THE RIGHT FUNDAMENTALS
RESILIENCE

2019
ANNUAL REPORT
SUSTAINABILITY REPORT

ROXAS HOLDINGS, INC.

ROXAS HOLDINGS, INC.
2019 COMBINED ANNUAL REPORT & SUSTAINABILITY REPORT

CORPORATE PROFILE

Roxas Holdings, Inc. (RHI) is one of the largest integrated sugar and ethanol producers in the Philippines and a first mover in agribusiness in the country. It manages sugar mill/refinery Central Azucarera Don Pedro, Inc. (CADPI) in Nasugbu, Batangas; sugar mill Central Azucarera de la Carlota, Inc. (CACI) in La Carlota City, Negros Occidental; ethanol producers Roxol Bioenergy Corporation (RBC), also in La Carlota City, and San Carlos Bioenergy, Inc. (SCBI) in San Carlos City – both in Negros Occidental; and agribusiness mover RHI Agri-business Development Corporation (RHI ADC).

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

VISION

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

MISSION

For customers: To provide quality sugar cane-based products and services.
For partners: To be fair and transparent in its dealings.
For stockholders: To enhance shareholder value with reasonable return on equity.
For people: To provide professional growth, development and recognition.
For communities: To be a responsible corporate citizen.

VALUES

RELIABILITY & RELEVANCE

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

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

HIGH STANDARDS

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

INTEGRITY

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

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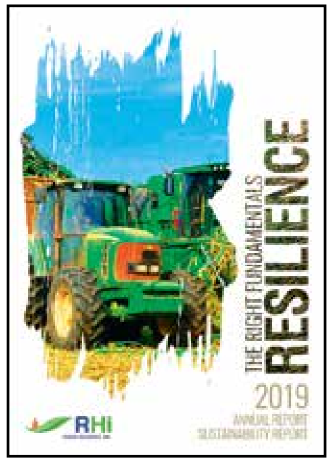


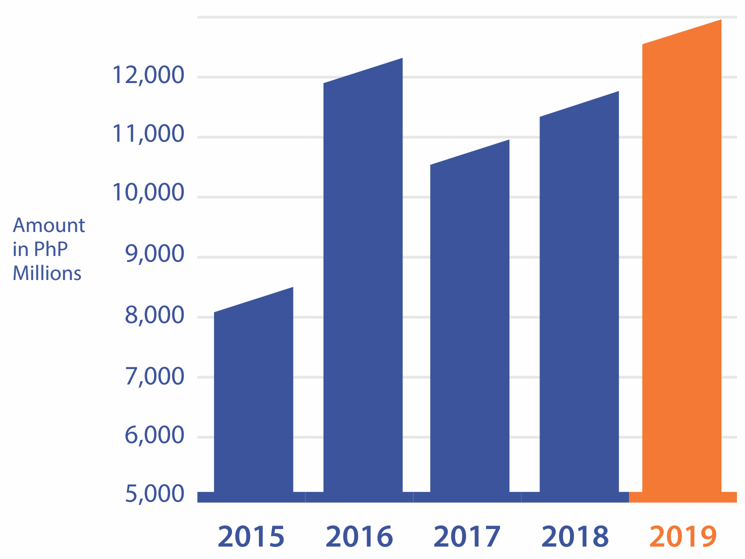
ABOUT THE COVER

The resilience of an organization shines through best in the midst of a tough and difficult period.

The cover of the 2019 Roxas Holdings, Inc. (RHI) Combined Annual Report and Sustainability Report, the first of its kind, aptly captures the outstanding characteristic of resilience that defines RHI as a leading integrated sugar and ethanol producer in the Philippines.

Oil brush strokes that resemble sugarcanes interspersed with an image of a truck harvesting sugarcane in a farm combine together to paint a picture of how resilient RHI is. The image indicates the Group's openness to developments, such as the use of tractors in harvesting sugarcane, while boldly tackling challenges and issues that hamper its growth, like the pronounced shortage of farm labor in recent years.

TEN-YEAR FINANCIAL HIGHLIGHTS



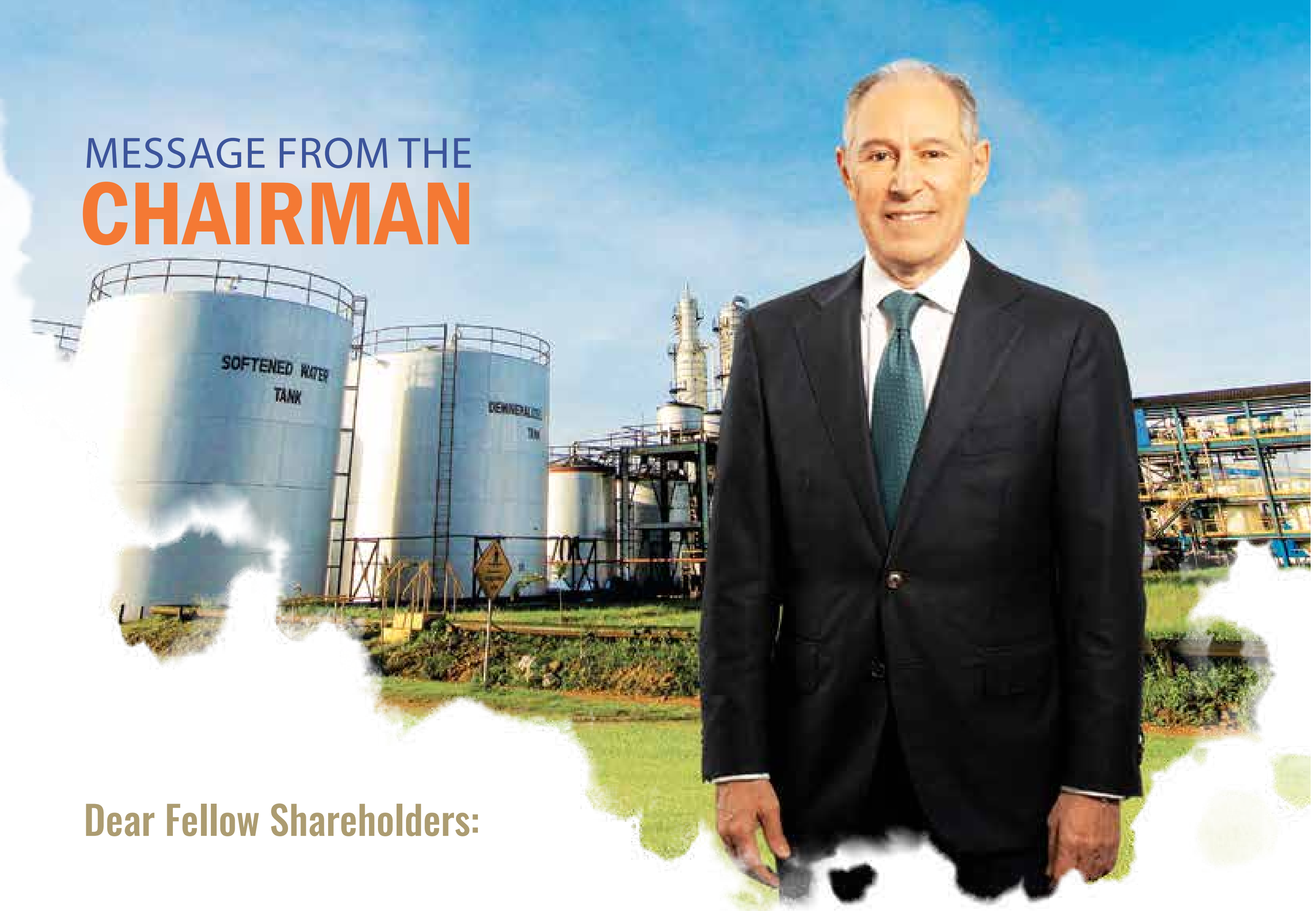
2019
Previous Years

NET SALES
9.0%▲

Amounts in PhP M (Except for the last three items)	2019	2018	2017	2016	2015	2014	2013	2012*	2011	2010
Net Sales	12,920	11,811	10,948	12,050	8,208	8,317	6,065	7,674	7,910	6,202
Income from Operations	308	1,254	1,457	1,074	1,044	1,434	1,615	1,718	226	900
Net Income (Loss)	(1,889)	55	120	102	19	615	486	701	(742)	311
EBITDA	32	1,186	1,624	1,337	996	1,672	1,806	1,718	784	1,010
Total Assets	21,917	25,531	23,896	21,658	20,410	14,700	15,121	14,348	16,708	15,685
Total Equity	9,164	10,763	10,544	9,774	8,433	6,928	5,561	5,347	5,406	5,986
Debt-to-Equity Ratio	1.39	1.37	1.27	1.22	1.42	1.12	1.72	1.68	2.09	1.61
Earnings (Loss) Per Share	(1.22)	0.04	0.08	0.07	0.01	0.67	0.53	0.77	(0.81)	0.34
Dividends Per Share	-	-	-	-	0.12	0.24	0.06	0.04	-	-

RHI changed its fiscal year to October - September cycle.

MESSAGE FROM THE CHAIRMAN



Dear Fellow Shareholders:

Our company, Roxas Holdings, Inc. (RHI), made tough but meaningful decisions in Crop Year 2018 to 2019 while facing multiple challenges from all sides.

The decisions, hard as they were, showed how resilient our company is – still standing through a year-long debate on whether to deregulate the centuries-old industry that supports about 700,000 Filipinos across the country.

RHI's bioethanol facilities kept going even when the prices of molasses swung to peak levels due to the strong demand for this feedstock.

Our Group also lined up resources behind initiatives to boost farm productivity by reaching out to farmers with our tractors and other farm machineries to address the pronounced shortage of farm labor while advancing our advocacy for technological innovations in agriculture.

Through all these challenges and more, RHI pressed on even when the odds were high – exemplifying its unique brand of resilience.

With the oversupply of sugar in the global markets, the financial challenges of majority of the sugar mills in India, and the prolonged drop in bioethanol prices particularly in the United States, combined with various local industry concerns in the past crop year, RHI is employing a more inclusive approach to sustainability.

This strategy entails us to be resilient at all times through a comprehensive evaluation of our potentials, and through agile and fast response to bring solution to any situation: be it at our five plants in Batangas and Negros Occidental, at the sugarcane farms or even at our offices.

In line with our continuing commitment to sustainability, we consciously work at restoring benchmarks in tons cane milled and other industry metrics.

We fervently hope that these simple but consistent steps to promote sustainability will go a long way in helping the sugar industry get back to its feet.

With the Philippines' low sugar yield at 5.1 tons sugar per hectare compared to Thailand's, which is 22 percent more, local sugar millers and industry representatives need to work doubly hard.

Collective actions need to be done to ward off the impact of the four factors that threaten the sugar industry, namely: 1. high cost of production; 2. low yield for sugar, which inevitably results to low farm income; 3. the damaging effects of climate change; and 4. the worrying labor shortage due to an array of employment options through the government's infrastructure program and cash transfer program, as well as the boom in construction.

Our Group has blazed the trail to address the threats at the farm. Through farm mechanization, led by RHI Agri-business Development Corporation (RHI-ADC), we envision yields per hectare to increase substantially over time. We also actively collaborate with other industry leaders to move our agenda to innovate farming in the Philippines.

Meanwhile, RHI and other industry stakeholders thank our lawmakers for supporting last November 2019 our plea to defer the deregulation of our industry. While we are uncertain on what the government's decision on the deferred proposal would be, it is imperative that the industry ensure that Philippine sugar mills become more efficient and that farm mechanization be rolled out extensively.

Let us seize the opportunity to turn things around while constantly promoting sustainability.

Last January 17, our subsidiary Central Azucarera de la Carlota, Inc. (CACI) marked its 100th year of operations. It is both humbling and encouraging to look back and see how CACI survived 10 decades marked by world war, tough times and challenging situations.

CACI's Centennial is a testament that the sugar industry can thrive whatever the situation and that it is crucial to save this industry that brings food to the table of thousands of Filipino families, particularly in the communities near our operations in Negros Occidental and Batangas.

Taking inspiration from the resilience of CACI, RHI is committed to make bigger strides in the next crop year.

Armed with the resilience and the dedication that everyone has shown through the past year, let us make things happen for RHI in Crop Year 2019 to 2020 – unhindered by obstacles that range from plant concerns, to farm challenges, and to national issues, such as the proposed deregulation of the sugar industry.

As we drive sustainability in all aspects of our operations as well as processes and remain resilient, we also actively pursue efforts to protect the environment.

The World Economic Forum, in its Global Risk Report, noted that the top global risks for 2020 involve

environmental issues, such as extreme weather, climate action failure, natural disasters, biodiversity loss and man-made environmental disorders.

We have experienced the impact of climate change in our industry and we saw how much damage it wrought us through the years.

Given our experience, we urge and seek everyone's support in protecting the environment one step at a time.

We continue to count on you, our dear partners, in helping our subsidiaries in nurturing the environment as our Group continues to produce quality sugar and ethanol.

With this, we express our deep gratitude to the dedicated men and women who passionately guide the company in making better and wiser decisions.

> "Let us seize the opportunity to turn things around while constantly promoting sustainability."

To our stockholders, your trust in RHI means a lot. We bank on your continuing support as RHI embarks on a new journey.

To the members of our Board of Directors and Board of Advisors, thank you for supporting us with your valuable insights and bold leadership.

To our Management Team, we appreciate your commitment in supporting the company's operations and for driving initiatives aligned with our vision.

To our employees and staff, we are grateful for your hard work that will take us closer to the realization of our vision.

To our partners and other stakeholders, thank you for collaborating with us. Let us continue to create more opportunities.

We have made it through a tough year with resolve. We learned more lessons and we became even stronger. Let us work together for a new beginning.

Thank you.

PEDRO E. ROXAS
Chairman

MESSAGE FROM THE
PRESIDENT & CEO

Dear Fellow Shareholders:

Retaining one's competitive advantage in the face of mounting challenges is a tall order but for our company, listed integrated sugar and ethanol producer Roxas Holdings, Inc. (RHI), it is what defines the Group.

For years, we have seen how the changing global weather conditions and other concomitant circumstances weighed down on the sugar industry, and consequently, on the ethanol industry as well.

But those factors did not deter RHI from forging ahead in Crop Year 2018 to 2019 as it faced a different set of issues, foremost of which was the proposed liberalization of the sugar industry.

> "Our organization's openness to tackle boldly the challenges that hamper growth echoes our deep-seated sense of resilience..."

As the debate on the proposal of government economic managers to deregulate the sugar industry dragged on for months, the anticipation over this scenario drove prices of sugar lower than expected.

Low sugar prices and a combination of low production volume for refined sugar, higher unit cost, and an increase in the cost of acquiring sugar canes pressed heavily on the Group's sugar unit while the alcohol segment experienced the impact of the high prices of molasses due to insufficient supply of the most in-demand feedstock.

But one of the biggest contributing factors to this year's results was the timing of the disapproval by the Philippine Competition Commission of the agreed asset sale transaction on Central Azucarera Don Pedro, Inc. (CADPI). It tremendously disrupted our sugar operating strategies, as well as our financial plans.

As a result, the Group also had to contend with higher interest cost as average interest rate rose to 6.82% per annum in 2019 from 4.49% per annum in 2018.

Considering all these, the Group reported a net loss of PhP1.9 billion including write-downs from a net income of PhP55 million for the same period in the previous year. RHI recognized non-recurring losses of PhP1.1 billion during the last quarter of the fiscal year due mainly to derecognition of certain deferred tax assets, as required by accounting standards.

However, Consolidated Revenues increased to PhP13.3 billion (including revenues from discontinued operations amounting to PhP6.3 billion) attributable to higher sales volume and price of alcohol, as well as milling revenues amounting to PhP1.5 billion recognized following the adoption of the Philippine Financial Reporting Standard (PFRS) 15 regarding "Revenue Recognition".

Rest assured that we are continuously seeking ways to reverse the trend as we work with our partners in addressing concerns through sustainable means.

In April 2019, when former Philippine President and previous House Speaker Gloria M. Arroyo, who is a staunch proponent of bioethanol, visited our subsidiary, San Carlos Bioenergy, Inc. (SCBI), we sought her intervention in coming up with possible remedies to the challenging supply of molasses in the country.

As by-product of sugar milling, molasses supply is affected by sugarcane production.

With the endorsement of then House Speaker Arroyo, the Visayas Development Oversight Committee convened to flesh out issues affecting ethanol producers. The Department of Energy and the Sugar Regulatory Administration (SRA) also met with ethanol producers on the matter. The ethanol industry is awaiting the decision of the National Biofuels Board on the plea to allow for the importation of molasses with the ethanol produced from it for re-export.

We value the views of our various stakeholders and we constantly reach out in order to find a common ground in support of our vision for sustainable agriculture.

RHI coordinated with the SRA to address the pronounced shortage in sugarcane supply in the area covered by the Don Pedro Mill District Development Foundation in Tuy, Batangas, which led to a meeting with 500 stakeholders of the sugar industry in the province last August 8, 2019. The meeting served as venue for farmers and representatives of sugar mills to craft strategies to strengthen the sector.

Our organization's openness to tackle boldly the challenges that hamper growth echoes our deep-seated sense of resilience, which spurs us to see the bigger picture in the midst of a difficult period.

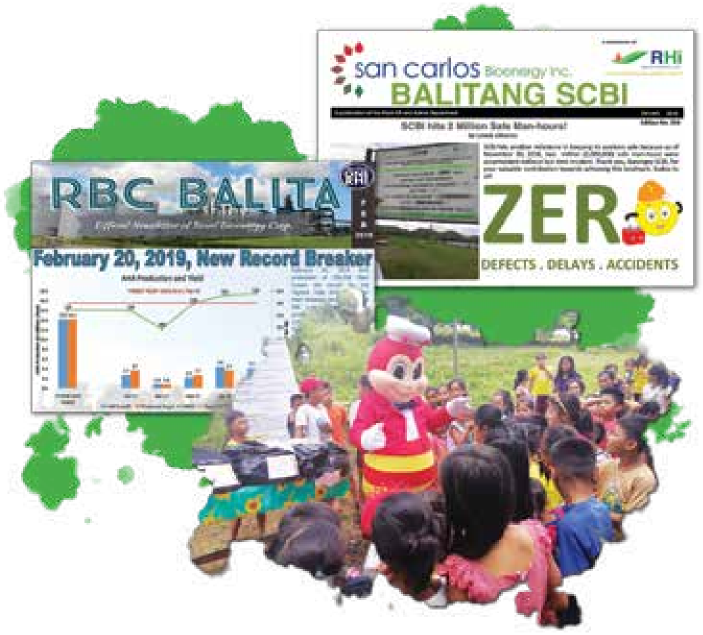
On this note, I wish to share that RHI upholds 11 of the 17 Sustainable Development Goals under the United Nations Development Program.

The Group's programs for sugar, ethanol and agribusiness units are intertwined and synchronized to bring RHI to a higher level at the end of Crop Year 2020.

We are setting our sights farther as we collaborate with more stakeholders and partners. We also explore new possibilities that will boost farm productivity and ensure smooth operations at the plants.

We survived the challenges of the past years. There is no other way but up for us. With your continuing support and persevering diligence to drive excellence at all fronts, our Group will be able to make that big rebound in CY 2020.

More than anything, we need to sustain the momentum and improve further on what we have already started: the continuing improvements in our plants in La Carlota and the future development at our San Carlos factory, with all three operations in Negros Occidental; the good start we have for our Nasugbu, Batangas mill and refinery; and the new collaborations that our agribusiness unit has started.



We need to be ready for new challenges, particularly the impending annual sugar importation to address production shortages projected in the coming years, until agricultural productivity can arrest its downturn.

I believe that we can do more as we faced head-on the challenges of the past crop year. It is with optimism that when we gather again next year, we can all savor the sweet fruits of our resilience. The ability to stand and make things better even when stronger headwinds and hurdles abound will enable us to appreciate deeply the milestones of RHI.

I wish to thank everyone: our dear stockholders, esteemed Board of Directors and Advisors, our committed Management Team as well as hardworking employees and staff for the trust and for sticking with us through the difficult period in CY 2019.

Let us conquer the challenges of the present crop year, as we decisively launch a campaign to make our vision of a truly competitive and prepared RHI closer to reality.

With this, I challenge everyone to decide which action to take through this quote from American writer Elizabeth Edwards: "Resilience is accepting your new reality, even if it's less good than the one you had before. You can fight it, you can do nothing but scream about what you've lost, or you can accept that and try to put together something that's good."

I fervently hope that we all make the same choice, which is the option to accept this new reality and be driven purposely to produce something good out of it.

Thank you.

HUBERT D. TUBIO
President & CEO

OPERATIONAL HIGHLIGHTS

SUGAR BUSINESS UNIT

The proposal of government economic managers to deregulate the sugar industry following calls from food processors, who were requesting that they be allowed to import lower-priced sugar for their consumption, hounded sugar millers and planters in Crop Year (CY) 2018 to 2019.

The call, which was raised in the last quarter of 2018, dragged on until the Senate urged the government last November 2019 to heed the calls of sugar planters, millers and other stakeholders who would be affected by the proposed move.

The debate on the deregulation of the industry, coupled with concerns on productivity, weather changes, and supply slowed down the operations of the two sugar mills and a refinery under Roxas Holdings, Inc. (RHI)

CENTRAL AZUCARERA DON PEDRO, INC. (CADPI)

Batangas-based Central Azucarera Don Pedro, Inc. (CADPI) ended its milling operations on April 18, 2019, running 14 weeks for the crop year or eight weeks less than the 22 weeks in CY 2017-2018.

