	(10,196)	(196,510)
Income tax benefit (expense)	(16,500)	15,269	699	3,059	(2,527)
<b>Segment Income (Loss)</b>	<b>38,142</b>	<b>(104,467)</b>	<b>(120,521)</b>	<b>(7,137)</b>	<b>(193,983)</b>
Equity in net earnings of associates and a joint venture	(5,025)	-	-	28,180	23,155
<b>Consolidated Net Income (Loss)</b>	<b>₱33,117</b>	<b>(₱104,467)</b>	<b>(₱120,521)</b>	<b>₱21,043</b>	<b>(₱170,828)</b>

December 31, 2017					
	Real Estate	Hotel	Others	Eliminations/ Adjustments	Consolidated Balances
<b>Assets and Liabilities</b>					
Current assets	₱1,299,101	₱265,430	₱354,631	(₱652,212)	₱1,266,950
Noncurrent assets	305,849	2,944,384	8,163,632	(410,031)	11,003,834
<b>Total Assets</b>	<b>₱1,604,950</b>	<b>₱3,209,814</b>	<b>₱8,518,263</b>	<b>(₱1,062,243)</b>	<b>₱12,270,784</b>
Current liabilities	1,314,749	322,835	1,585,698	(644,583)	2,578,699
Noncurrent liabilities	21,530	1,777,606	548,099	(10,531)	2,336,704
<b>Total Liabilities</b>	<b>₱1,336,279</b>	<b>₱2,100,441</b>	<b>₱2,133,797</b>	<b>(₱655,114)</b>	<b>₱4,915,403</b>

December 31, 2016					
	Real Estate	Hotel	Others	Eliminations/ Adjustments	Consolidated Balances
<b>Sales</b>	<b>₱26,984</b>	<b>₱10,470</b>	<b>₱-</b>	<b>₱-</b>	<b>₱37,454</b>
<b>Cost of Sales and Services</b>	<b>(21,071)</b>	<b>(3,177)</b>	<b>(62)</b>	<b>-</b>	<b>(24,310)</b>
Interest income	1,674	1	21	-	1,696
Interest expense	(3,090)	(1,631)	(4,783)	-	(9,504)
Others	(28,242)	(14,811)	(43,981)	-	(87,034)
Loss before income tax	(23,745)	(9,148)	(48,805)	-	(81,698)
Income tax benefit	6,581	583	4,384	-	11,548
Segment Loss	(17,164)	(8,565)	(44,421)	-	(70,150)
Equity in net earnings of associates and a joint venture	1,623	-	-	(28,155)	(26,532)
<b>Consolidated Net Loss</b>	<b>(₱15,541)</b>	<b>(₱8,565)</b>	<b>(₱44,421)</b>	<b>(₱28,155)</b>	<b>(₱96,682)</b>

December 31, 2016					
	Real Estate	Hotel	Others	Eliminations/ Adjustments	Consolidated Balances
<b>Other Information</b>					
Major costs and expenses -					
Depreciation and amortization	₱1,233	₱194	₱423	₱-	₱1,850
Additions to noncurrent assets:					
Property and equipment	302,717	198,436	-	-	501,153
<b>Assets and Liabilities</b>					
Current assets	₱1,318,754	₱123,308	₱676,540	(₱547,254)	₱1,571,348
Noncurrent assets	613,826	2,178,821	7,344,022	(447,318)	9,689,351
<b>Total Assets</b>	<b>₱1,932,580</b>	<b>₱2,302,129</b>	<b>₱8,020,562</b>	<b>(₱994,572)</b>	<b>₱11,260,699</b>
Current liabilities	₱750,809	₱336,997	₱1,565,074	(₱530,567)	₱2,122,313
Noncurrent liabilities	517,344	1,229,378	17,031	(7,254)	1,756,499
<b>Total Liabilities</b>	<b>₱1,268,153</b>	<b>₱1,566,375</b>	<b>₱1,582,105</b>	<b>(₱537,821)</b>	<b>₱3,878,812</b>



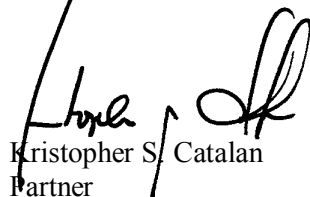


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Roxas and Company, Inc. and subsidiaries as at and for the year ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated April 6, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan  
Partner

CPA Certificate No. 109712

SEC Accreditation No. 1509-A (Group A),  
October 1, 2015, valid until September 30, 2018

Tax Identification No. 233-299-245

BIR Accreditation No. 08-001998-109-2018,  
February 14, 2018, valid until February 13, 2021

PTR No. 6621237, January 9, 2018, Makati City

April 6, 2018



**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**Index to Consolidated Financial Statements**  
**As at and For the Year Ended December 31, 2017**