It milled 783,310 tons of cane, 30% lower than the 1.123 million tons cane milled (TCM) in the previous crop year. Sugar refined by CADPI for the period was lower than the previous year's at 1.7 million LKg.

Despite the shortened period of operations, CADPI recorded higher raw sugar yield of 2.07 LKg/TC, 27% higher than the previous period, which partly offset the drop in the volume of canes.

CADPI also maintained its lion's share of the Batangas market with 68%.

The mill's operations were slowed down by low farm productivity and dwindling number of manual cane cutters.

> "CADPI's resilience shone through as it responded to the challenges it faced."

CADPI's resilience shone through as it responded to the challenges it faced. To address farm labor shortage, CADPI assisted planters in outsourcing mechanical harvesters in partnership with RHI Agri-business Development Corporation (RHI-ADC).

The mill also intensified its cane campaign and provided loans to farmers.

Plant is expecting continuous improvement in its operation in the next crop year. Off-season repairs, which include technical recommendations from SUTECH, are expected to impact productivity and efficiency

CADPI also optimized the use of bagasse and biomass.

With CADPI's continuous efforts to improve the Mill, Refinery and its over-all plant efficiency, it is also making sure that the people running the facility are ready for it. By next season, it will roll out a Cadetship program, to train young professionals and prepare for the next batch of potential leaders that will sustain the operation of the facility.

CENTRAL AZUCARERA DE LA CARLOTA, INC. (CACI)

The operations of Central Azucarera de la Carlota, Inc. (CACI) in Negros Occidental for Crop Year 2018-2019 lasted 29 weeks, two weeks short of its 31-week record in CY 2017-2018.

Milling operations ended last April 7, 2019.

Tons Cane Milled (TCM) of CACI stood at 1.619 million, 9% lower than the 1.785 million TCM in the previous crop year.

Raw sugar produced by CACI for the period totaled 3.033 million LKg bags, 1.34% higher than CY 2017-2018. CACI produced 247,372 LKg bags of premium raw sugar for CY2018-2019, 306% more than the previous crop year.

The mill recorded 1.874 LKg/TC for the period, higher than the 1.824 LKg/TC in CY 2017-2018.

Its market share dropped slightly to 14.32% from 14.70% previously.

New centrifugal baskets.

Transfer of Bryant Evap exhaust supply to High Side exhaust line to address blow-off issue.

CACI's operations slowed down due to needed repairs at the Plant and the intense competition for sugarcane among neighboring mills.

However, these challenges were appropriately and quickly addressed by CACI.

The mill tapped technical audit firm SUTECH and process audit company Carbo Solutions to look into the plant's processes. CACI immediately acted on the findings and was able to eliminate previous process concerns, restoring the efficiency of the boiling house to recover more condensate for boiler feed water, improve sugar recovery, lessen power consumption and generate excess bagasse for RHI's ethanol subsidiary Roxol Bioenergy Corporation (RBC).

The quality of its sugar also further improved.

The mill also appointed a team that will oversee the maintenance of the plant and implemented a regular review of the processes in order to act quickly on plant concerns.

"However, these challenges were appropriately and quickly addressed by CACI."

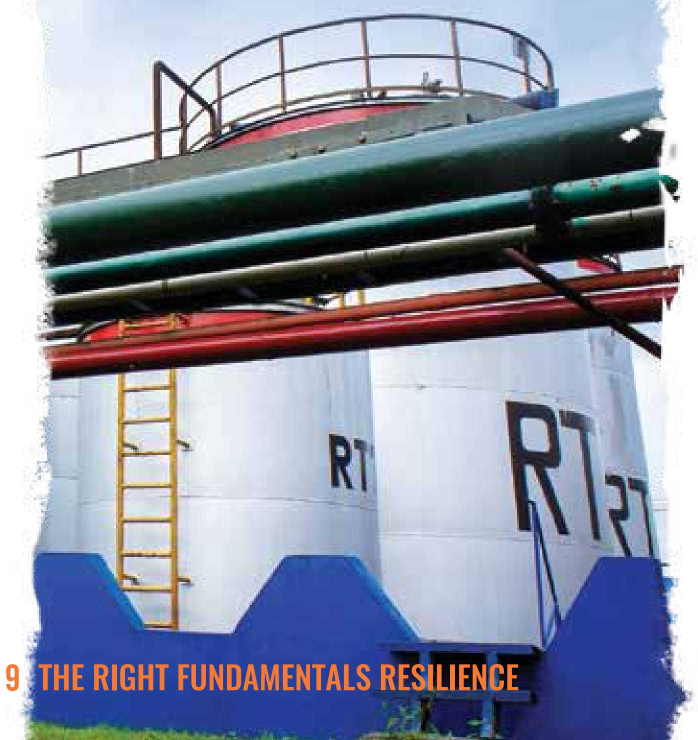
Technical lecture of Mr. Benhur Pabon of Carbo Solutions for CBA Boiling Scheme.

SUSTAINABLE DEVELOPMENT GOALS

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

OPERATIONAL HIGHLIGHTS

ETHANOL BUSINESS UNIT



The ethanol business unit of Roxas Holdings, Inc. (RHI) reeled from the impact of soaring prices of molasses during Crop Year (CY) 2018-2019.

As ethanol producers scrambled for a share of the limited supply of molasses, prices kicked to unexpectedly high levels that almost eroded gross margins.

However, RHI's two ethanol plants managed to temper the impact of the high feedstock cost with focus on achieving better yields while ensuring that they ran on optimized alcohol output.

roxol Bioenergy Corporation

ROXOL BIOENERGY CORPORATION (RBC)

Roxol Bioenergy Corporation (RBC) had been dependent on the grid for almost the entire crop year. Unstable power supply and the high cost of electricity significantly impacted profitability.

But through the persistent team effort and commitment toward performance excellence, RBC was able to surpass its target of 40 million liters of alcohol before the crop year ended last September.

With the high demand for feedstock and high cost of molasses, RBC strategized to optimize and maintain high production efficiency, and to maximize local source to ensure financial viability. RBC recorded its highest biogas fuel displacement at 60.67% last May 2019 as biogas from its anaerobic digesters continued to improve.

Odor issues brought various complaints from the community, with the local government unit and government agencies intervening in the situation. Heavy rains also contributed to the increase of water at the lagoon, which limited production output.

RBC, however, kept to its mission to care for the environment through effective waste management program and fertilization program for local farmers.

The company also implemented dynamic learning and organizational development programs to retain its key talents.

By giving due focus to operations based on established standards and paying right attention to details, the Operations Group was able to implement systems improvement geared towards higher efficiency and capacity build-up.

Through the persistence and dedication of its employees to demonstrate quality excellence, RBC received the certification for ISO 9001:2015 from SGS Philippines last September 6, 2019.

RBC also achieved the highest safety man-hours record of 1,003,464 on August 13, 2019.

"RBC managed to promote a culture that kept employees motivated and engaged to sustain operational efficiency..."

Despite the community-related issues it has faced, RBC is committed to develop and empower its surrounding communities through social development programs.

RBC managed to promote a culture that kept employees motivated and engaged to sustain operational efficiency for the past 11 months of operations, 24 hours a day, 7 days a week.

Coastal Cleanup Drive.

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 15 LIFE ON LAND

san carlos Bioenergy, Inc.

SAN CARLOS BIOENERGY, INC. (SCBI)

While there were many challenges that beset San Carlos Bioenergy, Inc. (SCBI), the company managed to record extended distillery operating days at 282 in Crop Year 2018-2019 (CY2019) as against the 272 in the previous crop year. SCBI also milled for a longer period in CY2019 with 174 days, from 126 days.

Although SCBI produced lower volume of AHA at 30 million liters compared to the 31.2 million in the past year, the Plant showed a marked improvement in its biogas displacement, which rose 18% from measly 2% in CY2018. The ethanol plant also exported 3,857 megawatts hour (MWh), far higher than the 2,813MWh in the past year.

Meanwhile, the LKg/TC of SCBI also climbed to 1.91 from 1.79, although it milled only 140,419 tons compared to 150,445 Tons Cane Milled (TCM) in CY 2018.

Faced with the pressing concern on the availability of molasses, SCBI utilized syrup as feedstock to augment feedstock sufficiency.

The company also sought the assistance of renewable energy advocate, Former Philippine President/House Speaker/Energy Secretary Gloria Macapagal Arroyo, to help the bioethanol industry from being paralyzed by the soaring costs of molasses, which is an important and in-demand feedstock.

The plea to arrest the declining bottomline of ethanol producers gained ground with the Visayas Development Oversight Committee in Congress convening industry stakeholders and related government agencies as it looked into the possibility of exploring the importation of feedstock for export later.

The pronounced lack of molasses had hampered the production of bioethanol in the country.

As there has been no concrete development yet on the proposal, SCBI continued with its operations while finding other ways to manage the crippling inadequacy of feedstock.

The Plant also rolled out significant repairs on its steam turbine generator, evaporators, and storage tanks; and established procedures to ensure that SCBI would remain resilient in any situation.

SCBI joined Basura Run and collected 200 kilos of garbage.

SUSTAINABLE DEVELOPMENT GOALS

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

OPERATIONAL HIGHLIGHTS

AGRI-BUSINESS UNIT

RHI-ADC: RISING TO THE CHALLENGE

In Negros where 12 sugar mills are competing to have the biggest slice of the pie (63% of the total national sugarcane production), a mill's competitiveness depends on its capability not only to operate efficiently and give the highest recovery but also to capture the required volume of canes. One way to bring in canes is to build goodwill by assisting planters in addressing their major concerns in farming and helping them become more productive through programs such as farm mechanization, introduction of high-yielding varieties (HYVs), extension services and the like. After making its mark as one of the pioneers in mechanization services both in Negros and Batangas, the thrusts of RHI Agri-business Development Corporation (RHI-ADC) for crop year 2018-19 included expanding its farm operations, serving more planters with farm mechanization services and assisting planters in improving farm productivity through the propagation of new HYVs, the distribution of spent wash as liquid fertilizer as well as mudpress, among others.

This year saw an increase of 43% in RHI-ADC's farms, from 186 hectares (CY18-19) to 266 hectares (CY19-20). In the latter part of 2019, a total of 152 hectares of farms was added, bringing RHI-ADC's covered area to 417 hectares for CY 2020-21, an increase of 124% from the total area of CY 2018-19.

The thrust was to expand farm operations in Negros and focus RHI-ADC-owned farm machineries there. By the end of the crop year, RHI-ADC had transferred all its farm equipment from Batangas to Negros. It now operates a fleet of tractors, grab loaders and mechanical harvesters catering to planters of Central Azucarera de la Carlota, Inc. (CACI) and San Carlos Bioenergy, Inc. (SCBI), making it one of the biggest service providers for sugarcane mechanical harvesting in Negros, and in the country. This is RHI's share in helping solve one of the biggest pains in the sugar industry: the continuous decline of manual labor. A total of 99 small, medium and big planters were served in 2018-19.

Mechanical Harvester.

As for Batangas, RHI-ADC served the farmers there using a different model for CY 2018-19. It partnered with third-party contractors of mechanical harvesters from other provinces in Luzon where milling ended earlier, to service the harvesting needs of the planters for Central Azucarera Don Pedro, Inc. (CADPI). RHI-ADC's third-party harvesters delivered 9,163 tons of cane to the mill in one and a half months.

RHI's fleet of agricultural machinery

6	27	24
Mechanical Harvester	Grab Loader	Tractor

Farm areas in Batangas are shrinking as some planters either sell their farms to subdivision developers and mall owners or shift to other crops like cassava and corn. The cost of sugarcane production has been increasing due to labor cost and inputs like fertilizers and planting materials, which discourage some farmers to continue planting sugarcane. Thus, this CY 2018-19, with the clamor of planters for reasonably priced HYV planting materials,

High yielding planting materials shipped from Negros to Batangas.

RHI-ADC sourced HYV canepoints from Negros and delivered them to the farms in Batangas at almost half the price compared to when planters would buy it from brokers. RHI-ADC delivered 525 lacsas from May to August 2019, enough to plant around 130 hectares of land with good quality HYVs. Some farmers have also opted to use the planted areas as nurseries, thereby enabling faster propagation of such varieties.

Over the last three years, RHI-ADC has been promoting the use of a highly recommended variety of PHILSURIN for Batangas: PSR 01-105. This year, there was wide acceptance with planters requesting for more canepoints of this type. This variety is a cross between VMC 82-1180 and VMC 84-928 – semi-fast grower with average to fairly good tillering and germination, non-tasseling, reclining to lodging and not self-detrashing; and with an average yield of 2.00 LKg/tons cane (TC) and 105 TC/hectare (Ha). It is highly resistant to leaf scorch while moderately resistant to smut, downy mildew and yellow spot. Its best characteristic is its resistance to drought, which, according to PHILSURIN makes it suitable for Batangas soil where about 95% of the farms are purely rain-fed. RHI-ADC continues to promote and spread the use of this and other new HYVs both in Negros and Batangas.

> "Crop loans amounting to PhP5 million were released to two progressive planters in Negros who delivered 20,570 tons of cane. Loan repayment was at 100%."

RHI-ADC tapped government agency PHILSUCOR to fund crop loans for Batangas planters. It released a total of PhP28.5 million with corresponding cane delivery in CY 2018-19 of 32,383 tons to CADPI. As of this writing, 72% of the loans have already been repaid by the 12 planters who availed. With the issuance of Memorandum Order No. 30 on October 25, 2018 for the abolition of PHILSUCOR, RHI-ADC was prompted to finance the succeeding crop loans. This included PhP7.3 million released in 2018-19 to four planters in CADPI with committed sugarcane volume of

PHILSURIN variety PSR 01-105.

15,213 tons for the following year.
Crop loans amounting to PhP5 million were released to two progressive planters in Negros who delivered 20,570 tons of cane. Loan repayment was at 100%.

While grab loader use in Negros decreased by 39% in terms of tonnage, the use of tractors increased by 623% in one year, from 336 to 2,430 hectare passes. Since grab loaders are tractors equipped with loader arms, in order to meet the farmers' requirements for more tractors, RHI-ADC detached the loader arms of several units and used them as tractors for land preparation. Among the farmers served were cooperatives of Agrarian Reform Beneficiaries (ARBs) who expressed appreciation for the farm mechanization support that RHI-ADC was able to provide.

RHI-ADC has also entered into partnerships with ARB cooperatives and block farms through HYV nursery partnership programs, which served as an entry point for deeper engagements with them as part of efforts to assist planters in improving farm productivity.

RHI-ADC's farm yield for RHI-ADC directly operated in-house farms in Negros increased by 141% to 82 TC/Ha for this crop year as a result of efforts to improve field drainage systems, employing good farming practices, and ensuring timely availability of farm inputs such as fertilizer and machineries. Contract growing agreements for farms that were not performing to standard were either terminated or amended for take-over by RHI-ADC for direct management.

Tractor use jumped by 623% from 336 to 2,430 hectare passes.

As part of its advocacy to help increase the yield not only of its farms, and decrease dependence on chemical fertilizers, RHI-ADC helps RHI's ethanol subsidiary Roxol Bioenergy Corporation (RBC) in distributing spent wash or vinasse to the farms as liquid fertilizer. It served 103 farms in CY 2018-19, up 58% from last crop year's 65 farms. A total of 426,858 cubic meters of spent wash was distributed. RHI-ADC also produces and uses its own vermicompost (from earthworms) in its farms, employing mudpress, a mill byproduct, as feedstock. RHI-ADC also helps CACI distribute mudpress to farms within a 10-kilometer radius from the mill, thereby helping farmers recondition the soil in their farms.

RHI-ADC's moves in a dynamic industry

RHI-ADC has been tapped to play a more active role in the cane supply function for RHI mills. Its programs are integrated with the mills' programs aimed at assisting farmers.

As such, RHI-ADC is focused on covering more areas in Negros for both contract growing and in-house farms. It continues to offer contract farming, contract growing programs, and crop loans to identified planters.

To be able to foster agribusiness innovation, RHI-ADC continues to explore efficiency, productivity-improving practices and new technologies in relation to the generation of new agribusiness programs. Some of these include farm trials on drone technology for application of herbicides and foliar fertilizers, farm management digitizing tools, GPS fleet trackers, satellite imaging, and more.

Smart farming app by CropIn.

In Batangas, partnerships with more mechanical harvester service providers will continue in the coming years. RHI-ADC is also reviving the HYV nurseries in Batangas, operating its own and partnering with planters to open up seed farms in their areas. It continues to collaborate with planters, ARB coops and block farms using nurseries as entry points for deeper engagements to capture the canes.

RHI-ADC believes that it can only generate competitive advantage through devising new ways of doing things. Agriculture is changing. So is RHI-ADC.

CORPORATE GOVERNANCE

Roxas Holdings, Inc. (RHI), as a listed organization and among the leading integrated sugar and bioethanol producers in the Philippines, puts high importance on corporate governance.

In compliance with the circular of the Securities and Exchange Commission (SEC) requiring all listed companies to submit new versions of their respective Manual on Corporate Governance, RHI released its Revised Manual on Corporate Governance in 2017.

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

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

RHI also has the following policies in place:

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

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

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

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

3. **Whistle-Blowing Policy**
The Group has a public interest disclosure or a whistle-blowing policy whereby all employees have the right and moral responsibility to report improper actions and omissions. A workplace culture is developed in which employees who act in good faith and in compliance with the law are protected from interference in, or retaliation for, reporting improper actions and cooperating with subsequent investigations and proceedings. Public Interest Disclosure is required when employees, in good faith, believe superiors or colleagues are engaged in an improper course of illegal or unethical conduct, and they must be able to disclose such conduct free from fear or intimidation or reprisal.

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

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

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

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

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

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

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

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

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

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

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

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

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

Below is the list of meetings held from October 1, 2018 to September 30, 2019:

Board of Directors	Stockholders	Audit Committee	Executive Committee
05 November 2018 04 December 2018 14 January 2019 12 February 2019 09 May 2019 01 August 2019	30 April 2019	29 October 2018 03 December 2018 14 January 2019 12 February 2019 08 May 2019 26 July 2019 30 September 2019	None

SUSTAINABLE DEVELOPMENT GOALS

8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

CORPORATE GOVERNANCE AND SUSTAINABILITY

QUALITY ASSURANCE/SAFETY/ INDUSTRIAL ENGINEERING

At Roxas Holdings, Inc. (RHI), quality is everyone's responsibility. By improving quality, productivity is also improved.

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

In Crop Year 2018 to 2019, the team noted a decreasing trend of customer complaints compared to previous years.

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

Central Azucarera Don Pedro, Inc. (CADPI) passed the surveillance audit and retained the Food Safety System Certification (FSSCv4.1) last March 2019, and is gearing up for a bigger challenge next year for a re-certification in a new version FSSCv5.0.

Roxol Bioenergy Corporation (RBC) passed the Stage 1 and Stage 2 Audit for ISO 9001:2015 last September 6, 2019. The Plant is now certified to this international standard for Quality Management System.

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

The team consistently looks for new innovative ways in improving the workplace by continuously implementing RHI's 12 Life Saving Rules, conducting Hazard Identification Risk Assessment and Determination of Control (HIRADC), Safety Quarterly meetings with all the Safety Officers and Safety Committees, conducting Safety Orientations/ refresher to all workers, and more. Monitoring procedures are also being improved to ensure compliance to all regulatory requirements, such as the implementation of the Occupational Safety and Health Standards.

- To ensure health and wellness of the employees, annual physical examination, sports activities are conducted yearly. Employees are provided with necessary medical services through accredited medical centers.
- Emergency Disaster Preparedness activities were also conducted to ensure that procedures are followed and revised as needed in order to promote awareness among employees on what to do in case of emergency situations.
- Investigation and Root Cause Analysis sessions were also implemented to prevent the recurrence of incidents.

By implementing these programs, RHI reached a total of 6,598,371 safe man-hours for crop year 2018-2019, up 5% from the total safe man-hours in the previous crop year. Contractors/agency workers at the subsidiaries were counted.

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

Safety is a challenge in the work environment but it is important to continuously improve safety performance for a healthy and safe workplace.

SAFE MAN-HOURS WITHOUT LOST TIME INCIDENT FOR CY 18-19:

CADPI	2,128,502	*RBC*	860,528
CACI	2,761,876	*SCBI*	847,466

TOTAL SAFE MAN-HOURS WITHOUT LOST TIME INCIDENT FOR CY 18-19:

6,598,371

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

CORPORATE SOCIAL RESPONSIBILITY

In support of the United Nations Sustainable Development Goals, the Corporate Social Responsibility (CSR) arm of Roxas Holdings, Inc. (RHI) focused its engagements for Crop Year 2018-2019 (CY 2019) on the following areas: poverty alleviation through health care, education and livelihood assistance and environmental stewardship; and tapping into volunteerism and local partnerships.

The engagements in all these projects were rolled out in all subsidiaries.

CENTRAL AZUCARERA DON PEDRO, INC. (CADPI)

In partnership with the Environmental Management and Safety Department (EMSD) and 240 volunteers, CADPI CSR conducted six coastal cleanups, and collected 282 sacks of garbage weighing 2,960 kilograms. CADPI CSR also led activities in the cleanup of the Bakawan Bay at Sitio Calambuyan in Sta. Ana, Calatagan and of an area at the Nasugbu Beachfront in Nasugbu, both in Batangas. The team, composed of 200 volunteers who supported the International Clean-Up Day last September 21, 2019, gathered 300 sacks of trash, with an estimated weight of 3,000 kgs.

CADPI also planted 914 seedlings in partnership with 123 volunteers who helped in four tree-planting activities.

Two medical missions were carried out for the period for 342 beneficiaries of free medical consultations and free medicines. Three beneficiaries had undergone minor surgeries during the missions.

In support of livelihood and enterprise, CADPI began implementing "Tahian sA BanIlad Landas TungOsa KaunlaRan (TAILOR)" project at Barangay Banilad, Nasugbu, Batangas. Through the program, 12 sewing machines were repaired. Members of BAnilad on the GO Asso. (BAGO) were given a nine-day training for Basic Tailoring and Dressmaking. Now they are producing bed sheets and pillow cases which they sell to local market.

CADPI also donated gardening tools to recipients in Banilad and Bago in Nasugbu, Batangas for Sustainable Livelihood through Partnership in Agriculture (SIPAG) project.

As part of its continuing engagement, CADPI also donated 56 cans of paint for schools in Nasugbu, Batangas as part of its Brigada Eskwela. Together with Kiwanis members, 23 CADPI volunteers also helped in preparing for the opening of the Nasugbu West Central School last May 21, 2019. Another batch of 43 CADPI volunteers assisted in the preparations of the opening of the Nasugbu East Central School last May 24, 2019.

In partnership with the Kiwanis Club of CADP and the Kiwanis Club of Pedro Masikhay, CADPI donated 200 grocery bags to students of two schools last December 2018. In the same period, CADPI also participated in the Child Labor Prevention and Elimination Program of the Department of Labor and Employment, by providing gift packs to 30 families and 60 children.

On June 8, 2019, 26 volunteers from CADPI and RHI trekked to Sitio Bato, Nasugbu, Batangas to provide 192 sets of school supplies to children and various items to those in secondary school. The children were also treated to a fun time with food chain mascot Jollibee.

A total of 172 children received new pairs of slippers at Sitio Basa, Barangay Wawa, Nasugbu last August 10, 2019 when CADP joined the Community Support Program Team of Task Force Ugnay.

Lastly, 35 bags of blood from CADPI volunteers were gathered during the 12th Mass Blood Donation of CADPI on August 23, 2019.

ROXOL BIOENERGY CORPORATION (RBC) & CENTRAL AZUCARERA DE LA CARLOTA, INC. (CACI)

To help protect the environment in La Carlota City and in Pontevedra, about 150 volunteers planted 10,000 seedlings of "Bungalon" at the mangrove project site at Purok Lourdes, Barangay San Juan, Pontevedra last April 29, 2019. Coastal management tools were turned over after the signing of the Memorandum of Agreement for the establishment of the mangrove plantation.

In September to October 2019, employee volunteers from RBC and CACI planted 430 trees at two sites in September and October 2019 and in partnership with the Environment and Natural Resources Office, La Carlota City College, La Carlota Sugar Central Elementary School and KALIPI Women Organization.

RBC and CACI also led the launch of the "Brigada Kalinisan", a program for the cleanup of coastal areas and creeks and for the promotion of social waste management education, in Barangays RSB and Nagasi. Thirty-nine households from three identified "purok" participated in the Most Improved Household contest.

Meanwhile, 300 volunteers helped 1,690 patients in the six medical missions conducted for the period by RBC and CACI. One hundred forty nine (149) bags of blood were also collected from three simultaneous bloodletting activities held in Barangays RSB and Nagasi.

Last September 3, 2019, RBC and CACI made the dream of 74 families into a reality with the turnover of Community Water System to the residents of Purok Molave in La Carlota City.

About 100 people from Barangay RSB attended the Awareness Campaign Seminar and Zero Open Defecation in support of health projects by the CSR team.

Meanwhile, 650 pairs of slippers were distributed to children in three schools in La Carlota City under "Hakbang Tungo Sa Pangarap: Share-A-Tsinelas". Under "Lingkod Edukasyon", 25 scholars received school supplies from RBC and RHI volunteers.

In December 2018, 100 day-care pupils in DSB and Pontevedra were given Christmas packs, while another 108 day-care kids from Batuan, Hacienda Najalin and RSB received art materials from RBC volunteer employees.

As part of its environmental protection efforts, the CSR units of RBC and CACI also held bokashi ball-making session for 40 volunteers. Bokashi balls, made up from mudpress, rice hull and rice bran, contribute significantly in reducing air pollution.

SAN CARLOS BIOENERGY, INC. (SCBI)

Consistent with its commitment to support the health and well-being of people in its surrounding communities, SCBI held its annual outreach in Barangays One, Punao, and Palampas last March 2019 and addressed 458 medical concerns. For the first time, SCBI, in coordination with the Dental Bus Team, addressed 59 dental issues during the mission. It also held a supplemental feeding in partnership with the City Social Welfare Department.

In 2019, SCB held two (2) blood letting activities and collected 68 bags of blood. This is the third year of partnership with the City Health Office in support of the City's blood drive. SCBI also fed 36 learners at the Palampas Daycare Center and distributed 135 hygiene kits in Don Juan Ledesma Elementary School.

SCBI provided support to its six (6) adopted schools and another 23 schools under the Division of San Carlos in the yearly "Brigada Eskwela". Together with its regular community visits, SCBI also donated 10 blue drums to San Juan Elementary School in Sipaway Island, San Carlos City last March 2019. It also held a career talk for students at Tañon College and attended a symposium on organic farming and coffee production. SCBI's "Tutor A Child" culminated with 30 learners who were given reading materials and snack packs.

In support of health, Water, Sanitation and Hygiene or "Project WASH" was launched last year at Lina dela Viña Valmayor Elementary School and benefitted 373 pupils.

SCBI's environmental engagements included the launching of bokashi balls and the participation in the "Basura Run" where 200 kilos of plastic were collected.

As part of its sustainable livelihood agro-forestry project, SCBI planted 9,800 seedlings at Minapasuk Calatrava. Ninety-five percent of the total or 9,300 seedlings survived. For CY 2018-2019, 626 various seedlings around SCBI and another 9, 926 seedlings were planted by SCBI.

SCBI also participates in the quarterly DENR-orchestrated Adopt-an-Estero Clean up drive and a total of six (6) tons of garbage and debris were collected from the river and sent to San Carlos Eco-center Landfill area.

Meanwhile, the San Carlos Local Government commended the Fire Brigade of SCBI last February 2019 for responding to a fire in a heavily populated residential area in the city.

ENVIRONMENTAL MANAGEMENT SAFETY

Environmental Sustainability Program

Protection of the natural environment is a core value of Roxas Holdings, Inc. (RHI). Thus, operations of its subsidiaries are carried out mindful of mitigating adverse environmental impacts, conforming to compliance obligations and enhancing environmental performance. Such culture extending to providers of materials and services is the guiding principle of Environmental Management System (EMS) being implemented by all four subsidiaries: Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), San Carlos Bioenergy, Inc. (SCBI) and Roxol Bioenergy Corporation (RBC).

We continue to seek the seal of approval of EMS of our subsidiaries. This year, CADPI has yet again maintained its status of being ISO 14001:2015 certified having once again passed the surveillance audit on February 28 to March 1, 2019 conducted by SGS Philippines.

Environmental management units of three other subsidiaries are proactively taking their commitments into action through their respective EMS. Nonetheless, all three subsidiaries are completing documents to prepare for ISO certification.

Wastewater Management

The huge water requirement and wastewater generation in both sugar and bioethanol production continue to be both a challenge and opportunity for the subsidiaries. Both sugar manufacturing and bioethanol production are producers of huge volumes of wastewater. In addition to wastewater generated from process, sugarcane contains approximately 75% water[1]. Thus, recovering water in the process for re-use in manufacturing is a no-small feat. It reduces water volumes for extraction from the natural sources and wastewater generation for treatment and disposal. Fortunately, all subsidiaries are located in areas surrounded by or in close proximity to sugarcane farms that allow wastewater from CACI and CACPI to be used as irrigation water and those from RBC and SCBI as fertilizer. This system of "wastewater re-use" is both beneficial for factory operations as well as farmers of sugarcane.

<u>Gains from Reduction in Wastewater Generation</u>

The Sense and Cents of Water: A Water Sustainability Program to 2022 has substantially completed Phase 1 in CY 2017-2018. The main objective of this program is to reduce CACI's water footprint by recovering or recycling wastewater through the implementation of integrated water use-efficiency projects across all departments. The following milling season, CACI saw a large departure in terms of wastewater generation, which averaged at about 3,000 cu.m/day or 40 percent of the previous average of 5,000 cu.m/day.

The implementation of the same program in SCBI and RBC likewise resulted in reduction of wastewater generation. Basically, the two bioethanol plants undertook recycling of water, which improved water use to alcohol production ratios of RBC and SCBI. This recycling initiative is the core of the subsidiaries' waste minimization efforts. Spent wash recycling to fermentation of RBC realized reduction in wastewater generation and water consumption.

Meanwhile, CADPI's continuing wastewater management program takes on recycling as the main driver. Effluent[2] this year is less than 30 percent of its influent[3]. Since then, wastewater generated has been at manageable levels. No discharges on land or to water bodies have been made possible thru minimal wastewater generation and maintenance of wetlands where treated wastewater is stored for re-cycling.

[1] Source: Official Chemical Handbook for Philippine Sugarcane Industries, 1997 edition, Volume 1, Ch 2 p53
[2] Wastewater for disposal but kept in the wet lands of CADPI.
[3] Wastewater generated by the factory

<u>Factory Wastes as Energy and Farm Input</u>

The spent wash produced from bioethanol production is a classic case of "closed doors – open windows" Spent wash is by-product of manufacturing bioethanol. It is characterized by very high organic matter load and TCU (true color unit). Since the passage of the Clean Water Act of 2006 and the concomitant General Effluent Standards (GES) under DENR Administrative Order 2016-08, spent wash discharge to water bodies has become tantamount to violation.

The organic load measured in biological oxygen demand (BOD) and TCU even after treatment could not be reduced to levels allowable for discharge to water bodies. However, following the path of countries that went ahead in bioethanol program, spent wash is a resource for energy generation and crop fertilizer and moisture.

An anaerobic digester (ADs) degrades organic matter pollutant in spent wash. It is also a wasteto-energy (WTE) infrastructure producing biogas, a valuable fuel for generation of heat and power. Both SCBI and RBC are supported by ADs. In its January to September 2019 operation, RBC generated a total of 13.88 million cu.m of biogas, which displaced about 39 percent of its fuel needs. Similarly, the two newly commissioned AD of SCBI with combined capacity of 1,360 cu.m. generated 8.46 million cubic meters biogas displacing 41 percent of the total fuel requirement.

Raw and biomethanated[4] spent wash have comparable nitrogen, phosphorous and potassium values with liquid commercial fertilizers. Farmers, however have varied acceptance of spent wash in their farms. Some have discontinued chemical fertilizers while others have continued despite the NPK in spent wash.

While initially motivated by disposal, RBC and SCBI distribution of spent wash levelled up to an altruistic motive of helping sugarcane farmers improve on practices to lessen cost of production. In partnership with RHI-Agribusiness Development Corporation (RHI-ADC), the two bioethanol plant-subsidiaries have been into information drive through conduct of seminars and guidance for soil testing in order to determine appropriate fertilizer application.

[4] *Spent wash subjected to treatment in the anaerobic digester. Spent wash from SCBI and RC for distribution to farms are biomethanated.*

Anaerobic Digester of SCBI.

FY	Quarter	DATE	Raw Spentwash			Biomethanated Spentwash			Liquid Fertilizer		
			N	P	K	N	P	K	N	P	K
2018	1st	-	-	-	-	-	-	-	-	-	-
	2nd	6/5/18	0.23	1.58	0.06	0.17	1.50	0.04	0.19	0.88	0.03
	3rd	9/18/18	0.25	0.96	0.10	0.27	1.88	0.11	0.19	0.91	0.09
	4th	11/30/18	0.25	NIL	0.19	0.23	0.56	0.18	0.21	2.29	0.17
2019	1st	3/1/19	0.17	3.55	0.14	0.17	4.14	0.14	0.22	2.10	0.27
	2nd	5/31/19	0.24	0.99	1.82	0.24	0.03	1.72	0.24	0.04	1.79
	3rd	8/30/2019	0.12	1.32	1.56	0.21	0.62	1.28	0.18	0.77	1.42

NPK analysis of Raw and Biomethanated Spent Wash and Liquid Fertilizer *LEGEND* **2019** **2018**

Seminar on Use of Spent Wash as Fertilizer.

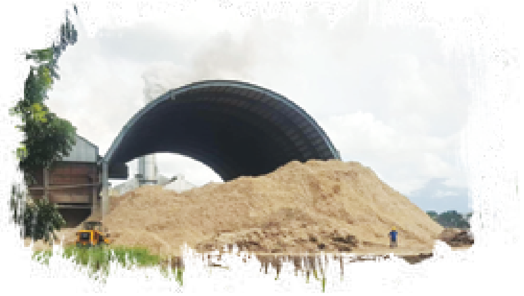
The campaign initiative enhanced acceptance of spent wash in the farms. During this crop year, about 500,000 tons were distributed by RBC as liquid fertilizer benefitting 2,134 has of sugarcane farms. Likewise, SCBI delivered 316,000 tons of spent wash providing liquid fertilizer to some 1,055 hectares of sugarcane farms.

CACI continues the practice of irrigating its wastewater to the 400 ha sugarcane plantation surrounding the Najalin Dam, which serve as containment and treatment facility. The plantation boasts of high tonnage per hectare and this is accounted to availability of moisture during the sugarcane vegetative period provided by the water in the Najalin Dam.

Energy Generation and Air Emission

All four subsidiaries operate cogeneration plants fed by biomass. CADPI largely uses bagasse supplemented by woodchips and other biomass. CACI is self-sustaining with its own generated bagasse with excess sent to RBC. RBC's fuel from CACI is augmented with woodchips.

However, biogas from its own digesters have been a significant portion of its fuel requirement starting the last crop year. SCBI continues to use self-generated bagasse. Its newly commissioned ADs yielded substantial amount of biogas fired in the boilers.



CACI Bagasse Stockpile.

With these secured volume of biomass and biogas fuel, CADPI and SCBI can sustainably generate electricity that can be exported to the grid under the feed-in tariff (FIT) policy of the government. CADPI's application is being reviewed by the Energy Regulatory Commission (ERC), which issues the Certificate of Compliance (COC) as FIT Eligible. On the other hand, SCBI is awaiting endorsement of the Department of Energy. With FIT, the two subsidiaries are soon expected to sell electricity under guaranteed tariff for biomass power generating facilities.

CADPI Substation.

Despite the tough standards for air emissions, all four subsidiaries consistently pass the standards under Republic Act No. 8749- The Philippine Clean Air Act. The Special Action Group for Environment (SAGE) of the Sugar Regulatory Administration (SRA) conducts regular monitoring of all smokestacks of CADPI, CACI, RBC and SCBI. The SRA-SAGE is an outfit accredited by the Department of Environment and Natural Resources for the monitoring of air emissions and water effluents.

SRA's SAGE monitors air emissions at CADPI.

The monitoring of ambient air condition is being undertaken on a regular basis. Monitoring instruments are located in several areas at the plant site to measure ambient air quality. Compliance standards ensure that the population in the vicinity of RHI subsidiaries' operations are breathing clean air. So far, ambient air quality in these areas are within air quality guidelines.

Ambient Air monitoring.

Solid Waste Management

While mudpress and boiler ash have known benefits for sugarcane cultures, withdrawal by planters continues to be a challenge for both CADPI and CACI. These materials occupy space in the factory but more importantly, the opportunity to benefit from these materials as soil ameliorants are foregone. CACI delivers mud press and boiler ash to farms within a 10-km radius from the mill. In CADPI, FEDMOCO, a cooperative, fortifies these materials into fertilizer. CACI, CADPI and ADC are working towards increasing volumes of withdrawal by planters. The potential of mudpress for biogas extraction is also being studied as a project for CACI and CADPI. The possibility of biogas from mudpress is not remote considering testimonial plants in other sugarcane-producing countries are already operating.

CADPI and CACI Mudpress Stockpile.

The Environmental Management Units of all subsidiaries make effort to comply with the provisions of the Solid Waste Management Act. Residual wastes are segregated for purposes of observing the hierarchy of waste management: prevention, minimization, re-use, recycling, and disposal. All have materials recovery facilities (MRFs).

Waste Segregation in RBC.

Hazardous Waste Management

Sugar mills and distilleries generally produce organic wastes. Hazardous wastes are used oil and small amounts of spent chemicals and empty containers. These are collected and secured in hazardous waste storage where these are collected, treated and disposed by DENR accredited hazardous waste treaters and haulers.

Hazardous Waste Storage of RBC.

Other Environmental Activities

Each subsidiary has a standing Memorandum of Agreement (MOA) on "Adopt-An-Estero" program with the DENR. Under this program, CADPI adopted Lian-Palico River; CACI, the Mangala and Najalin Rivers; SCBI, the Palampas River and RBC, the Tuburan River. To achieve the goal of rehabilitating and improving the condition of these rivers, each subsidiary leads river cleanup activities on a quarterly schedule along with some dialogue and information campaign with local residents about environment stewardship and responsibility. RHI subsidiaries are never remiss in their commitment to re-green their vicinities with planting trees. These activities this year were a show of endearing sense of community.

In celebration of World Water Day last March 22, 2019 and International Coastal Clean-up last September 21, 2019, RHI conducted simultaneous coastal clean-up in CACI, RBC, SCBI and CADPI.

CADPI participated in "BIKE HIKE PLANT 2019" led by DENR-Forest Management Bureau last June 29, 2019 at Mt. Batulao, Batangas.

Each environmental management unit of every subsidiary is headed by a pollution control officer (PCO) duly accredited by the DENR. RHI ensures that the PCOs' accreditation is kept current and properly reinforced with new knowledge through trainings. RHI continually supports environmental management with a resolve to give back to Mother Nature.

CORPORATE GOVERNANCE & SUSTAINABILITY

HUMAN RESOURCES

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

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

Events, interventions and activities done company-wide were all about energizing and mobilizing employees and departments to continue working together as one in producing quality sugar cane-based products and services in the Asia-Pacific region. The Annual Strategic Planning Workshop held last May 2019 became the open venue to share improvements and next steps based on groundwork laid out in the previous crop years. Successes as well as challenges and next steps were discussed amongst Top Management and Line Leaders to ensure all plans materialize. Key to this is the critical organizational review and changes in response to the needs of RHI to grow. Roles are defined and standardized across the Head Office and business units which is the anchor of rewards programs and talent management practices.

To support this thrust, the organization strengthened its form with key roles strategically placed in our Plants to raise operational productivity and efficiency. Raising the torch are Chief Manufacturing Officers (or CMOs), Mr. Pilipino T. Cayetano for South Negros and Mr. Jose B. Villanueva III for Batangas & San Carlos, bringing with them extensive experience in leadership in the manufacturing setting. Leading alongside the CMOs are Mr. Julius G. Rugas, VP-Manufacturing Operations Head for CADPI and the following AVP-Factory Operations Heads: Mr. Edward R. Villanueva for CADPI, Mr. Gil M. Morales for CACI, and Mr. Alexander A. Pino, for SCBI, joining Mr. Noli G. Segovia for RBC. The influx of new talent was not limited to the Executive level. RHI also saw an updated version of the Cadetship Program. Specialized trainings are spread out for the first six (6) months of the cadets' employment, preparing them for skills that would help them transition into the different departments they may be deployed to. Thirty cadets based in the Negros Plants were on boarded last November 2019. A Leadership Training and Personal Visioning Workshop as well as a Planning, Leading, Organizing and Controlling (PLOC) Program customized for the cadets were facilitated. Department-specific learning sessions have also been conducted by select Subject Matter Experts (SMEs) for potential job assignments. This initiative will also continue forth at CADPI,wherewhere 13 cadets joined in early February 2020.

The Training and Development of employees continued to gain traction. At the end of Crop Year 2018-2019, around 134 employees (11% of employee population*) across RHI's different subsidiaries spent an average of 19 hours on external trainings, composed mostly of technical programs and national conventions. This number is down compared to the 479 employees attending outside trainings in CY 2017-2018, as the goal for this crop year was to conduct more in-house programs, customized to the company. This can be seen in the number of trainings, with over 1,000 employees (86% of employee population*) spending an average of 13.5 hours on courses such as mandatory OSH programs, leadership trainings, team building workshops and specific needs-based matters such as Labor Relations and Account Management. Among the highlights for Learning in CY2019 is the third leg of the "One RHI Management Series" (a Management Development Program kicked off last CY2017), with 60 select supervisors and managers from the different subsidiaries attending the "7 Habits of Highly Effective People" Signature Program, based on the personal leadership book by Sean Covey, and 32 leaders from across the company participating in the Presentation Skills Workshop facilitated by seasoned expert, Mr. Joey Pacheco. With the goal of securing a higher volume of sugar cane, a total of 51 employees under Cane Supply Operations and Agribusiness Development Corporation attended the "Account Partnering Success Workshop" to enhance their skills in attracting and retaining planters. To ensure that all plant-based employees are aware and reminded of SOPs and processes, the Job Fundamentals Training (JFT) series was successfully completed in all subsidiaries, with over 40 topics covered and 1,070 personnel in overall participation. Consistent productive relations with Labor Unions within the organization were also carried out in CY 2019. CBA negotiations with CADPI Monthly and Daily (Rank-and-File) Employees was successfully concluded. In CADPI, the country's leading

expert on Labor and Industrial Relations, former Department of Labor and Employment (DOLE) Undersecretary Atty. Joseph Jimenez, conducted the second batch of the Labor Relations Training program for Batangas-based supervisors and managers. The company also sent delegates to the 2019 Labor Management Council Convention from CACI and RBC HR and as well as union reps, with the common goal of learning best practices in working harmoniously as One Team.