	Description	Page
Schedule I		
	A Financial Assets	N/A
	B Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	1
	C Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements	2
	D Intangible Assets - Other Assets	N/A
	E Long-term Borrowings	3
	F Indebtedness to Related Parties (Long-Term Loans from Related Companies)	N/A
	G Guarantees of Securities of Other Issuers	N/A
	H Capital Stock	4
Schedule II	Financial Soundness Indicators	5
Schedule III	Corporate Structure	6
Schedule IV	Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C, Annex 68-C)	7
Schedule V	Schedule of all effective standards and interpretation (Part 1, 4J)	8

**SCHEDULE B**

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

**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS  
(OTHER THAN RELATED PARTIES)  
DECEMBER 31, 2017  
AMOUNTS IN THOUSANDS**

	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/ advances)	₱-	₱-	₱-	₱-	₱-	₱-	₱-

**SCHEDULE C**

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE**  
**ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
*AMOUNTS IN THOUSANDS*

Name and designation of debtor	Balance at December 31, 2016	Additions	Amount collected	Current	Noncurrent	Balance at December 31, 2017
Anya Hospitality Corporation	₱31,531	₱3,479	₱10,000	₱25,010	₱-	₱25,010
Anya Hotels and Resorts Corporation	249,696	-	249,696	-	-	-
AHR1 Hotels & Resorts Corporation	9,429	44,210	-	53,639	-	53,639
Roxas Green Energy, Inc.	7,544	-	29	7,515	-	7,515
Roxas Sigma Agriventures, Inc.	-	63,430	-	63,430	-	63,430
Roxaco Land Corporation	18,335	10,000	18,018	10,317	-	10,317
Roxaco-Vanguard Hotels Corporation	38,291	31,169	69,000	460	-	460
SAMG Memorial Management & Services Inc.	902	322	-	1,224	-	1,224
United Ventures Corporation	222	25	-	247	-	247
	<b>₱355,950</b>	<b>₱152,635</b>	<b>₱346,743</b>	<b>₱161,842</b>	<b>₱-</b>	<b>₱161,842</b>

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

**LONG-TERM BORROWINGS**

**AS AT DECEMBER 31, 2017**

***AMOUNTS IN THOUSANDS***

Title of issue and type of obligation	Amount shown under caption “Current portion of long-term borrowings” in related consolidated statement of financial position	Amount shown under caption “Long-term borrowings” in related consolidated statement of financial position
Loans payable to local banks:		
Bank of the Philippine Islands (BPI)	₱589,810	₱1,058,190
United Coconut Planters Bank	-	500,000
Banco de Oro Unibank, Inc.	4,355	385,000
Robinsons Bank Corporation	-	330,000
	<u>₱594,165</u>	<u>₱2,273,190</u>

The details, interest, loan covenants and other terms and conditions, among others, are discussed in Note 15 to consolidated financial statements.

**SCHEDULE H**

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

**CAPITAL STOCK**

**DECEMBER 31, 2017**

*AMOUNTS IN THOUSANDS*

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common stock - "Class A" at ₱1 par value	3,375,000	1,978,182	-	-	9,650	1,968,532