Employee Engagement programs highlighted not only camaraderie but creativity and resourcefulness as well. A clear highlight was the year-end celebrations across all subsidiaries where employees showcased their talents for the performing arts. It was also during the Christmas Parties where those who worked for the company for ten (10) years and beyond as well as those who delivered exemplary performance during the crop year were given recognition through the Service and Excellence Awards, respectively.

Looking back on the last year before the new decade, RHI is ready to forge ahead into the new decade with dedicated employees ready to persevere through the rapidly changing business landscape. RHI, Assemble!

**Based on total employee population as of September 2019, month-end of CY '18-'19.*

PROFILES

BOARD OF DIRECTORS

PEDRO E. ROXAS
Chairman

Pedro E. Roxas is 64 years old and is a Filipino. He has been a member of the Board of Directors since year 1982. Mr. Roxas is the Chairman of the Board of Directors and is the Chairman of the Executive Committee and a Member of the Corporate Governance Committee. He was elected as Acting President & Chief Executive Officer of the company on October 23, 2015. He is also the Chairman of the operating subsidiaries of the company, namely: Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation (RBC), San Carlos Bioenergy, Inc. (SCBI), and RHI Agri-Business Development Corporation (RHI-ADC).

Mr. Roxas is also the Executive Chairman of Roxas & Co., Inc. (RCI) and was the company's President and CEO until 2016; the Chairman of the Philippine Sugar Millers Association (PSMA); the President of Club Punta Fuego, Inc. and of Fundación Santiago; an Independent Director of listed companies: PLDT, Inc. (PLDT) and Manila Electric Company (Meralco) and of non-listed firms: Banco de Oro (BDO) Private Bank, CEMEX Holdings, Philippines, Inc. and MAPFRE Insular; a Director of Brightnote Assets Corporation; a Trustee of Philippine Business for Social Progress (PBSP) and of Roxas Foundation, Inc. (RFI); and a Member of the Equestrian Directorate of Manila Polo Club. He served as Vice Chairman of the ASEAN Sugar Alliance in 2012 and as Co-Chairman in 2016.

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

MANUEL V. PANGILINAN
Vice Chairman

Manuel V. Pangilinan is 73 years old and is a Filipino. He was elected to the Board of Directors on December 3, 2013. Mr. Pangilinan is the Vice Chairman of the Board of Directors, a member of the Executive Committee and the Chairman of the Compensation Committee.

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

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

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

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

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

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

HUBERT D. TUBIO
Director, President & CEO

Hubert D. Tubio is 65 years old and is a Filipino. He was elected to the Board of Directors on December 16, 2015 and as President and Chief Executive Officer of the Group effective January 1, 2016.

He is a member of the Board of Trustees of the Philippine Sugar Research Institute (Philsurin) and the Philippine Sugar Millers Association (PSMA); and a member of the Board of Directors of Negros College, Inc. Mr. Tubio has an extensive and varied career occupying senior leadership roles in sugar, telecommunications, airlines, trading, and international accounting/auditing industries. He was the Chairman of the Board of Directors of Bioeq Energy Holdings, Inc., a vertically integrated bioenergy company. He served as President and Chief Operating Officer of Victorias Milling Co., Inc. from 2009 to 2014; President of Philsurin; Member of the Board of Directors of Globe Telecom; President of Consultancy by Technicus Corporation — a subsidiary of Deutsche Telekom A.G. of Germany; Consultant of PAL Holdings, Inc.; and Vice-President of Jardine Davies, Inc. Mr. Tubio is also an Awardee of the University of the East — Business Management's Diamond Jubilee Alumni Achievers' Award in 2006. He attended the Deutsche Telekom Global Event in Bonn, Germany in January 2002; and served as JDI Corporate Observation Group Leader for the team that visited the Louisiana Sugar Industry, at Lafayette, Patouville and New Orleans, Louisiana, and Hawaiian Sugar Industry in Maui, Hawaii, USA in November 1997. He also attended the International Society of Sugar Cane Technologists (ISSCT) Congress in Cali and Cartagena, Colombia, South America in September 1995; and the Sugar Production and Processes Hands-On Technical Training of Moreton Sugar Company, Ltd. (Bundaberg Sugar Group) in Queensland, Australia from July to August 1993.

Mr. Tubio is a Certified Public Accountant (CPA). A consistent university scholar, he graduated Cum Laude with a degree in Bachelor of Science in Business Administration (BSBA), Major in Accounting, from the University of the East. He ranked 10th in the Philippine CPA Board Examinations conducted in October 1975. He is also recognised as the "Most Exalted Alphan" of Tau Alpha Sigma — an exclusive fraternity for Accounting Honors at the University of the East Manila, in 1972. He also belongs to the Top 10% of the 36th Management Development Program of the Asian Institute of Management in 1991 with Superior Performance Award.

CHRISTOPHER H. YOUNG

Director

Christopher H. Young is 62 years old and is a British. He was elected to the Board of Directors on May 23, 2015. Mr. Young is a member of the Audit Committee.

Mr. Young is the Executive Director and Chief Financial Officer of First Pacific Company Limited in Hong Kong. He is currently a Director of Metro Pacific Investments Corporation, PacificLight Power Pte. Ltd., and FPM Power Holdings Limited, and a member of the Advisory Board of PLDT, Inc. He also serves as Commissioner of PT Indofood Sukses Makmur Tbk and a Trustee of IdeaSpace Foundation, Inc.

Mr. Young worked for PricewaterhouseCoopers in London and Hong Kong from 1979 until 1987, at which time he joined First Pacific as Group Financial Controller. Mr. Young moved to Metro Pacific Corporation in 1995 as Finance Director until November 1998 when he became the Chief Financial Advisor of PLDT. He returned to First Pacific as Chief Financial Officer in 2015 and as a member of the Board in August 2017.

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

RAY C. ESPINOSA

Director

Ray C. Espinosa is 63 years old and a Filipino. He was elected to the Board of Directors on December 3, 2013.

Atty. Espinosa is an Associate Director of First Pacific Company Limited. He is the President and Chief Executive Officer of Manila Electric Company (Meralco), a Director of PLDT Inc., Smart Communications, Inc., Metro Pacific Investments Corporation, Meralco PowerGen Corporation, First Agri Holdings Corporation and First Coconut Manufacturing, Inc. He also serves as an Independent Director of Lepanto Consolidated Mining Company (Lepanto) and Maybank Philippines, Inc. (Maybank Philippines). He is the Chairman of the Audit Committee and Nomination Committee of Lepanto and the Risk Management Committee of Maybank Philippines. Mr. Espinosa is the Chief Corporate Services Officer of PLDT and Smart, and Head of PLDT's Regulatory and Strategic Affairs Office. He is also a trustee of the Beneficial Trust Fund of PLDT.

He joined First Pacific in 2013. He is currently First Pacific Group's Head of Government and Regulatory Affairs and Head of Communications Bureau for the Philippines.

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

He is a member of the Integrated Bar of the Philippines, Philippine Bar Association, and Inter-Pacific Bar Association. He is also a member of the Executive Committee of LAWASIA Energy Section. Asia Law & Practice, Euromoney and The Asia Pacific Legal 500 named Atty. Espinosa as one of the leading capital market lawyers, and among the leading project finance lawyers, in the Philippines from 1996 to 2002.

Atty. Espinosa finished his Bachelor of Laws degree at the Ateneo de Manila University, graduating Salutatorian, and his Master of Laws degree at the University of Michigan Law School. He took up Bachelor of Science in Pre-Medicine at the University of Santo Tomas.

Atty. Espinosa placed first in the Philippine Bar Examinations of 1982, and was a Fellow of the University of Michigan Law School's Clyde Alton Dewitt Scholarship Foundation.

ALEX ERLITO S. FIDER

Director

Alex Erlito S. Fider is 66 years old and is a Filipino. He was elected to the Board of Directors on December 3, 2013.

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

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

OSCAR J. HILADO

Lead Independent Director

Oscar J. Hilado is 82 years old and is a Filipino. He has been a member of the Board of Directors since May 11, 2016. He is the Lead Independent Director. Mr. Hilado is also the Chairman of the Corporate Governance Committee and a member of the Executive, Audit and Compensation Committees.

He is the Chairman of the Board of Philippine Investment Management (PHINMA), Inc.; Phinma Corp.; Phinma Property Holdings Corp.; and Union Galvasteel Corporation.

Mr. Hilado is also the Vice Chairman of Trans Asia Power Generation Corporation and Trans-Asia Petroleum Corporation. He is the Chairman of the Executive Committee of Phinma Corp.

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

He was awarded the MAP Management Man of the Year in 1991.

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

SANTIAGO T. GABIONZA

Independent Director

Santiago T. Gabionza is 62 years old and is a Filipino. He was elected as an Independent Director to the Board of Directors on April 30, 2019 and as a member of the Corporate Governance and Compensation Committees.

Atty. Gabionza is a founding partner of Villanueva Gabionza and Dy Law Offices; a Fellow at the Institute of Corporate Directors; and a member of the Board of Directors of various corporations. He is a member of the Asia Pacific Lawyers Association, Philippine Lawyers Literary Club, Inc., ASEAN Law Association of the Philippines, Philippine Trial Lawyers Association, and Philippine Bar Association. He is also a member of Club Filipino, Quezon City Sports Club, Mimosa Golf and Country Club, Tagaytay Highlands Country Club, The Tower Club and The Celebrity Club. He was a former Director of the Legal Management Council of the Philippines and past Grand Master, Grand Lodge of Free and Accepted Masons of the Philippines.

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

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

ARLYN S. VILLANUEVA

Independent Director

Arlyn S. Villanueva is 63 years old and is a Filipino. She was elected as an Independent Director to the Board on April 30, 2019 and as Chairman of the Audit Committee.

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

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

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

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

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

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

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

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

Dr. Villanueva obtained her Accounting degree (BSC) from Holy Angel University in Angeles City in 1977 and passed the CPA licensure examinations in 1978.

She pursued her studies and took her Master's Degree in Business Management from the Ateneo Graduate School of Business in 1982. She took her Doctorate Degree in Business Administration from De La Salle Graduate School of Business where she graduated in 2003 "With Distinction".

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

BOARD COMMITTEES

EXECUTIVE COMMITTEE
Chairman: Pedro E. Roxas
Members: Manuel V. Pangilinan
Oscar J. Hilado (ID)

AUDIT COMMITTEE
Chairman: Arlyn S. Villanueva
Members: Christopher H. Young
Oscar J. Hilado (ID)

CORPORATE GOVERNANCE COMMITTEE
Chairman: Oscar J. Hilado (ID)
Members: Pedro E. Roxas
Santiago T. Gabionza, Jr. (ID)

COMPENSATION COMMITTEE
Chairman: Manuel V. Pangilinan
Members: Santiago T. Gabionza, Jr. (ID)
Oscar J. Hilado (ID)

BOARD OF ADVISORS

SENEN C. BACANI
Advisor

Senen C. Bacani is 74 years old and is a Filipino. He was formerly a member of the Board of Directors and was elected as a member of the Board of Advisors on December 11, 2013.

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

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

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

VICENTE S. PEREZ
Advisor

Vicente S. Perez is 61 years old and is a Filipino. He was elected as a member of the Board of Advisors on March 25, 2009. Mr. Perez is an avid environment advocate and renewable energy investor. He is CEO of Alternergy, a wind and mini-hydro power developer, and Chairman of Merritt Partners, an energy advisory firm, and Chairman of Solar Pacific, an off-grid island solar PV developer.

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

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

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

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

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

PROFILES
CORPORATE OFFICERS

PEDRO E. ROXAS
Chairman

MANUEL V. PANGILINAN
Vice Chairman

HUBERT D. TUBIO
President & CEO

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

CYNTHIA L. DE LA PAZ
Corporate Secretary

Cynthia L. de la Paz is 57 years old and is a Filipino. She has been the Corporate Secretary of the Group since February 15, 2017.

Atty. de la Paz has been a practicing corporate lawyer for nearly 30 years, and is a senior partner at Picazo Buyco Tan Fider & Santos. She presently serves as corporate secretary or assistant corporate secretary of various Philippine companies. Her practice areas include project financing, debt capital market transactions, mergers and acquisitions and investments. She also has special practice in taxation and directly participates in tax reform initiatives and other advocacies relating to tax administration and practice through the professional tax organization, Tax Management Association of the Philippines (TMAP), of which she has been a director for the last ten (10) years.

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

CELSO T. DIMARUCUT
Executive Vice President
Chief Financial Officer

Celso T. Dimarucut is 58 years old and is a Filipino. He was appointed as Executive Vice President/Chief Financial Officer and Group Head of Finance effective December 1, 2015.

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

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

ARCADIO S. LOZADA, JR.
Executive Vice President
Chief Operations Officer

Arcadio S. Lozada, Jr. is 65 years old and is a Filipino. He is currently the Executive Vice President/ Chief Operations Officer across the Group.

He was appointed as Executive Vice-President and Group Head for Operations of the company, and as President & COO of CADPI on January 1, 2014. He was formerly the Vice-President for Manufacturing of Victorias Milling Company, Inc., a Technical Manager of Bronzeoak Philippines, Inc., and an Engineering Manager at the Central Azucarera de Tarlac, among others.

Mr. Lozada is a licensed Mechanical Engineer. He completed a short course in raw sugar manufacturing at the Nicholls State University in Louisiana, USA.

JOSE B. VILLANUEVA III
Vice President
Chief Manufacturing Officer – CADPI & SCBI

Jose B. Villanueva III is 50 years old and is a Filipino. He was appointed as Vice President/Chief Manufacturing Officer (VP/CMO) for Alcohol Strategic Business Unit on July 2, 2018 and as VP/CMO of San Carlos Bioenergy, Inc. (SCBI) and Central Azucarera Don Pedro, Inc. (CADPI) effective August 1, 2019.

Mr. Villanueva has over 23 years of work experience spanning, among others, the areas of Operations, Supply Chain, Human Resources and Project Management. He is currently an Industry Advisor to the Mechanical Engineering Department of De La Salle University in Taft, Manila. He spent eight (8) years in Mondelez International (formerly Kraft Food Phils., Inc.), where he held various roles such as Site Manager, Category Operations & Development Manager, Maintenance Manager & Manufacturing Business Development Manager.

He was a former Reliability Manager of Lafarge Cement, looking after five (5) Plants across the country. He also worked at Sanko Systems Services and as Engineering Manager at Avon Products Manufacturing, Inc. He spent 10 years with the foods group of Unilever Philippines, handling leadership roles across Operations and Human Resources. He was also part of the team that built a world-class manufacturing facility.

Mr. Villanueva graduated with a degree in Mechanical Engineering at the De La Salle University.

PILIPINO T. CAYETANO

Vice President
Chief Manufacturing Officer – CACI & RBC

Pilipino T. Cayetano is 50 years old and is a Filipino. He was appointed as Vice President/ Chief Manufacturing Officer (VP/ CMO) of Central Azucarera de la Carlota, Inc. (CACI) on May 3, 2019 and as VP/CMO of CACI and Roxol Bioenergy Corporation (RBC) effective August 1, 2019.

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

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

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

JOSE MANUEL L. MAPA

Vice President
General Manager – RHI-ADC

Jose Manuel L. Mapa is 53 years old and is a Filipino. He was appointed as Vice President/General Manager of RHI Agri-business Development Corporation on January 8, 2018.

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

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

JULIUS G. RUGAS

Vice President
Manufacturing Operations Head – CADPI

Julius G. Rugas is 43 years old and is a Filipino. He was appointed as Vice President/ Manufacturing Operations Head of Central Azucarera Don Pedro, Inc. on July 1, 2019.

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

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

FREDERICK E. REYES

Vice President
Human Resources

Frederick E. Reyes is 58 years old and is a Filipino. He was appointed as Assistant Vice President and Deputy Head of Human Resources on February 1, 2014. He was promoted to Vice President of Human Resources on January 5, 2015.

Prior to joining RHI, Mr. Reyes worked with Manila Water Company for 15 years where he handled various HR areas such as training and OD, performance and rewards management, employee relations, internal communications, and labor relations. The company was awarded by the People Management Association of the Philippines as 2006 "Employer of the Year". It was the first Philippine company to win the Human Capital Award in 2011.

Mr. Reyes also worked with Globe Telecom as HR Manager in the 1990s when it transformed from a data company to a full-pledged telecom service provider. He started his career in Vitarich Corporation.

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

JAYNEL R. SULANGI

Vice President – Information & Communications Technology

Jaynel R. Sulangi is 45 years old and is a Filipino. He was appointed Vice President of Information & Communications Technology on March 21, 2018.

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

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

VERONICA C. CORTEZ

Assistant Vice President
Finance

Veronica C. Cortez is 40 years old and is a Filipino. She was appointed as Assistant Vice President for Finance on February 10, 2016.

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

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

DAISY PERPETUA A. BO

Assistant Vice President
Safety/Quality Assurance/ Industrial Engineering

Daisy Perpetua A. Bo is 56 years old and is a Filipino. She was appointed as Assistant Vice President for Quality Assurance (QA), Safety, Environmental Management Safety (EMS), and Industrial Engineering (IE) on May 11, 2016. With the spinoff of EMS to the Office of the Regulatory Affairs, Ms. Bo's responsibilities effective January 1, 2017 were focused on QA, Safety and IE.

Ms. Bo was formerly a QA Manager at Alaska Milk Corporation. She also worked previously at Coca Cola Export Corporation as Area Quality Manager for the Visayas and Mega Manila and as Concentrate Plant QA Manager. She was also a former Product Support Business Team Leader at Avon Products Manufacturing.

She graduated with a degree in BS Chemistry from the University of Santo Tomas, and took some MBA units at the De La Salle University. She is a licensed Chemist since 1987.

MA. HAZEL L. RABARA-RETARDO

Assistant Corporate Secretary
Assistant Vice President, Corporate Governance, OIC-Group Head, Legal & Corporate Affairs
Deputy Compliance Officer

Ma. Hazel L. Rabara-Retardo is 39 years old and is a Filipino. She was appointed as Assistant Vice President for Corporate Governance and Deputy Compliance Officer on September 20, 2016. She is currently the OIC-Group Head of Legal and Corporate Affairs.

Prior to joining RHI, Atty. Rabara-Retardo was Vice President for Legal & Administrative Affairs/Corporate Secretary of Advanced Merchant Payments Lending Corporation, an affiliate of Amplifi Capital (HK) Ltd. and AMP Credit Technologies, Ltd. where she likewise provided support in legal and contracts management and other roles for the AMP Group which has operations in Hong Kong, Singapore and the United Kingdom.

She also worked as Court Attorney V at the Office of the Presiding Justice Ernesto Acosta of the Court of Tax Appeals. Atty. Rabara-Retardo also worked as an associate in the Tan Venturanza Valdez Law Office where she was assigned as Corporate Secretary of various private and publicly-listed companies.

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

JAYPEE V. JIMENEZ

Assistant Vice President
Procurement & Materials Management

Jaypee V. Jimenez is 36 years old and is a Filipino. He was appointed as Assistant Vice President for Procurement and Materials Management on February 15, 2018.

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

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

JOSEPHINE M. LOGROÑO

Assistant Vice President
Internal Audit

Josephine M. Logroño is 44 years old and is a Filipino. She was appointed as Assistant Vice President of Internal Audit on February 1, 2018.

Ms. Logroño has 18 years of experience in both internal and external auditing. She began her career in audit with Sycip, Gorres, Velayo (SGV) & Co. and subsequently with Holcim Philippines, Inc., a multinational cement manufacturing. She has served as Internal Audit Manager with Shang Properties, Inc. and Arthaland Corporation.

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

ANNA G. YU

Assistant Vice President
Treasury
Chief Credit and Risk Officer

Anna G. Yu is 50 years old and is a Filipino. She was appointed as Assistant Vice President for Treasury and Chief Credit and Risk Officer on February 4, 2019.

Ms. Yu was previously AVP for Treasury at Rustan Supercenters, Inc. Her past roles included working as Transactions & Treasury Manager for the Asia Pacific Accounting Center of Emerson Electric Asia Ltd.; as Finance Manager of Verifone Global Development Center Philippines, Inc.; Head of Finance at I-Zone Technologies Philippines Corp.; as Treasury Manager at Generali Pilipinas Life Assurance Co., Inc. and at De La Salle Brothers, Inc.; and as Senior Auditor at Joaquin Cunanan & Co.

She graduated Cum Laude with Bachelor of Science in Commerce, Major in Accounting, at St. Scholastica's College in Manila. Ms. Yu was previously awarded for Excellence in Accountancy by the Philippine Institute of Certified Public Accountants. She also served as President of the Junior Philippine Institute of Accountants and was a Representative of the Student Council of St. Scholastica's College.

2019
FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Roxas Holdings, Inc.

Opinion

We have audited the consolidated financial statements of Roxas Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018, 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 years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Accounting for Completeness of Quedan

The Group's raw sugar business follows the quedan system, which is unique to the Philippine sugar industry. A quedan is a warehouse receipt document which shows ownership of a specified amount of raw sugar in a warehouse or sugar central. Accordingly, the Group's physical possession or delivery of raw sugar may not necessarily indicate ownership, or sales or purchase transaction, respectively. We considered accounting for quedan as a key audit matter due to the volume of the transactions covered by this unique system, which impacts sales and inventory accounts which are material and significant to the consolidated financial statements.

The disclosures about quedan accounting are included in Notes 9 and 28 to the consolidated financial statements.

Audit Response

We have confirmed our understanding of the Group's quedanning system and tested the relevant controls on the information system and manual processes. We observed the inventory count procedures of the Group to establish the physical existence of raw sugar as of count date and reviewed the rollforward procedures to arrive at the physical quantity as of reporting date. We reviewed the reconciliation of the physical quantity and quedan accountability report to test the quantity reported, which are supported by quedans, as the Group's inventory and those which are held in trust for the planters and traders.

Impairment Testing of Goodwill

Under PFRSs, the Group is required to test the goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at September 30, 2019, the Group's goodwill is attributable to its investment in San Carlos Bioenergy, Inc., the cash generating unit (CGU). The goodwill amounted to ₱1.08 billion, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires estimation of value-in-use based on the expected future cash flows of the CGU. Such process involves significant management judgment about future market conditions and estimation based on assumptions, specifically sales growth, terminal growth rate, alcohol selling price, feedstock yield, manufacturing cost ratio, operating expenses ratio, and discount rate.

The disclosures about goodwill are included in Notes 5 and 6 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodology and the assumptions used. These assumptions include sales growth, terminal growth rate, alcohol selling price, feedstock yield, manufacturing cost ratio, operating expenses ratio, and discount rate. We compared the key assumptions used, such as sales growth, alcohol selling price and feedstock yield against the CGU's historical performance, current industry outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions. We performed our own independent sensitivity calculations to quantify the downside changes to management's models required which will result in impairment. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Valuation of Land Stated at Fair Value

The Group carries its parcels of land, which are accounted for as property, plant and equipment at revaluation method and investment properties at fair value method in its consolidated financial statements as of reporting date. As of September 30, 2019, the carrying value of land amounted to ₱1.80 billion, representing 8% of the Group's consolidated assets. Management obtains the services of external appraisers to determine the land values whose calculations involve certain assumptions such as sales prices of similar properties and adjustments to sales price based on internal and external factors. In addition, this requires significant management judgment and estimates. Thus, we considered this as key audit matter.

The disclosures relating to these parcels of land are included in Notes 12 and 13 to the consolidated financial statements.

Audit Response

We compared the property-related data in the appraisal reports against the Group's records. We reviewed the scope, methodology and the assumptions used by the Group's external appraisers. We evaluated the competence, capabilities and qualifications of the external appraisers by considering their qualifications, experience and reporting responsibilities. We compared the assumptions used, specifically the sales price of comparable properties, against relevant external information. We also discussed with the external appraisers the nature and magnitude of the adjustment factors. We also reviewed the Group's disclosures with respect to the fair values of the land under property, plant and equipment and investment properties.

Assessment of Contingent Liabilities and Estimation of Provisions from Claims

The Group is involved in certain claims by regulatory bodies and other parties. The inherent uncertainty over the outcome of these claims is brought about by the difference in the interpretations and implementation of the relevant regulations. The assessment of whether the provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. As of September 30, 2019, total provisions recognized by the Group amounted to ₱149.6 million.

The disclosures on management judgment on assessment of contingent liabilities and estimation of provisions and amounts recognized are included in Notes 5, 16 and 28, respectively, to the consolidated financial statements.

Audit Response

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

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective October 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in changes in the Group's revenue recognition policies, processes and procedures.

The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: determining whether the criteria for the recognition of revenue from sale of goods and sale of services, including recognition of milling revenue, are met; determining whether there are other promises in the contract that are separate performance obligations; and determining the timing of satisfaction of performance obligation.

The disclosures related to the adoption of PFRS 15 are included in Notes 3, 4, 5 and 21 to the consolidated financial statements.

Audit Response

We have confirmed our understanding of the Group's revenue streams through inspection and analysis of the Group's contracts with customers. We obtained the Group's contracts with customers which comprise of sales agreements, tolling agreements and milling agreements. We reviewed whether the accounting policies appropriately considered the five-step model and cost requirements of PFRS 15.

We reviewed sample sales agreements, tolling agreements and milling agreements and checked whether the revenue from sale of goods and services meet the criteria for recognition as revenue from contracts with customers and whether the performance obligations within the contracts have been identified. We checked whether the Group's timing of revenue recognition is based on (1) endorsement and transfer of quedans for quedan-based sales and shipment or delivery and acceptance by the customers for physical raw sugar sales, (2) shipment or delivery and acceptance by the customers for sales of refined sugar and alcohol, (3) transfer of molasses warehouse receipts for sales of molasses and (4) completion of services rendered under tolling and milling agreements.

We reviewed the accuracy and completeness of all revenue streams, in accordance with PFRS 15 requirements, including milling revenue, a new revenue stream arising from sugar milling operation under an output sharing agreement.

We reviewed the application of the Group's revenue recognition policies in relation to the adoption of the new standard. We also reviewed the disclosures related to the transition based on the requirements of PFRS 15.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended September 30, 2019 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended September 30, 2019, which is expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-5 (Group A),
July 25, 2019, valid until July 24, 2022
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332610, January 3, 2019, Makati City

December 4, 2019

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	September 30 2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	7	**₱438,268**	₱295,149
Trade and other receivables	8	**1,355,546**	3,040,355
Inventories	9	**1,205,848**	2,646,085
Other current assets	10	**1,285,418**	1,204,288
		4,285,080	7,185,877
Assets Held for Sale	11 and 12	**7,254,738**	6,525,072
		11,539,818	13,710,949
Noncurrent Assets			
Investment in an associate	11	**–**	642,690
Property, plant and equipment:	12		
At cost		**7,199,292**	7,595,865
At revalued amount		**1,287,002**	1,376,627
Investment properties	13	**513,561**	347,591
Goodwill	6	**1,079,615**	1,079,615
Retirement assets - net	17	**18,610**	44,938
Deferred tax assets - net	26	**–**	440,817
Other noncurrent assets	10	**279,536**	291,423
		10,377,616	11,819,566
		₱21,917,434	₱25,530,515
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings	14	**₱6,716,800**	₱6,210,857
Current portion of long-term borrowings	15	**847,576**	4,813,113
Trade and other payables	16	**1,175,248**	2,279,766
Income tax payable		**1,427**	2,350
		8,741,051	13,306,086
Liability directly associated with the assets held for sale	12	**616,096**	1,024,465
		9,357,147	14,330,551
Noncurrent Liabilities			
Long-term borrowings - net of current portion	15	**2,722,485**	–
Retirement liabilities - net	17	**407,259**	249,953
Deferred tax liabilities - net	26	**264,908**	185,793
Other noncurrent liabilities		**1,300**	1,300
		3,395,952	437,046
Total Liabilities		**12,753,099**	14,767,597
Equity Attributable to the Equity Holders of the Parent Company			
Capital stock	18	**₱1,565,579**	₱1,565,579
Additional paid-in capital		**2,842,183**	2,840,370
Treasury stock	18	**(52,290)**	(52,290)
Revaluation increment on land under assets held for sale	12	**2,806,661**	2,390,419
Cumulative share in revaluation increment on land of an associate held for sale	18	**285,600**	–
Cumulative share in remeasurement loss on retirement liability of an associate held for sale	18	**(7,664)**	–
Other equity items and reserves	18	**771,953**	1,177,585
Retained earnings		**897,392**	2,781,402
		9,109,414	10,703,065
Non-controlling Interests		**54,921**	59,853
		9,164,335	10,762,918
		₱21,917,434	₱25,530,515

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Years Ended September 30 2019	2018	2017
CONTINUING OPERATIONS				
REVENUE	21			
Revenue from contracts with customers	3	**₱6,554,604**	₱–	₱–
Sale of goods		–	4,849,279	5,470,843
Sale of services		–	48,498	38,795
		6,554,604	4,897,777	5,509,638
COST OF SALES AND SERVICES	22	**(6,434,087)**	(4,090,338)	(4,893,958)
GROSS INCOME		**120,517**	807,439	615,680
GENERAL AND ADMINISTRATIVE EXPENSES	23	**(834,960)**	(735,003)	(760,596)
SELLING EXPENSES	23	**(15,203)**	(20,801)	(8,608)
INTEREST EXPENSE	14, 15	**(474,082)**	(200,721)	(173,297)
SHARE IN NET EARNINGS OF AN ASSOCIATE	11	**41,333**	55,834	67,777
OTHER INCOME	25	**40,381**	70,161	47,250
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**(1,122,014)**	(23,091)	(211,794)
INCOME TAX BENEFIT (EXPENSE)	26			
Current		**109,835**	180,629	129,671
Deferred		**(144,757)**	(52,486)	319
		(34,922)	128,143	129,990
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		**(1,156,936)**	105,048	(81,804)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	12	**(732,000)**	(50,380)	201,844
		(₱1,888,936)	₱54,668	₱120,040
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**(₱1,884,113)**	₱47,664	₱119,777
Non-controlling interests		**(4,823)**	7,004	263
		(₱1,888,936)	₱54,668	₱120,040
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	27			
Basic		**(₱1.22)**	₱0.03	₱0.08
Diluted		**(1.22)**	0.03	0.08
EARNINGS (LOSS) PER SHARE FOR CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	27			
Basic		**(₱0.75)**	₱0.07	(₱0.06)
Diluted		**(0.75)**	0.07	(0.06)

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended September 30		
	Note	**2019**	2018	2017
NET INCOME (LOSS)		**(₱1,888,936)**	₱54,668	₱120,040
OTHER COMPREHENSIVE INCOME (LOSS)	18			
Items not to be reclassified to profit or loss				
Effect of change in effective tax rate on revaluation increment of assets held for sale	18	**410,731**	–	–
Reversal of deferred tax assets on remeasurement losses on retirement assets and liabilities	18	**(96,589)**	–	–
Remeasurement gains (losses) on retirement assets and liabilities [net of tax effect of ₱38.7 million in 2019, ₱34.4 million in 2018 and ₱9.8 million in 2017]	17	**(90,374)**	80,249	22,876
Appraisal increase on land (net of tax effect of ₱18.6 million in 2019, ₱4.6 million in 2018 and ₱50.0 million in 2017)	12	**43,374**	10,782	116,561
Share in appraisal increase on land of an associate (net of tax effect of ₱9.1 million in 2019 and ₱24.3 million in 2018)	11	**21,295**	56,813	–
Share in remeasurement gain (loss) on retirement liability of an associate [net of tax effect of nil in 2019, ₱0.6 million in 2018 and ₱0.02 million in 2017]	11	**–**	1,501	40
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱1,600,499)**	₱204,013	₱259,517
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**(₱1,595,567)**	₱196,520	₱257,489
Non-controlling interests		**(4,932)**	7,493	2,028
		(₱1,600,499)	₱204,013	₱259,517

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

		Equity Attributable to the Equity Holders of the Parent Company								
	Note	Capital Stock (Note 18)	Additional Paid-in Capital	Treasury Stock (Note 18)	Other Equity Items and Reserves (Note 18)	Revaluation Increment on Land Under Assets Held for Sale (Note 12)	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balances as at October 1, 2018, as previously reported		**₱1,565,579**	**₱2,840,370**	**(₱52,290)**	**₱1,177,585**	**₱2,390,419**	**₱2,781,402**	**₱10,703,065**	**₱59,853**	**₱10,762,918**
Opening adjustment on PFRS 15 adoption		–	–	–	–	–	**103**	**103**	–	**103**
Balances as at October 1, 2018, as restated		**₱1,565,579**	**₱2,840,370**	**(₱52,290)**	**₱1,177,585**	**₱2,390,419**	**₱2,781,505**	**₱10,703,168**	**₱59,853**	**₱10,763,021**
Net loss:										
Continuing operations		–	–	–	–	–	**(1,152,113)**	**(1,152,113)**	**(4,823)**	**(1,156,936)**
Discontinued operations	12	–	–	–	–	–	**(732,000)**	**(732,000)**	–	**(732,000)**
Appraisal increase on land, net of tax	18	–	–	–	**43,374**	–	–	**43,374**	–	**43,374**
Remeasurement gain on retirement assets and liabilities, net of tax	17	–	–	–	**(90,265)**	–	–	**(90,265)**	**(109)**	**(90,374)**
Effect of change in effective tax rate on revaluation increment of assets held for sale	18	–	–	–	–	**410,731**	–	**410,731**	–	**410,731**
Reversal of remeasurement gains (losses) on retirement assets and liabilities	18	–	–	–	**(96,589)**	–	–	**(96,589)**	–	**(96,589)**
Share in remeasurement gain on retirement liability of an associate, net of tax	11	–	–	–	–	–	–	–	–	–
Share in appraisal increase on land of an associate, net of tax	11	–	–	–	**21,295**	–	–	**21,295**	–	**21,295**
Total comprehensive income (loss)		–	–	–	**(122,185)**	**410,731**	**(1,884,113)**	**(1,595,567)**	**(4,932)**	**(1,600,499)**
Reclassification of revaluation increment on land under assets held for sale		–	–	–	**(5,511)**	**5,511**	–	–	–	–
Exercise of employee stock option	20	–	**1,813**	–	–	–	–	**1,813**	–	**1,813**
Balances as at September 30, 2019		**₱1,565,579**	**₱2,842,183**	**(₱52,290)**	**₱1,049,889**	**₱2,806,661**	**₱897,392**	**₱9,109,414**	**₱54,921**	**₱9,164,335**
Balances as at September 30, 2017		₱1,564,599	₱2,826,554	(₱52,290)	₱3,419,148	₱–	₱2,733,738	₱10,491,749	₱52,360	₱10,544,109
Net income (loss):										
Continuing operations		–	–	–		–	98,044	98,044	7,004	105,048
Discontinued operations	12	–	–	–	–	–	(50,380)	(50,380)	–	(50,380)
Appraisal increase on land, net of tax	18	–	–	–	10,422	–	–	10,422	360	10,782
Remeasurement gain on retirement assets and liabilities, net of tax	17	–	–	–	80,120	–	–	80,120	129	80,249
Share in remeasurement gain on retirement liability of an associate, net of tax	11	–	–	–	1,501	–	–	1,501	–	1,501
Share in appraisal increase on land of an associate, net of tax	11	–	–	–	56,813	–	–	56,813	–	56,813
Total comprehensive income		–	–	–	148,856	–	47,664	196,520	7,493	204,013
Reclassification of revaluation increment on land under assets held for sale		–	–	–	(2,390,419)	2,390,419	–	–	–	–
Employee stock option	20	–	12,356	–	–	–	–	12,356	–	12,356
Exercise of employee stock option	20	980	1,460	–	–	–	–	2,440	–	2,440
Balances as at September 30, 2018		₱1,565,579	₱2,840,370	(₱52,290)	₱1,177,585	₱2,390,419	₱2,781,402	₱10,703,065	₱59,853	₱10,762,918
Balances as at September 30, 2016		₱1,439,442	₱2,425,550	(₱52,290)	₱3,281,436	₱–	₱2,613,961	₱9,708,099	₱65,520	₱9,773,619
Net income (loss):										
Continuing operations		–	–	–	–	–	(82,067)	(82,067)	263	(81,804)
Discontinued operations	12	–	–	–	–	–	201,844	201,844	–	201,844
Appraisal increase on land, net of tax	18	–	–	–	114,842	–	–	114,842	1,719	116,561
Remeasurement gain on retirement assets and liabilities, net of tax	17	–	–	–	22,830	–	–	22,830	46	22,876
Share in remeasurement gain on retirement liability of an associate, net of tax	11	–	–	–	40	–	–	40	–	40
Total comprehensive income		–	–	–	137,712	–	119,777	257,489	2,028	259,517
Issuances of shares from conversion of debt securities	18	125,000	398,750	–	–	–	–	523,750	–	523,750
Acquisition of non-controlling interest		–	–	–	–	–	–	–	(15,188)	(15,188)
Employee stock option	20	–	2,020	–	–	–	–	2,020	–	2,020
Exercise of employee stock option	20	157	234	–	–	–	–	391	–	391
Balances as at September 30, 2017		₱1,564,599	₱2,826,554	(₱52,290)	₱3,419,148	₱–	₱2,733,738	₱10,491,749	₱52,360	₱10,544,109

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended September 30		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax from continuing operations		**(₱1,122,014)**	(₱23,091)	(₱211,794)
Income (loss) before income tax from discontinued operations	12	**(290,782)**	(67,870)	320,190
Adjustments for:				
Depreciation and amortization	12	**566,516**	775,308	950,839
Interest expense	14, 15	**704,156**	502,073	444,257
Retirement benefits	17	**55,910**	64,777	65,951
Share in net earnings of an associate	11	**(41,333)**	(55,834)	(67,777)
Unrealized gain on fair value adjustment on investment properties	13	**(21,680)**	(27,531)	(13,406)
Interest income	25	**(4,013)**	(2,600)	(3,384)
Employee stock option	20	**1,813**	12,356	2,020
Net unrealized foreign exchange gains	25	**–**	(1)	(187)
Loss (gain) from disposal of property, plant and equipment		**4,719**	38	(18)
Operating income (loss) before changes in working capital		**(146,708)**	1,177,625	1,486,691
Decrease (increase) in:				
Trade and other receivables		**1,684,806**	(782,272)	(1,029,549)
Inventories		**1,440,344**	(106,559)	(937,709)
Other current assets		**(89,931)**	(127,261)	(230,042)
Increase (decrease) in trade and other payables		**(1,084,447)**	1,083,076	118,185
Net cash generated from (used in) operations		**1,804,064**	1,244,609	(592,424)
Income taxes paid, including final taxes		**(21,435)**	(32,550)	(34,921)
Interest received		**4,013**	2,600	3,385
Retirement benefits paid	17	**(530)**	(350)	(193)
Net cash flows provided by (used in) operating activities		**1,786,112**	1,214,309	(624,153)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment, including additions to assets held for sale	12, 31	**(268,999)**	(1,185,332)	(1,140,984)
Proceeds from:				
Dividends received	11	**49,419**	78,226	212,408
Disposal of property and equipment		**4,988**	7,117	9,448
Increase (decrease) in other noncurrent assets		**6,032**	(258,999)	17,752
Acquisition of non-controlling interest	4	**–**	–	(15,188)
Net cash flows used in investing activities		**(208,560)**	(1,358,988)	(916,564)
CASH FLOWS FROM FINANCING ACTIVITIES	31			
Net availments of short-term borrowings		**₱505,943**	₱1,602,498	₱1,694,020
Payments of:				
Long-term borrowings	15	**(1,243,052)**	(1,242,222)	(380,185)
Interest		**(697,324)**	(494,266)	(430,591)
Proceeds from:				
Exercise of stock option	20	**–**	2,440	391
Convertible debt securities		**–**	–	523,750
Net cash flows provided by (used in) financing activities		**(1,434,433)**	(131,550)	1,407,385
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**143,119**	(276,229)	(133,332)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**–**	1	187
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**295,149**	571,377	704,522
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**₱438,268**	₱295,149	₱571,377

See accompanying Notes to Consolidated Financial Statements.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Roxas Holdings, Inc. (RHI or the Parent Company), doing business under the name and style of CADP Group, was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1930 for the purpose of operating mill and refinery facilities to manufacture sugar and allied products.

In July 1996, the Parent Company offered its shares to the public through an initial public offering. On August 8, 1996, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE).

On February 1, 2017, the Board of Directors (BOD) approved the issuance of convertible debt securities amounting to ₱523,750,000 to FPNRH, convertible to 125,000,000 common shares of RHI at the option of the holder and bears annual interest at 3%.

On February 15, 2017, the shareholders approved the amendment of the Parent Company's articles of incorporation to increase the authorized capital stock from ₱1,500,000,000 to ₱2,000,000,000 divided into 2,000,000,000 with par value of ₱1.00 per share. On the same day, the shareholders approved the subsequent application of the convertible note as subscription to 125,000,000 common shares arising from the increase in authorized capital stock at a conversion rate of ₱4.19 for every common share.

On July 14, 2017, the SEC approved the Parent Company's application for increase in authorized capital stock using the convertible debt securities as payment for subscription. Accordingly, FPNRH interest on the Parent Company increased from 27% to 32%.

The corporate office of the Parent Company is located at the 14th Floor, Net One Center, 26th cor. 3rd Avenue, Bonifacio Global City, Taguig, Metro Manila while the manufacturing plants of its operating subsidiaries are in Barrio Lumbangan, Nasugbu, Batangas; Barrio Consuelo, La Carlota City, Negros Occidental and San Carlos Ecozone, San Carlos City, Negros Occidental.

Approval of the Consolidated Financial Statements
The consolidated financial statements of RHI and subsidiaries, collectively referred to herein as "the Group", as at September 30, 2019 and 2018 and for each of the three years in the period ended September 30, 2019, as reviewed and recommended for approval by the Group's Audit and Risk Committee on December 4, 2019, were approved and authorized for issue by the Parent Company's BOD on December 4, 2019.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land under property, plant and equipment which is measured at revalued amount and investment properties and retirement assets that are measured at fair value. The consolidated financial statements have been presented in Philippine Peso, which is the functional currency of the Parent Company and its subsidiaries. All amounts are rounded to the nearest thousands, except for number of shares and unless otherwise indicated.

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC, including the SEC provisions.

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

3. Summary of Changes in Accounting Policies

The accounting policies adapted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS which are effective for annual periods beginning January 1, 2018 (October 1, 2018 for the Group):

- 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. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Group's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

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

  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 predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *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. Retrospective application is required.

  The amendments are not applicable to the Group since the Group has reclassified its investment in an associate into an asset held for sale as of September 30, 2019.

- 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. Retrospective application of the amendments is not required and 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 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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  The interpretation did not have any significant impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group has applied PFRS 9 using the modified retrospective approach, with the initial application date of October 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39, *Financial Instruments: Recognition and Measurement*.

  The effects of adopting PFRS 9 as at October 1, 2018 are as follows:

  (a) *Classification and measurement*
  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest (SPPI)" on the principal amount outstanding.