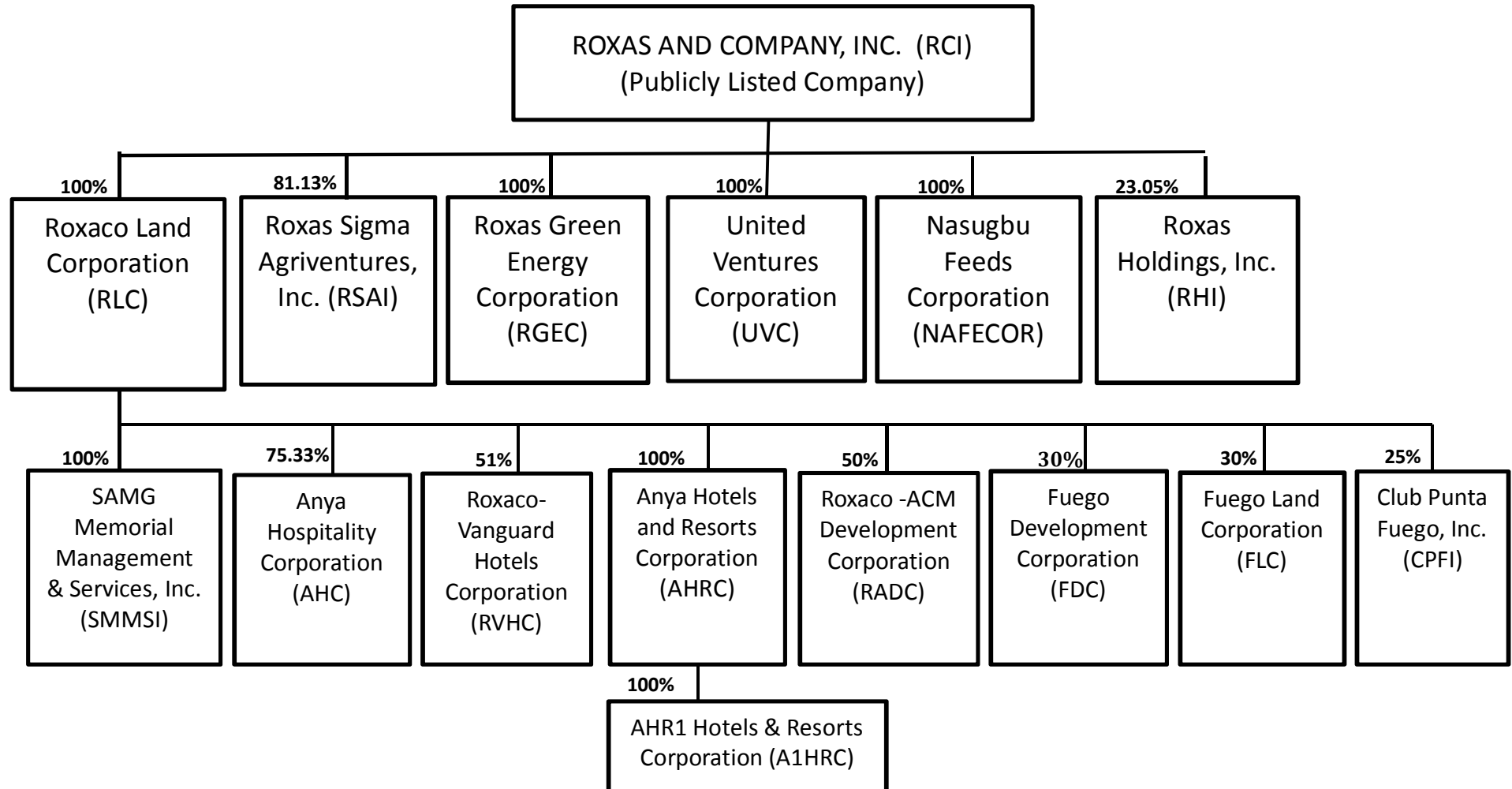
**SCHEDULE II**  
**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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**FINANCIAL SOUNDNESS INDICATORS**  
**DECEMBER 31, 2017**

	<b>December 31, 2017</b>	December 31, 2016
<b>Liquidity ratio</b>		
Current ratio	<b>0.49:1</b>	0.74:1
<b>Solvency ratio</b>		
Debt to equity ratio	<b>0.67:1</b>	0.53:1
<b>Asset to Equity ratio</b>	<b>1.67</b>	1.53
<b>Interest Rate Coverage ratio</b>	<b>(0.18)</b>	(10.37)
<b>Profitability ratios</b>		
Return on Assets	<b>(1.39%)</b>	(0.86%)
Return on Equity	<b>(2.32%)</b>	(1.31%)

**SCHEDULE III**  
**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CORPORATE STRUCTURE**  
**DECEMBER 31, 2017**





**SCHEDULE IV**  
**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF UNAPPROPRIATED**  
**RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Unappropriated retained earnings at beginning of year	₱791,715,994
Cumulative unrealized fair value gain on investment properties	(148,328,319)
Deferred tax liability as at end of December 31, 2016	977,393
<u>Unappropriated retained earnings at beginning of year as adjusted</u>	<u>644,365,068</u>
Net income during the year closed to retained earnings	(83,960,967)
Add (deduct) unrealized income (charges):	
Reversal of deferred tax asset	(700,209)
Reversal of appropriation for the year	7,335,447
	<u>(77,325,729)</u>
<u>Unappropriated retained earnings available for dividend declaration at end of year</u>	<u>₱567,039,339</u>

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND**  
**INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING**  
**STANDARDS AS OF DECEMBER 31, 2017**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRS Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*		✓	

\*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
<b>PFRS 8</b>	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
<b>PFRS 9</b>	Financial Instruments*	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
<b>PFRS 11</b>	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

\*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers*		✓	
<b>PFRS 16</b>	Leases*		✓	
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16: Bearer Plants			✓

\*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Company did not early adopt these standards, interpretations and amendments.

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional market issue regarding discount rate	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Amended)</b>	Separate Financial Statements			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value*		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		

*\*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.*

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>PAS 34</b>	Amendment to PAS 34: Disclosure of information 'elsewhere in the interim financial report'	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property*			✓
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

\*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programs			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate	✓		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration		✓	
<b>IFRIC 23</b>	Uncertainty over Income			

*\*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.*

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2017</b>		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

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