  The assessment of the Group's business model was made as of the date of initial application, October 1, 2018, and then applied modified retrospectively to those financial assets that were not derecognized before October 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

  As of October 1, 2018, the Group has reviewed and assessed all of its existing financial assets. The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group, except for cash and cash equivalents, trade receivables, due from employees, due from related parties, other receivables (excluding due from planters and cane haulers) and refundable deposits in "other current and noncurrent assets" which qualify for held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as "Debt instrument at amortized cost".

  The Group does not have any debt and equity instruments at FVOCI and financial assets at FVPL. Also, the Group has not designated any financial liabilities as at FVPL. There are no changes in the classification and measurement for the Group's financial liabilities.

  (b) *Impairment testing under expected credit loss (ECL) model*
  The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss contract assets.

  The adoption of PFRS 9 did not have any significant impact on the Group's allowance for impairment on its financial assets.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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 new standard establishes a five-step model to account for revenue arising from contracts with customers.

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of October 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at October 1, 2018.

Transition adjustment arising from the adoption of PFRS 15 has been assessed as immaterial as at October 1, 2018.

The adoption of the Standard resulted to recognition of revenue from milling services, net of subsidies paid to planters, amounting to ₱ 684.0 million and ₱ 836.4 million, under continuing and discontinued operations, respectively, for the year ended September 30, 2019 (see Note 21). Subsidies paid to planters, which qualified as consideration payable to customers and are presented as contra-milling revenue, amounted to ₱582.8 million and ₱96.6 million, under continuing and discontinued operations, respectively, for the year ended September 30, 2019.

In addition, the adoption of the standard resulted to reclassification of customers' deposits amounting to ₱8.2 million to contract liabilities as of October 1, 2018. These represent the Group's obligation to deliver goods and render services to counterparties for which the Group has already received a consideration.

Set out on the next page are the amounts by which each financial statement line item is affected as at and for the year ended September 30, 2019 as a result of the adoption of PFRS 15. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted (amounts in thousands).

Consolidated statement of comprehensive income for the year ended September 30, 2019

	Amounts prepared under		Increase/)
	PFRS 15	Previous PFRS	(Decrease
Revenue from contracts with customers	₱6,554,604	₱–	₱6,554,604
Sale of goods	–	5,833,443	(5,833,443)
Sale of services	–	37,202	(37,202)
Loss before income tax	(1,122,014)	(1,129,173)	(7,159)
Provision for income tax - deferred	(144,757)	(142,609)	2,148

Consolidated statement of financial position as at September 30, 2019

	Amounts prepared under		Increase/ (Decrease)
	PFRS 15	Previous PFRS	
Deferred income tax liabilities - net	₱264,908	₱267,056	(₱2,148)
Unappropriated retained earnings	897,392	902,403	(5,011)
Non-controlling interests	54,921	54,921	–

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2019 (October 1, 2019 for the Group)

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are SPPI on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- 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 re-measurement 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. 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 on its lease of office space and farm lands.

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

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

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

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

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

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

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

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

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

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

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* 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 this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

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

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

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

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

    The Group does not expect any significant impact on its consolidated financial statements upon adoption of the amendments.

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

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

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

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

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

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

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

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

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

- PFRS 17, *Insurance Contracts*

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

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

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

Deferred effectivity

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

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

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

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, which it controls as at September 30 of each year. The Parent Company has control over the investee when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Presented below is the list of the subsidiaries.

	Percentage of Ownership			Noncontrolling Interest				Principal Place of
	2019	2018	2017	**2019**	2018	2017	Nature of Business	Business
Central Azucarera Don Pedro, Inc. (CADPI)	**100.00%**	100.00%	100.00%	**–**	–	–	Production and selling of raw and refined sugar, molasses and related products	Taguig City and Nasugbu, Batangas
Central Azucarera de la Carlota, Inc. (CACI)	**100.00%**	100.00%	100.00%	**–**	–	–	Production and selling of raw sugar and molasses	Taguig City and Negros Occidental
CADP Insurance Agency, Inc. (CIAI)	**100.00%**	100.00%	100.00%	**–**	–	–	Insurance agency	Makati City
Roxol Bioenergy Corp. (RBC) [1]	**100.00%**	100.00%	100.00%	**–**	–	–	Production and selling of bioethanol fuel and trading of goods such as sugar and related products	Negros Occidental
CADP Port Services, Inc. (CPSI)	**100.00%**	100.00%	100.00%	**–**	–	–	Providing ancillary services	Makati City
RHI Agri-Business Development Corporation (RABDC) [2]	**100.00%**	100.00%	100.00%	**–**	–	–	Agricultural business	Makati City
Roxas Pacific Bioenergy Corporation (RPBC)	**100.00%**	100.00%	100.00%	**–**	–	–	Holding company for bioethanol investments	Negros Occidental
RHI Pacific Commercial Corp. (RHIPCC) [2]	**100.00%**	100.00%	100.00%	**–**	–	–	Selling arm of products of RHI Group	Makati City
San Carlos Bioenergy, Inc. (SCBI) [3]	**93.35%**	93.35%	93.35%	**6.65%**	6.65%	6.65%	Production and selling of bioethanol fuel	Negros Occidental
Najalin Agri Ventures, Inc. (NAVI)	**95.82%**	95.82%	95.82%	**4.18%**	4.18%	4.18%	Agricultural and industrial development	Negros Occidental
Roxas Power Corporation (RPC)	**50.00%**	50.00%	50.00%	**50.00%**	50.00%	50.00%	Sale of electricity	Nasugbu, Batangas
Northeastern Port Storage Corporation (NPSC) [4]	**100.00%**	100.00%	100.00%	**–**	–	–	Owning the depot and storage facilities used by SCBI	Negros Occidental

[1] *Direct ownership of 20.53% and indirect ownership through CADPI of 79.47%*
[2] *As at September 30, 2019, RHIPCC has not yet started commercial operations*
[3] *Acquired in April 2015 through RPBC (see Note 6)*
[4] *Indirect ownership through RPBC (see Note 6)*

In March 2016, NAVI reacquired 63,248 common shares from the non-controlling shareholders for a total consideration of ₱19.0 million effectively reducing the non-controlling interest by ₱16.4 million, which represents 9.64% decrease in ownership of non-controlling shareholders in NAVI. Consequently, equity interest of the Parent Company in NAVI increased to 86.91%. The excess of the fair value of the consideration paid over the amount by which the non-controlling interest is reduced amounting to ₱2.6 million was recognized directly in equity attributable to the equity holders of the Parent Company.

In November 2016, NAVI reacquired 55,696 shares from non-controlling shareholders for a total consideration of ₱13.6 million. As at September 30, 2018, there are only 22,656 remaining shares from the non-controlling shareholders which represent 4.18% of the total shares.

On February 1, 2012, the BOD of RHI approved a resolution to shorten the corporate life of CPSI, CIAI and RPC effective September 30, 2012. On the same date, the BOD also approved the merger of CADP Consultancy Services, Inc. (CCSI), CADP Farm Services, Inc. (CFSI) and Jade Orient Management Services, Inc. (JOMSI), which are non-operating subsidiaries and collectively referred to as "Absorbed Companies", with CADPI. This decision was in line with the Group's move to rationalize its operations. On April 14, 2014, the SEC issued the Certificate of Filing of Articles and Plan of Merger approving the merger of CCSI, CFSI and JOMSI with CADPI, as the surviving entity. In 2015, management changed its intention and decided to continue the corporate existence of RPC and requested the cancellation of the application for its business closure from the Bureau of Internal Revenue. As at September 30, 2019, the applications for the cancellation of the business of CPSI and CIAI are still pending approval from the pertinent government agencies.

The Parent Company has control over RPC because it has the power to cast the majority of votes through its representatives in the BOD, has rights to variable returns from RPC and has the ability to affect those returns.

Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company. The Group is using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions including inter-group unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

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

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

Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Group in transactions where the non-controlling interests are acquired or sold without loss of control. This is recognized as part of "Other equity items". If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

Business Combination and Goodwill

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the year by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting should be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting should be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized should be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

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

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

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated balance sheets based on current or noncurrent classification.

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks that earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

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

Accounting Policies Starting October 1, 2018

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI and FVPL.

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

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

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

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

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

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

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

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

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

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

As of September 30, 2019, the Group's financial assets at amortized cost include cash and cash equivalents, trade receivables, due from employees, due from related parties, other receivables and refundable deposits presented in "other current assets".

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

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

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

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

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

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

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

Accounting Policies Prior to October 1, 2018

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements 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.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at 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 and Measurement of Financial Instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are recognized as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

The Group does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at September 30, 2018.

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 is recognized as part of "Interest income" recognized in profit or loss on an accrual basis. 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" recognized 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 cash in banks, trade and other receivables, except for advances to planters, as at September 30, 2018 (see Notes 7, 8, 10 and 19). Trade receivables with average credit terms of 15 to 120 days are recognized and carried at original invoice amount less any allowance for impairment losses.

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.

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

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 impairment loss is recognized in profit or loss.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Accounting Policies Applicable to Both Periods Presented

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

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

This category includes trade and other payables (excluding statutory liabilities and provision for probable losses), short-term borrowings and long-term borrowings as at September 30, 2019 and 2018 (see Notes 14, 15, 16 and 19).

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Offsetting of Financial Instruments

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

Fair Value Measurement

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

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

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

- Note 5, "Significant Judgments, Accounting Estimates and Assumptions - Determining the Revaluation Amount of Land and Determining the Fair Value of Investment Properties"
- Note 12, "Property, Plant and Equipment"
- Note 13, "Investment Properties"
- Note 30, "Fair Value Measurement"

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Raw and Refined Sugar, Molasses and Alcohol. Cost is determined using the weighted average method. Production cost is allocated using the NRV of each of the joint products (i.e., raw sugar, refined sugar and molasses). The cost of alcohol includes direct materials and labor and a proportion of manufacturing overhead costs with unit cost determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs to complete the production and the estimated costs necessary to make the sale.

Materials and Supplies. Cost is determined using the moving average method. NRV is the current replacement cost.

Provision for inventory losses and obsolescence is provided for slow moving, obsolete, defective and damaged inventories based on physical inspection and management assessment.

Other Current Assets

This account consists of creditable withholding taxes (CWT), input value-added tax (VAT), advances to suppliers and prepayments.

CWT. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

VAT. Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of VAT included. For sale or purchase of services, related VAT is deferred until the related receivable or payable from the transaction has been collected or paid.

The net amount of VAT recoverable from taxation authority is presented as part of "Other current and noncurrent assets" in the consolidated statements of financial position. The net amount of VAT payable to taxation authority is included in "Trade and other payables" in the consolidated statements of financial position.

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting year are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

Investment in an Associate

Investment in an associate initially recognized at cost, is subsequently accounted for using the equity method.

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

The share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity. The Parent Company's share in net appraisal increase resulting from the revaluation of land of an associate is presented as "Share in revaluation increment on land of an associate," net of related deferred tax, in the consolidated statements of changes in equity as other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

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

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

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

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

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

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

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

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

Additional disclosures are provided in Note 12. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Property, Plant and Equipment
Property, plant and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value, except for land, which is stated at revalued amount.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such asset when the recognition criteria are met, and the estimated present value of the cost of dismantling and removing the asset and restoring the site. Borrowing costs incurred during the construction of a qualifying asset is likewise included in the initial cost of property, plant and equipment.

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

Construction in progress pertains to properties under construction and are stated at cost. Cost includes costs of construction, labor, borrowings and other direct costs. Construction in progress is depreciated only from such time as the relevant assets are completed and put into operational use. Construction in progress are reclassified to the appropriate fixed asset category upon completion.

The net appraisal increment resulting from the revaluation of land is presented as "Revaluation increment on land under assets held for sale" and as part of "Other equity items and reserves", net of related deferred tax, in the consolidated statements of changes in equity as part of other equity items and reserves. Any resulting decrease is directly charged against the related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to profit or loss. Valuations are performed frequently enough to ensure that the fair value of land does not differ significantly from its carrying amount.

The portion of revaluation increment on land, net of related deferred tax, realized upon disposal of the property is transferred to retained earnings.

Depreciation and amortization are calculated using the straight-line method to allocate the cost over the estimated useful lives, as presented as follows:

	Number of Years	
Asset Category	**2019**	2018
Buildings and building improvements	**30**	30
Land improvements	**10 to 25**	10 to 25
Machinery and equipment:		
Factory machinery and installations	**17 to 28**	17 to 28
Safety equipment	**5**	5
Office furniture, fixtures and equipment	**3 to 5**	3 to 5
Depot and storage facilities	**15**	15
Transportation equipment	**3 to 6**	3 to 6

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

Major repairs and maintenance that qualified for capitalization are depreciated and amortized over the remaining useful life of the related asset.

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

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

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

Software Cost
Software cost, which is presented as part of "Other noncurrent assets," is initially measured at cost. Following initial recognition, software cost is carried at cost less accumulated amortization and any impairment losses. The software cost is amortized on a straight-line basis over its estimated economic useful life of three years and assessed for impairment whenever there is an indication that the software cost may be impaired. The amortization commences when the software cost is available for use. The period and the method of amortization for the software cost are reviewed at each financial year end.

Gains and losses arising from derecognition of software cost are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

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

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

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

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

Impairment of Nonfinancial Assets
The carrying amounts of investment in an associate, property, plant and equipment, and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for goodwill acquired in a business combination which is reviewed for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit or loss under the expense category consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or investment, cannot be reversed at year end.

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

Equity
Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital. The Parent Company also recognizes a corresponding increase in additional paid-in capital when services are rendered in an equity-settled share-based payment transaction.

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

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

Dividend Distribution. Dividend distribution to the Parent Company's and subsidiaries' stockholders and the non-controlling interests is recognized as a liability and deducted from equity in the year in which the dividends are declared as approved by the BOD of respective entities. Dividends that are approved after the reporting year are dealt with as an event after the reporting year.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expenses (including items previously presented as other equity reserves under the consolidated statements of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. These are presented as part of other equity reserves in the consolidated statements of changes in equity. Other comprehensive income (loss) includes revaluation increment on land, cumulative remeasurement loss on net retirement assets and liabilities and cumulative loss on remeasurement loss of retirement assets of an associate.

Employee Stock Option (ESOP)
Regular employees (including directors) receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date at which these are granted. The fair value of the stock options is determined using an option-pricing model, further details of which are presented in Note 20. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of RHI ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period until employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of awards that will ultimately vest. The change or credit for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, an expense, at a minimum, is recognized as if the terms had not been modified. An expense is recognized for any increase in the value of the transactions as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if these were modifications of the original award, as described in the previous paragraph.

The dilutive effect of outstanding stock option is reflected as additional share dilution in the computation of earnings per share (see Note 27).

Revenue Recognition

Accounting Policies Starting October 1, 2018
The Group is in the business of operating mill and refinery facilities to manufacture sugar and allied products in the Philippines in accordance with existing laws and government regulations. Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

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

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

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

Revenue from Milling Contracts. The Group provides milling services to sugar cane planters through an output sharing agreement. Revenue arising from sugar milling operation under an output sharing agreement is recognized upon conversion of the Planter's canes into raw sugar based on the fair value of the raw sugar at the time of production. The Group recognizes revenue from milling services over time, using units of production method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. free storage periods). In determining the transaction price for the sale of services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (e.g. subsidies to planters). The Group has assessed that there is no significant impact arising from variable consideration, significant financing components and noncash consideration. Impact of subsidies paid to planters, which qualify as consideration payable to customers, is disclosed in Note 3.

(i) Variable consideration relating to revenue from milling contracts
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of services provide customers with a right to additional free-of-charge services (e.g. free storage periods). These additional free-of-charge services give rise to variable consideration.

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

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

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

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

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

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

Accounting Policies Prior to October 1, 2018

Revenue comprises the fair value of the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of 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 Raw Sugar. Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales.

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

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

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

Other Income. Other income is recognized when the earning process is complete and the flow of economic benefit is reasonably assured.

Accounting Policies Applicable to Both Periods Presented

Bill and Hold Sales. Bill and hold sales are recognized when all criteria are met:

a. It is probable that delivery will be made;
b. The item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized;
c. The buyer specifically acknowledges the deferred delivery instructions; and
d. The usual payment terms apply.

Rental Income. Rental income from operating leases is recognized on a straight line basis over the lease term.

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

<u>Cost and Expense Recognition</u>
Cost and expenses are recognized in profit or loss upon receipt of goods, utilization of services, or at the date the cost and expenses are incurred.

Cost of Sales. Cost of sales includes direct materials and labor costs, and those related indirect cost incurred upon processing of the Group's products and rendering of its tolling services. It is recognized as expense when related goods are sold or the related services are rendered.

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

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

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

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

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

Operating Lease - The Group as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating leases are recognized as an expense on a straight-line basis over the lease term.

For income tax reporting purposes, operating lease payment under operating lease agreements is treated as deductible expense in accordance with the terms of the lease agreements.

Operating Lease - The Group as a Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which these are earned.

Employee Benefits
Short-term Employee Benefits. The Group recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the reporting year. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

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

The retirement benefits cost comprises of the service cost, net interest on the retirement liability or plan asset and remeasurements of retirement liability or plan asset.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and interest cost or income in profit or loss.

Net interest on the retirement liability or plan asset is the change during the year in the retirement liability or plan asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the retirement liability or plan asset.

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

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

The plan assets are generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. Plan assets are not available to the creditors of the Group, nor can be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting retirement plan asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

Foreign Currency-Denominated Transactions and Translations
Items included in the consolidated financial statements of each of the Group's entities are measured using the functional currency.

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of reporting year. Foreign exchange differences are credited or charged directly in profit or loss.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

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

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

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

Provisions and Contingencies
Provision are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

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

Earnings (Loss) per Share
The Group presents basic and diluted earnings (loss) per share. Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares. Diluted earnings per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

Segment Reporting
For purposes of management reporting, the Group's operating businesses are organized and managed separately on a per company basis, but are grouped into strategic business units (SBU) defined along the Group's core main product lines, namely: sugar and alcohol.

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

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

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

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

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

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

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

Revenue from contracts with customers effective October 1, 2018. The Group applied the following judgment that significantly affects the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations.* The Group has contracts with customers that involve the promise to deliver goods and provide free storage periods to customers which qualify as distinct performance obligations and are therefore accounted for separately. The Group determined that these are capable of being distinct as the Group can sell these goods and services on a stand-alone basis which indicates that the customer can benefit from both goods and services independently on their own. The Group also determined that the promises to transfer the goods and services are distinct within the context of the contract. The goods and services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the goods and services together in this contract do not result in any additional or combined functionality and neither among the goods and services listed in the contract modify or customize the other. In addition, the services are not highly interdependent or highly interrelated because the Group would be able to transfer the goods and services even if the customer declined the other goods and services and would be able to provide the main goods in relation to products sold by other entities. Moreover, these goods and services can also be offered by other entities. Consequently, the Group allocated the transaction price to the performance obligations based on relative stand-alone selling prices. The Group has recognized milling revenue amounting to ₱684.0 million and ₱836.4 million, under continuing and discontinued operations, respectively, for the year ended September 30, 2019. The Group has assessed that the transaction price allocated to free storage periods is immaterial for the period ended September 30, 2019.

Classification of financial instruments. The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability, or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position (see Note 3).

Determining the Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Parent Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

Management assessed that the Group's operating businesses are organized and managed separately according to core main product lines, namely: sugar and alcohol. Consequently, reportable operating segments as at and for the years ended September 30, 2019, 2018 and 2017 are sugar and alcohol (see Note 32).

Determining the Existence of Control in Investee Companies. Control is presumed to exist when the Parent Company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. The Parent Company has the power to cast the majority of votes through its representatives in the BOD. Management has determined that despite having only 50% ownership in RPC and no equity ownership yet in NPSC, the Parent Company has control over RPC and NPSC by virtue of its rights to variable returns from the subsidiary and ability to affect those returns.

Determining the Classification of Lease Arrangements. Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership of the assets held for lease are retained by the Group. Lease contracts in which the Group retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases.

- Operating Lease - The Group as a Lessee. The Group has various property being leased covering several heavy handling equipment, service vehicles and office space of RHI, where it has determined that the risks and benefits of ownership over these properties are retained with the lessors. Accordingly, these lease agreements are accounted for as operating leases (see Note 28).

  Rent expense amounted to ₱207.6 million, ₱218.6 million and ₱114.0 million, respectively, included in "Cost of goods sold" and "General and administrative expenses" accounts, in 2019, 2018 and 2017, respectively (see Notes 22, 23 and 28).

- Operating Lease - The Group as a Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rent income is recognized on a straight-line basis over the lease term of the lease, as applicable (see Note 13).

  Rent income from the lease of agricultural land of NAVI amounted to ₱ 6.7 million, ₱ 5.4 million and ₱6.8 million in 2019, 2018 and 2017, respectively (see Note 13)

Determining the classification of assets held for sale and discontinued operations. On May 23, 2018, the Group has reached an agreement with a buyer for the sale of the Group's sugar milling and refining operations in Batangas (the "Proposed Sale Transaction"). Management believes that the assets subject to the Proposed Sale Transaction are available for immediate sale and can be sold to the buyer in its current condition as of September 30, 2018. Further, management believes that the PCC approval is required in relation to similar transactions. On February 12, 2019, the PCC issued a decision disapproving the Proposed Sale Transaction. Nonetheless, the Group remains committed to sell the assets in Batangas and is currently negotiating with a prospective buyer. The Group has assessed that the subject assets are available for immediate sale in their present condition and sale is highly probable as of September 30, 2019. The sale of sugar milling and refining operations represents a disposal of a separate major operating segment of the Group hence, the consolidated statements of income present its results of operations as discontinued operations.

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

As at September 30, 2019 and 2018, assets held for sale amounted to ₱7,254.7 million and ₱6,525.1 million, respectively (see Notes 11 and 12).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal years are discussed below.

Allowance for ECL on trade and other receivables and due from related parties (PFRS 9) - Effective October 1, 2018

- *Due from related parties using general approach*

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

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

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

- *Trade and other receivables using simplified approach*

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

  As of September 30, 2019, the Group's trade and other receivables (excluding due from related parties and due from planters and cane haulers) amounted to ₱1,155.7 million (see Note 8). Allowance for expected credited losses on trade and other receivables amounted to ₱45.2 million as at September 30, 2019 (see Note 8).

Estimating Impairment Losses on Receivables - Effective prior to October 1, 2018

The provision for impairment losses on receivables is estimated based on two methods: specific identification and collective assessment. The amounts calculated using each of these methods are combined to determine the total amount to be provided. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, the Group applies judgment, in recording specific allowances against amounts due to reduce receivable amounts expected to be collected, based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is determined. The amount and timing of recorded expenses for any year could therefore differ based on the judgments or estimates made. An increase in the Group's allowance for impairment of receivables would increase its general and administrative expenses and decrease its current assets.

As at September 30, 2018, trade and other receivables amounted to ₱3,040.4 million (see Note 8). Allowance for impairment losses of trade and other receivables amounted to ₱90.8 million as at September 30, 2018 (see Note 8).

Determining the NRV of Inventories. The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As at September 30, 2019 and 2018, the inventories carried at lower of cost and NRV amounted to ₱1,205.8 million and ₱2,646.1 million, respectively (see Note 9). Allowance for inventory losses and obsolescence amounted to ₱97.7 million and ₱57.8 million as at September 30, 2019 and 2018, respectively (see Note 9).

Allocating the Cost to Molasses Inventory. Management uses judgment to measure and allocate cost to the molasses inventory. When the costs of conversion of each product are not separately identifiable, these are allocated among the products on a rational and consistent basis. The allocation is based on the NRV of cane products at the completion of production.

As at September 30, 2019 and 2018, portion of molasses inventory amounting to ₱9.1 million and ₱68.6 million, respectively, pertains to allocated cost from the total production costs of milled raw and refined sugar (see Note 9).

Estimating the Provision for Unrecoverable Creditable Withholding Taxes. Provision for unrecoverable creditable withholding taxes is maintained at a level considered adequate to provide for potentially unrecoverable claims. The Group, on a continuing basis, makes a review of the status of the claims, designed to identify those to be provided with any impairment loss. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded loss for any period would differ based on the judgments or estimates made.

As at September 30, 2019 and 2018, the carrying amount of creditable withholding taxes (net of allowance amounting to ₱12.2 million as of both years) amounted to ₱970.1 million and ₱794.5 million, respectively, (see Note 10).

Determining the Revaluation Amount of Land. The land is carried at revalued amount, which approximates its fair value at the date of the revaluation. The valuation of land is performed by Philippine SEC accredited external appraisers. The fair value was arrived at using the Market Data Approach based on the gathered available market evidences. Revaluations are made on a regular basis to ensure that the fair value does not differ materially from its carrying value.

Land carried at revalued amount as at September 30, 2019 and 2018 amounted to ₱1,287.0 million and ₱1,376.6 million, respectively (see Note 12). Appraisal increase, net of tax, amounted to ₱43.4 million,₱10.8 million and ₱116.6 million in 2019, 2018, and 2017, respectively.

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

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

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

The carrying amount of the depreciable property, plant and equipment as at September 30, 2019 and 2018 amounted to ₱6,817.9 million and ₱6,731.7 million, respectively (see Note 12).

Determining the Fair Value of Investment Properties. The fair value of the investment properties was determined by Philippine SEC accredited external appraisers using Market Data Approach based on gathered available market evidences. The latest appraisal reports were made on various dates in fiscal years 2019 and 2018.

Investment properties stated at fair value amounted to ₱513.6 million and ₱347.6 million as at September 30, 2019 and 2018, respectively (see Note 13). The unrealized gain on fair value adjustment of investment properties amounted to ₱21.7 million, ₱27.5 million and ₱13.4 million in 2019, 2018 and 2017, respectively, recorded under "Other income" in the consolidated statements of income (see Note 25).

Measurement of assets held for sale. The assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The determination of fair values requires estimates of economic conditions and other factors. The fair value was based on the appraisal values of the assets, while the cost to sell is primarily the documentary stamp tax related to the sale of assets. As at September 30, 2019 and 2018, assets held for sale are measured at its carrying amount of ₱7,254.7 million and ₱6,525.0 million, respectively, which is lower than its fair value less costs to sell.

Assessing Impairment of Nonfinancial Assets. The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below (except goodwill) may be impaired. If such indication exists for nonfinancial assets other than goodwill, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. In determining fair value, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. Goodwill is tested for impairment at least on an annual basis or more frequently if events or changes in circumstances indicate that it may be impaired. For goodwill, annual impairment test requires estimation of value-in-use of the cash generating unit to which goodwill relates. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

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

While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes.

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, are as follows:

	Note	**2019**	2018
Property, plant and equipment	12	**₱7,199,292**	₱7,595,865
Investment in an associate	11	**–**	642,690

There are no indications of possible impairment on the nonfinancial assets. Accordingly, the Group has not recognized any impairment losses on nonfinancial assets in 2019, 2018 and 2017.

Goodwill relates to the excess of consideration of Group's acquisition of SCBI over the latter's identifiable assets and liabilities in 2015. Goodwill amounted to ₱1,079.6 million as of September 30, 2019 and 2018 (see Note 6).

The recoverable amount has been determined based on the value-in-use calculations using cash flow projections from financial budgets covering as approved by management a five-year period of projection. The projected cash flows were based on expectations on future outcomes taking into account past experiences, adjusted for anticipated revenue growth based on management's future plans. The key assumptions used in determining the recoverable amount as of September 30, 2019 and 2018 are as follows:

Sales growth (average of less than 12% year on year) - Management based the projected sales growth on the production capacity of its plant over the forecast period.

Terminal growth rate (4.0% and 2.2% in 2019 and 2018, respectively) - Cash flows beyond the five-year period are extrapolated growth rate using a 4.0% and 2.2% in 2019 and 2018, respectively, which is within the long-term average growth rate for bioethanol industry.

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

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

Manufacturing costs ratio (averaging at 93% and 72% over the forecast period in 2019 and 2018, respectively) - Management based the ratio of production costs over feedstock margin on its historical experience.

Operating expenses ratio (averaging at 2% and 6% over the forecast period in 2019 and 2018, respectively) - Management based the ratio of operating expenses over feedstock margin on its historical experience.

Discount rate (11.35% and 11.45% in 2019 and 2018, respectively) - The discount rate applied to the cash flows is based on the risk free rate for 10-year bonds issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company. In making this adjustment, inputs required are the equity market risk premium (that is the required increased return over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.

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

Management believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the goodwill to exceed the recoverable amount of the related cash generating unit.

Based on management's assessment, the recoverable amount of the goodwill is higher than the carrying value, thus no impairment loss was noted on the goodwill on SCBI with carrying amount of ₱1,079.6 million as of September 30, 2019 and 2018 (see Note 6).

Determining Retirement Benefits and Liability. The determination of the cost of retirement benefits and related retirement liability is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions, which include among others, discount rates and future salary increase rate are described in Note 17.

Actual results that differ from the assumptions are accumulated and are recognized as other comprehensive income and accumulated in equity. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience of significant changes in the assumptions may materially affect the retirement liability.

As at September 30, 2019 and 2018, net retirement assets amounted to ₱18.6 million and ₱44.9 million, respectively, while net retirement liabilities amounted to ₱407.3 million and ₱250.0 million as at September 30, 2019 and 2018, respectively (see Note 17). Net retirement benefits expense amounted to ₱55.9 million, ₱64.8 million and ₱66.0 million in 2019, 2018 and 2017, respectively (see Note 17).

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

Total deferred tax assets amounted to ₱108.6 million and ₱679.1 million as at September 30, 2019 and 2018, respectively (see Note 26).

Non-recoverable deferred tax assets were derecognized on deductible temporary differences and carryforward benefits of excess MCIT over RCIT with income tax effect amounting to ₱514.4 million as at September 30, 2019, (see Note 26). Management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized.

In 2019, the Parent Company changed its effective tax rate applicable on its temporary differences due to an intention to use Optional Standard Deduction (OSD) instead of itemized deduction. As such, deferred tax liability directly associated with the assets held for sale decreased from ₱1,024.5 million as of September 30, 2018 to ₱616.1 million as of September 30 2019.

Evaluation of Provisions and Contingencies. The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of reporting period, net of any estimated amount that may be reimbursed to the Group. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

The Group is involved in various other labor disputes, litigations, claims and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of certain claims and assessments, the Group has recognized outstanding provision for probable losses amounting ₱149.6 million and ₱7.6 million as at September 30, 2019 and 2018, respectively (see Notes 16 and 28).

6. **Business Combination**

In April 2015, the Group entered into a Sale and Purchase Agreement (SPA) for the acquisition of 93.35% equity interest in SCBI through RPBC, a wholly owned subsidiary, for a total consideration of ₱1,737.6 million. The SPA also provides the transfer of assets of NPSC to RPBC, whether through merger with, acquisition of NPSC or direct asset sale, without additional consideration to the Group. Consequently, the Group effectively acquired the business of NPSC without holding equity interest yet. The assets of NPSC mainly include depot and storage facilities, which are included in the consolidated statements of financial position. In 2017, deeds of assignment covering the shares held by NPSC's previous stockholders were executed in favor of RPBC.

The total consideration includes the purchase of the receivable of the former stockholders of SCBI from NPSC amounting to ₱122.0 million. All closing conditions have been substantially met in May 2015. In 2016, after finalizing the purchase price allocation, total consideration was adjusted to ₱1,679.9 million and the fair value of the noncontrolling interest amounted to ₱34.9 million. The fair values of the identifiable assets and liabilities amounted to ₱635.2 million. Accordingly, goodwill recognized amounted to ₱1,079.6 million. The goodwill primarily relates to expected synergy arising from acquisition.

7. **Cash and Cash Equivalents**

This account consists of:

	2019	2018
Cash on hand	**₱5,077**	₱3,148
Cash in banks	**431,124**	289,988
Cash equivalents	**2,067**	2,013
	₱438,268	₱295,149

Cash in banks and cash equivalents earn interest at the respective bank deposit rates.

Interest income earned from cash in bank and cash equivalents amounted to ₱1.2 million, ₱0.7 million and ₱0.8 million in 2019, 2018, and 2017, respectively (see Note 25).

8. **Trade and Other Receivables**

This account consists of:

	Note	2019	2018
Trade		**₱1,080,287**	₱2,811,084
Due from:			
Planters and cane haulers	28	**150,190**	159,717
Employees		**55,229**	58,046
Related parties	19	**100,066**	37,369
Others		**65,429**	64,931
		1,451,201	3,131,147
Allowance for ECL/impairment losses		**(95,655)**	(90,792)
		₱1,355,546	₱3,040,355

Trade receivables are unsecured, noninterest-bearing with credit terms ranging from 15 to 120 days.

Due from planters and cane haulers pertain to interest-bearing cash advances, which will be settled in the form of raw sugar from the planters and through services to be rendered by the cane haulers, respectively. Interest income amounted to ₱1.6 million, ₱1.7 million and ₱2.4 million in 2019, 2018 and 2017, respectively (see Note 25).

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

Other receivables mainly include claims from a former stockholder of SCBI which are noninterest-bearing and covered by an escrow agreement. The amount is expected to be collected within the next year.

Details and movements of allowance for ECL/impairment losses on trade and other receivables are presented in the following tables:

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

		2018				
	Note	Trade	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year		₱18,732	₱46,472	₱1,929	₱8,858	₱75,991
Provision	23	14,387	259	155	–	14,801
Balance at end of year		₱33,119	₱46,731	₱2,084	₱8,858	₱90,792

9. **Inventories**

This account consists of:

	2019	2018
At NRV:		
Materials and supplies	**₱553,820**	₱560,676
Alcohol	**198,058**	46,228
Molasses	**30,951**	–
At cost:		
Refined sugar	**375,485**	1,383,012
Molasses	**–**	488,319
Raw sugar	**29,203**	108,897
Others	**18,331**	58,953
	₱1,205,848	₱2,646,085

Raw sugar quantities reported as inventories are supported by quedans held by the Group. The Group also has raw sugar quantities, which are also supported by quedans, held in trust for third parties (see Note 28). A quedan is a warehouse receipt document which evidences the ownership of specified quantity in a warehouse or sugar central.

Cost of inventories valued at NRV is shown below:

	2019	2018
Materials and supplies	**₱597,745**	₱600,714
Alcohol	**231,890**	63,948
Molasses	**50,916**	–
	₱880,551	₱664,662

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

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

	2018		
	Alcohol	Materials and Supplies	Total
Balance at beginning of year	₱74	₱30,037	₱30,111
Provisions	17,646	10,001	27,647
Balance at end of year	₱17,720	₱40,038	₱57,758

Provisions for inventory losses and obsolescence amounting to ₱40.0 million and ₱27.6 million, are presented as "Others" under Cost of goods sold in 2019 and 2018, respectively (see Note 22).

Cost of inventories recognized as expense and presented as "Direct materials used" under "Cost of sales" amounted to ₱3,552.5 million, ₱1,575.8 million and ₱2,086.7 million in 2019, 2018 and 2017, respectively (see Note 22). Cost of inventories recognized as expense included as part of "Cost of sales and services" of discontinued operations amounted to ₱5,533.4 million, ₱4,918.6 million and ₱3,108.0 million in 2019, 2018 and 2017, respectively (see Note 12).

10. Other Assets

Current portion of this account consists of:

	2019	2018
Creditable withholding taxes, net of allowance for probable losses of ₱12.2 million	**₱970,082**	₱794,453
Input VAT	**123,885**	37,550
Advances to suppliers	**83,883**	261,040
Prepayments	**63,471**	35,932
Refundable deposits	**14,671**	14,410
Others	**29,426**	60,903
	₱1,285,418	₱1,204,288

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

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

Noncurrent portion of other assets consist of:

	2019	2018
Input VAT	**₱269,185**	₱273,023
Advances to suppliers and contractors	**8,794**	–
Refundable deposits	**–**	16,842
Others	**1,557**	1,558
	₱279,536	₱291,423

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

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

11. Investment in an Associate (part of assets held for sale in 2019)

The Parent Company has 45.09% ownership interest in HP Co., an entity incorporated in the Philippines, which is engaged in manufacturing and trading of raw and refined sugar, molasses and other sugar by-products.

Movements in investment in an associate are as follows:

	Note	2019	2018
Acquisition cost		**₱127,933**	₱127,933
Accumulated share in net earnings:			
Balance at beginning of year		**258,117**	280,509
Dividends declared		**(49,419)**	(78,226)
Share in net earnings		**41,333**	55,834
Balance at end of the year		**250,031**	258,117
Cumulative share on remeasurement loss on retirement liability:	18		
Balance at beginning of year		**(7,665)**	(9,166)
Share in remeasurement gain		**–**	1,501
Balance at end of the year		**(7,665)**	(7,665)
Share in revaluation increment of land:	18		
Balance at beginning of year		**264,305**	207,492
Share in revaluation increment		**21,295**	56,813
Balance at end of the year		**285,600**	264,305
Reclassification to assets held for sale	12	**(655,899)**	–
		₱–	₱642,690

On August 1, 2019, the BOD authorized the evaluation and negotiation of terms and conditions of the sale of investment in HP Co. comprising of 28,549,365 common shares. Accordingly, such investment has been classified as part of assets held for sale as of September 30, 2019. On November 5, 2019, the said investment was sold at a higher price than the investment's carrying amount (see Note 12).

Cash dividends declared by HP Co. are as follows:

Date Approved	Amount per Share	Total Amount	Stockholders of Record Date	Date Paid
May 30, 2019	₱0.50	₱7,664	May 31, 2019	June 20, 2019
February 7, 2019	1.61	101,939	February 28, 2019	April 11, 2019
March 1, 2018	2.74	173,528	February 28, 2018	April 12, 2018
February 10, 2017	3.85	243,768	February 28, 2017	April 6, 2017
September 29, 2016	3.59	227,306	October 31, 2016	November 10, 2016

Dividends declared attributable to the Parent Company amounted to ₱49.4 million and ₱78.2 million in 2019 and 2018, respectively.

The associate has no contingent liabilities or capital commitments as of September 30, 2019 and 2018.

Summarized financial information of HP Co. are as follows:

	2019	2018
Current assets	**₱790,431**	₱743,060
Noncurrent assets	**1,923,293**	1,360,903
Current liabilities	**(1,034,890)**	(887,343)
Noncurrent liabilities	**(256,596)**	(324,419)
Net assets	**1,422,238**	892,201
Revenue	**1,943,337**	2,314,515
Net income	**₱91,668**	₱100,520
Other comprehensive income – remeasurement loss on retirement benefit obligation	**–**	283

12. Property, Plant and Equipment, Assets Held for Sale and Discontinued Operations

Property, Plant and Equipment

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

2019	Buildings and Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Depot and Storage Facilities	Transportation Equipment	Construction in Progress	Total
Cost							
Balances at beginning of year	**₱2,249,166**	**₱11,041,223**	**₱663,261**	**₱189,007**	**₱185,045**	**₱864,199**	**₱15,191,901**
Additions	**43,618**	**20,649**	**–**	**–**	**2,376**	**119,723**	**186,366**
Retirement and disposals	**–**	**(17,922)**	**–**	**–**	**(5,477)**	**–**	**(23,399)**
Reclassifications	**54,415**	**503,072**	**17,381**	**–**	**30,067**	**(604,935)**	**–**
Balances at end of year	**2,347,199**	**11,547,022**	**678,232**	**189,007**	**212,011**	**381,397**	**15,354,868**
Accumulated Depreciation and Amortization							
Balances at beginning of year	**1,080,267**	**5,761,829**	**617,794**	**79,578**	**56,568**	**–**	**7,596,036**
Depreciation and amortization	**84,326**	**431,375**	**24,796**	**11,379**	**19,607**	**–**	**571,483**
Retirement and disposals	**–**	**(10,358)**	**–**	**–**	**(1,585)**	**–**	**(11,943)**
Balances at end of year	**1,164,593**	**6,182,846**	**642,590**	**90,957**	**74,590**	**–**	**8,155,576**
Net Carrying Amount	**₱1,182,606**	**₱5,364,176**	**₱35,642**	**₱98,050**	**₱137,421**	**₱381,397**	**₱7,199,292**

2018	Buildings and Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Depot and Storage Facilities	Transportation Equipment	Construction in Progress	Total
Cost							
Balances at beginning of year	₱3,875,305	₱16,555,068	₱753,221	₱189,007	₱274,552	₱453,851	₱22,101,004
Additions	8,977	151,040	14,048	–	5,970	997,850	1,177,885
Retirement and disposals	–	–	–	–	(8,524)	–	(8,524)
Reclassifications	18,886	385,811	38,444	–	39,014	(482,155)	–
Reclassifications to asset held for sale	(₱1,654,002)	(₱6,050,696)	(₱142,452)	₱–	(₱125,967)	(₱105,347)	(₱8,078,464)
Balances at end of year	2,249,166	11,041,223	663,261	189,007	185,045	864,199	15,191,901
Accumulated Depreciation and Amortization							
Balances at beginning of year	2,079,402	8,834,351	662,274	68,199	153,357	–	11,797,583
Depreciation and amortization	106,718	598,801	33,868	11,379	18,916	–	769,682
Retirement and disposals	–	–	–	–	(1,445)	–	(1,445)
Reclassifications to asset held for sale	(1,105,853)	(3,671,323)	(78,348)	–	(114,260)	–	(4,969,784)
Balances at end of year	1,080,267	5,761,829	617,794	79,578	56,568	–	7,596,036
Net Carrying Amount	₱1,168,899	₱5,279,394	₱45,467	₱109,429	₱128,477	₱864,199	₱7,595,865

Construction in progress mainly pertains to the on-going plant improvements and milling and refinery equipment for inspection and installation, which are to be completed in 2020. As at September 30, 2019 and 2018, the Group has contractual commitment for the on-going construction projects amounting to ₱412.2 million and ₱798.5 million, respectively.

The Group has no borrowing cost capitalized in 2019 and 2018. Unamortized capitalized borrowing cost as at September 30, 2019 and 2018 amounted to ₱16.6 million and ₱208.8 million with corresponding deferred tax of ₱5.0 million and ₱62.6 million, respectively (see Note 26). The capitalized borrowing cost is amortized over the estimated useful lives of the qualifying assets to which it relates.

The amount of depreciation and amortization is allocated as follows:

	Note	2019	2018	2017
Cost of sales	22	**₱506,511**	₱448,828	₱538,636
General and administrative expenses	23	**60,005**	47,455	64,264
Discontinued operations		**–**	279,025	347,939
		₱566,516	₱775,308	₱950,839

Depreciation and amortization in 2019, 2018 and 2017 includes amortization of software cost of nil, ₱4.8 million and ₱24.8 million, respectively.

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

	Note	2019	2018
Balance at beginning of year		**₱1,376,627**	₱4,746,047
Reclassification from (to) investment properties	13	**(151,636)**	27,531
Appraisal increase	18	**62,011**	15,403
Reclassification to assets held for sale		**–**	(3,414,959)
Additions		**–**	2,605
Balance at end of year		**₱1,287,002**	₱1,376,627
At cost		**₱708,266**	₱769,617

As part of the Proposed Sale Transaction in 2018, the land where the Group's sugar and milling operations in Batangas are located were presented as held for sale as of September 30, 2018. In 2018, reclassification pertains to land previously held for lease and classified as investment property but was owner-occupied starting in 2018. In 2019, land previously classified as owner occupied has been reclassified as property held for capital appreciation.

As at September 30, 2019 and 2018, the revaluation of land is based on the appraised values using a market data approach, as determined by Philippine SEC accredited external appraisers. Market data approach considers the sales and listings and other market data of comparable properties registered within the vicinity of the property being valued. Factors such as location, size, shape of lot, highest and best use estimate were also taken into consideration in order to estimate the fair value of the property. The revalued amount has been categorized as level 2 (directly or indirectly observable inputs). The latest appraisal reports were made on various dates in 2019 and 2018.

Certain property, plant and equipment and assets held for sale with a carrying amount of ₱10,768.5 million as at September 30, 2019 and 2018 were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 15).

Assets held for sale and discontinued operations

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

The assets held for sale represent CADPI's operations (excluding working capital) which were included as part of the sugar operating segment. With CADPI's operations being classified as discontinued operations, these are no longer presented as part of sugar operating segment disclosures in Note 32.

On August 1, 2019, the BOD authorized the evaluation and negotiation of terms and conditions of the sale of investment in HP Co. comprising of 28,549,365 common shares. Accordingly, such investment has been classified as part of assets held for sale as of September 30, 2019. On November 5, 2019, the said shares of stock held as an investment were sold at a higher price than the investment's carrying amount (see Note 11).

Included in assets held for sale are as follows:

	Note	2019	2018
Land		**₱3,422,891**	₱3,414,959
Machinery and equipment		**2,468,869**	2,379,373
Buildings and improvements		**554,868**	548,149
Furniture fixture and other improvements		**75,040**	64,104
Construction in-progress		**63,508**	105,347
Transportation equipment		**12,230**	11,707
Investment properties		**1,433**	1,433
		₱6,598,839	₱6,525,072

Deferred tax liability directly associated with the assets held for sale amounted to ₱ 616.1 million and ₱1,024.5 million as of September 30, 2019 and 2018, respectively.

Revaluation increment on land held for sale amounted to ₱2,806.7 million and ₱2,390.4 million as of September 30, 2019 and 2018, respectively.

The results of operations of CADPI's sugar and milling operations are shown in the table below:

	2019	2018	2017
Revenue			
Revenue from contracts with customers	**₱6,364,909**	₱–	₱–
Sale of goods	**–**	6,816,298	5,194,349
Sale of services	**–**	97,214	243,546
	6,364,909	6,913,512	5,437,895
Cost of sales and services	**(6,177,766)**	(6,466,514)	(4,639,292)
Gross income	**187,143**	446,998	798,603
General and administrative expenses	**(228,524)**	(195,526)	(204,749)
Selling expense	**(48,511)**	(73,013)	(49,250)
Interest expense	**(230,075)**	(301,351)	(270,960)
Other income – net	**29,185**	55,022	46,546
Income (loss) before income tax	**(290,782)**	(67,870)	320,190
Income tax benefit (expense)	**(441,218)**	17,490	(118,346)
Net income (loss) from discontinued operations	**(₱732,000)**	(₱50,380)	₱201,844

Net increase (decrease) in cash provided by CADPI's discontinued operations follows:

	2019	2018	2017
Net cash provided by operating activities	**₱3,195,488**	₱1,925,360	₱737,336
Net cash used in investing activities	**(79,243)**	(292,430)	(223,318)
Net cash provided by (used in) financing activities	**(3,156,708)**	(1,255,482)	911,032

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

	2019	2018	2017
Basic	**(₱0.47)**	(₱0.03)	₱0.14
Diluted	**(0.47)**	(0.03)	0.14

13. Investment Properties

Movements in investment properties are as follows:

	Note	2019	2018
At fair value:			
Balance at beginning of year		**₱347,591**	₱349,267
Fair value adjustment	25	**21,680**	27,531
Reclassifications from (to) property, plant and equipment	12	**151,636**	(27,531)
Reclassification to assets held for sale	12	**(7,932)**	(1,433)
Others		**586**	(243)
		₱513,561	₱347,591

Investment properties pertain to land of the Parent Company, NAVI, CADPI and SCBI held for rental and capital appreciation.

Rent income from the lease of agricultural land of NAVI amounted to ₱ 6.7 million, ₱ 5.4 million and ₱6.8 million in 2019, 2018 and 2017, respectively. Direct operating expenses amounted to ₱0.8 million, ₱0.8 million and ₱0.7 million in 2019, 2018 and 2017, respectively, which mainly pertain to real property taxes.

The fair value of investment properties is based on the appraised value of the property using a market data approach, as determined by SEC accredited external appraisers. Market data approach considers the sales and listings and other market data of comparable properties registered within the vicinity of the property being valued. Factors such as location, size, shape of lot, highest and best use estimate were also taken into consideration in order to estimate the fair value of the property. The fair value measurement for land has been categorized as Level 2 (directly or indirectly observable inputs). The latest appraisal reports were made on various dates in 2019 and 2018.

14. Short-term Borrowings

This account consists of unsecured short-term loans obtained from various local banks for the working capital requirements of the Group. The short-term borrowings are payable within 30 to 90 days and bear interest ranging from 4.15% to 7.5% in 2019 and from 3.75% to 7.00% in 2018. There are no debt covenants relating to these borrowings in 2019 and 2018.

Total interest expense arising from short-term borrowings amounted to ₱341.7 million, ₱120.9 million and ₱98.9 million in 2019, 2018 and 2017, respectively (see Note 15).

15. Long-term Borrowings

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

			Outstanding Balance	
Facility	Terms	Collateral	2019	2018
₱2,645.0 million dated August 5, 2014	Payable in equal quarterly amortization for seven years beginning November 2016 and bears fixed interest of 4.50% for three years subject to repricing thereafter	Suretyship agreement and mortgage trust indenture (MTI)	**₱1,653,125**	₱1,983,750
₱1,227.0 million dated September 10, 2014	Quarterly principal repayment amounting to ₱49.0 million starting September 2017 until June 2021 and a lump sum payment of the remaining balance on September 10, 2021 and bears fixed interest of 4.50% subject to change as agreed by the parties	Suretyship agreement and MTI	**786,000**	982,000
₱1,400.0 million dated December 1, 2016	Quarterly principal repayment amounting to ₱66.7 million starting December 2017 until December 2022 and bears floating interest	Clean loan	**866,656**	1,133,328
₱800.0 million dated August 12, 2016	Quarterly principal repayment amounting to ₱100.0 million starting November 2017 until August 2019 with one year grace period and bears fixed interest rate of 4.50% subject to change as agreed by the parties	Suretyship agreement	**–**	400,000
₱380.0 million dated May 27, 2014	Quarterly principal repayment amounting to ₱13.6 million starting December 2017 until June 2021 and a lump sum payment of the remaining balance on September 10, 2021 and bears fixed interest of 4.50% subject to change as agreed by the parties	Suretyship agreement and MTI	**271,472**	325,736
Others			**26**	41
			3,577,279	4,824,855
Unamortized transaction costs			**(7,218)**	(11,742)
			3,570,061	4,813,113
Current portion			**(847,576)**	(4,813,113)
Noncurrent portion			**₱2,722,485**	₱–

Suretyship Agreements and MTI

The Group entered into various suretyship agreements and MTI with local bank creditors that secure the Group's obligations in solidarity against all the properties of RHI, CADPI, CACI and RBC. Property, plant and equipment with a carrying amount of ₱10,768.5 million were mortgaged and used as collateral to secure the loan obligations with the local bank creditors (see Note 12).

Loan Covenants

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

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

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks.

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

As of September 30, 2018, the Group did not also meet the minimum required DSCR. Approved bank waivers for minimum DSCR requirement as of September 30, 2018, however, were received on December 17, 2018, January 11, 2019 and January 14, 2019. Accordingly, under PAS 1, the Group classified its long-term borrowings as current liability on its consolidated statement of financial position as of September 30, 2018. However, the lender-banks have not called the loans.

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

	2019	2018
Less than one year	**₱847,576**	₱1,248,433
Between one to two years	**1,404,516**	1,405,576
Between two to five years	**1,325,187**	1,840,221
Between five to eight years	**–**	330,625
	₱3,577,279	₱4,824,855

Interest Expense
Interest ranges from 4.55% to 7.55%, 4.55% to 5.54% and 3.00% to 5.79% in 2019, 2018 and 2017, respectively. Interest expense arises from the following borrowings:

	Note	2019	2018	2017
Continuing operations:				
Long-term		**₱132,361**	₱79,797	₱67,921
Short-term	14	**341,721**	120,924	98,916
Convertible debt	18, 19	**–**	–	6,460
		₱474,082	₱200,721	₱173,297
Discontinued operations	12	**₱230,075**	₱301,351	₱270,960

16. **Trade and Other Payables**

This account consists of:

	Note	2019	2018
Trade		**₱604,055**	₱1,230,454
Due to:			
Related parties	19	**95,573**	96,295
Planters		**14,497**	5,936
Accruals for:			
Interest		**52,626**	45,794
Payroll and other employee benefits		**17,208**	30,643
Construction in progress		**6,553**	358,059
Sugar and molasses purchase		**–**	181,919
Others		**69,540**	100,194
Provision for probable losses	23, 28	**149,590**	7,550
Payable to government agencies for taxes and statutory contributions		**11,694**	73,293
Contract liabilities	21	**8,731**	–
Customers' deposits		**–**	8,163
Others		**145,181**	141,466
		₱1,175,248	₱2,279,766

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

Construction in progress represents the amount accrued based on capital expenditure budget.

Accruals for sugar and molasses purchase pertains to the purchases of sugar and molasses which invoice has not been received yet but the sugar and molasses were already delivered as part of the inventories.

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

Contract liabilities pertain to customers' deposits which are noninterest-bearing cash deposits from customers, which will be applied against future deliveries of refined sugar.

Other payables include advances from previous related parties of SCBI to fund SCBI's working capital requirements totaling ₱128.9 million as at September 30, 2019 and 2018, which are noninterest-bearing, unsecured and payable on demand.

Rollforward of provision for probable losses as of September 30, 2019 and 2018 are as follows:

	Note	2019	2018
Beginning balance		**₱7,550**	₱96,572
Additions	23	**144,590**	–
Payments		**(2,550)**	(89,022)
Ending balance		**₱149,590**	₱7,550

17. **Retirement Benefits**

The Parent Company and its subsidiaries, namely: CACI, CADPI and SCBI, have individual and separate non-contributory defined benefit plan covering all qualified employees. RBC estimates its retirement benefits under Republic Act (R. A.) No. 7641, *Philippine Retirement Pay Law*. A defined benefit plan is a retirement plan that defines an amount of retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plans are generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

Retirement Benefits
Net retirement benefits expense recognized in the consolidated statements of income included in personnel costs under "Cost of sales and services" and "General and administrative expenses" accounts are as follows:

	2019	2018	2017
Current service cost	**₱39,530**	₱50,601	₱54,102
Net interest cost	**16,452**	14,229	11,849
Adjustment due to curtailment	**(72)**	(53)	–
	₱55,910	₱64,777	₱65,951

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

	2019	2018	2017
Remeasurement losses (gains) on:			
Defined benefit obligation due to: Changes in financial assumptions	**₱124,326**	(₱124,582)	(₱36,468)
Changes in demographic assumptions	**–**	(7,223)	2,221
Experience adjustments	**(10,442)**	(744)	(3,893)
	113,884	(132,549)	(38,140)
Return on plan assets	**14,369**	18,508	5,894
	128,253	(114,041)	(32,246)
Deferred tax	**(37,879)**	33,792	9,370
	₱90,374	(₱80,249)	(₱22,876)

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

	2019	2018
Net retirement liabilities [1]	**(₱407,259)**	(₱249,953)
Net retirement assets [2]	**18,610**	44,938
Net retirement liabilities	**(₱388,649)**	(₱205,015)

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

Components of net retirement liabilities:

	2019	2018
Present value of defined benefit obligation	**(₱554,607)**	(₱448,205)
Fair value of plan assets	**165,958**	243,190
	(₱388,649)	(₱205,015)

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

	2019		2018	
	Net Retirement Assets	**Net Retirement Liabilities**	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	**₱44,938**	**(₱249,953)**	₱62,129	(₱316,758)
Reclassification	**(13,649)**	**13,649**	–	–
Remeasurement gain (loss) recognized in other comprehensive income	**(15,182)**	**(113,071)**	(9,692)	123,733
Retirement benefits expense	**2,503**	**(58,414)**	(7,849)	(56,928)
Benefits paid from Group funds	**–**	**530**	350	–
Balance at end of year	**₱18,610**	**(₱407,259)**	₱44,938	(₱249,953)

Changes in the Present Value of the Defined Benefit Obligation

	2019		2018	
	Net Retirement Assets	**Net Retirement Liabilities**	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	**₱72,526**	**₱375,679**	₱90,183	₱478,882
Current service cost	**5,378**	**34,152**	6,617	43,984
Remeasurement losses (gains) due to:				
Changes in financial assumptions	**26,879**	**97,447**	(23,868)	(100,714)
Experience adjustments	**1,744**	**(12,186)**	(1,648)	904
Changes in demographic assumptions	**–**	**–**	(1,987)	(5,236)
Benefits paid	**(2,294)**	**(80,664)**	(1,317)	(65,386)
Interest cost	**6,025**	**29,921**	4,546	23,245
Balance at end of year	**₱110,258**	**₱444,349**	₱72,526	₱375,679

Changes in the Fair Value of Retirement Plan Assets

	2019		2018	
	Net Retirement Assets	**Net Retirement Liabilities**	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	**₱119,766**	**₱123,424**	₱152,311	₱162,125
Remeasurements	**(16,751)**	**2,381**	(37,195)	18,687
Benefits paid	**(2,294)**	**(80,062)**	(967)	(65,332)
Interest income on plan assets	**9,620**	**9,874**	5,617	7,944
Balance at end of year	**₱110,341**	**₱55,617**	₱119,766	₱123,424

The expected return on plan assets were determined based on a reputable fund trustee's yield rate for risk portfolio similar to that of the fund with consideration to the funds' past performance.

The categories of the plan assets are as follows:

	2019	2018
Cash	**19.6%**	18.7%
Receivables	**63.1%**	62.9%
AFS financial assets	**17.3%**	18.3%
Investments in government securities	**0.0%**	0.1%
	100.0%	100.0%

As at September 30, 2019 and 2018, plan assets include investments in 27.4 million shares of stock of the Parent Company with a fair value amounting to ₱65.5 million and ₱82.0 million, respectively.

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

	Discount Rate, September 30		Discount Rate, October 1		Salary Increase Rate, September 30		Salary Increase Rate, October 1	
	2019	2018	**2018**	2017	**2019**	2018	**2018**	2017
RHI	**4.9%**	8.0%	**8.0%**	4.8%	**4.0%**	4.0%	**4.0%**	4.0%
CADPI	**4.9%**	8.0%	**8.0%**	4.2%	**4.0%**	4.0%	**4.0%**	4.0%
CACI	**4.9%**	8.0%	**8.0%**	4.3%	**4.0%**	4.0%	**4.0%**	4.0%
RBC	**5.0%**	8.7%	**8.7%**	4.8%	**4.0%**	4.0%	**4.0%**	4.0%
SCBI	**5.0%**	8.2%	**8.2%**	5.0%	**4.0%**	4.0%	**4.0%**	5.0%

The Group does not expect to contribute to their respective retirement funds in 2020.

The sensitivity analysis based on reasonably possible changes of the assumptions on the defined benefit obligation as at September 30, 2019 and 2018 is presented below.

		2019		2018	
	Change in Assumption	**Retirement Assets**	**Retirement Liabilities**	Retirement Assets	Retirement Liabilities
Discount rate	+1.0%	**–**	**(₱46,322)**	(₱8,373)	(₱23,133)
	-1.0%	**–**	**54,201**	9,653	26,331
Salary Rate	+1.0%	**–**	**54,147**	9,643	27,448
	-1.0%	**–**	**(47,114)**	(8,517)	(24,421)

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

The schedule of projection of benefit payments expected to be paid out of the retirement fund is as follows:

Period	2019	2018
Less than one year	**₱60,202**	₱59,657
Between one and five years	**204,111**	231,310
Over five years	**2,519,620**	2,509,220
	₱2,783,933	₱2,800,187

As at September 30, 2019 and 2018, the average duration of the defined benefit obligation at the end of reporting period is 16.0 years and 12.2 years, respectively.

18. Equity

a. Capital stock and treasury stock

Details of capital stock and treasury stock follow:

	2019		2018		2017	
	Number of Shares	**Amount** *(in Thousands)*	Number of Shares	Amount *(in Thousands)*	Number of Shares	Amount *(in Thousands)*
Authorized common shares "Capital A" at ₱1.0 par value						
Balance at beginning of year	**2,000,000,000**	**₱2,000,000**	2,000,000,000	₱2,000,000	1,500,000,000	₱1,500,000
Additions	**–**	**–**	–	–	500,000,000	500,000
Balance at end of year	**2,000,000,000**	**₱2,000,000**	2,000,000,000	₱2,000,000	2,000,000,000	₱2,000,000
Issued common shares "Class A"						
Balance at beginning of year	**1,565,579,279**	**₱1,565,579**	1,564,599,146	₱1,564,599	1,439,442,161	₱1,439,442
Issuances	**–**	**–**	980,133	980	125,156,985	125,157
Balance at end of year	**1,565,579,279**	**1,565,579**	1,565,579,279	1,565,579	1,564,599,146	1,564,599
Treasury stock	**(17,643,480)**	**(52,290)**	(17,643,480)	(52,290)	(17,643,480)	(52,290)
Issued and outstanding	**1,547,935,799**	**₱1,513,289**	1,547,935,799	₱1,513,289	1,546,955,666	₱1,512,309

On July 14, 2017, the Parent Company's application for increase in authorized capital stock using the convertible debt securities as payment for subscription was approved by SEC. On November 9, 2017, the PSE approved the listing of these newly subscribed 125,000,000 common shares.

b. Other equity items and reserves

Details follow:

	Note	2019	2018	2017
Equity reserves:				
Revaluation Increment on Land	12			
Balance at beginning of year		**₱392,370**	₱2,772,367	₱2,657,525
Reclassification of revaluation increment on land under held for sale		**(5,511)**	(2,390,419)	–
Appraisal increase, net of tax		**43,374**	10,422	114,842
Balance at end of year		**430,233**	392,370	2,772,367
Cumulative Remeasurement Loss on Net Retirement Assets and Liabilities	17			
Balance at beginning of year		**(93,141)**	(173,261)	(196,091)
Remeasurement gain (loss), net of tax		**(90,265)**	80,120	22,830
Reversal of other comprehensive income		**(96,589)**	–	–
Balance at end of year		**(279,995)**	(93,141)	(173,261)
Share in Revaluation Increment on Land of an Associate	11			
Balance at beginning of year		**264,305**	207,492	207,492
Reclassification		**(264,305)**	56,813	–
Balance at end of year		**–**	264,305	207,492
Cumulative Share in Remeasurement Loss on Retirement Liability of an Associate	11			
Balance at beginning of year		**(7,664)**	(9,165)	(9,205)
Reclassification		**7,664**	1,501	40
Balance at end of year		**–**	(7,664)	(9,165)
Total equity reserves		**150,238**	555,870	2,797,433
Other equity items				
Excess of Consideration Received over Carrying Amount of Net Assets of a Subsidiary Transferred to the Parent Company		**577,148**	577,148	577,148
Effect of Change in equity Interest in Subsidiaries		**44,567**	44,567	44,567
Total other equity items		**621,715**	621,715	621,715
Total other equity items and reserves		**₱771,953**	₱1,177,585	₱3,419,148
Revaluation increment on land under assets held for sale (see Note 12)				
Balance at beginning of year		**₱2,390,419**	₱–	₱–
Reversal of deferred tax liability due to change in effective tax rate		**410,731**	–	–
Reclassification of revaluation increment on land under held for sale		**5,511**	2,390,419	–
Balance at end of year		**₱2,806,661**	₱2,390,419	–
Share in revaluation increment on land of an associate held for sale	11			
Balance at beginning of year		**₱–**	₱–	₱–
Reclassification from other equity items and reserves		**264,305**	–	–
Remeasurement gain, net of tax		**21,295**	–	–
Balance at end of year		**₱285,600**	₱–	₱–
Cumulative share in remeasurement loss on retirement liability of an associate held for sale	11			
Balance at beginning of year		**₱–**	₱–	₱–
Reclassification from other equity items and reserves		**(7,664)**	–	–
Balance at end of year		**(₱7,664)**	₱–	₱–

Following the Reorganization Program as approved by the SEC on December 11, 2001, RHI was transformed into a diversified holding and investment corporation, while its subsidiary, CADP Group Corporation (CADPGC), emerged as a holding and investment company with specific focus on sugar milling and refining business. In 2008, RHI increased its equity ownership in CADPGC from 89.28% to 89.36% when CADPGC re-acquired portion of its shares of stock. On December 11, 2008, RHI acquired CADPGC's sugar-related operating subsidiaries (CADPI, CACI, CADPI, CFSI, CCSI, JOMSI, NAVI) and an associate (HP Co.), including certain assets and liabilities of CADPGC. On January 23 2009, RHI sold its investment in CADPGC to Roxas & Company, Inc. Effective June 29, 2009, upon approval by the SEC on June 23, 2009, CADPGC, as the surviving entity, merged with Roxas & Company, Inc. through a share swap, wherein 11.71 CADPGC's shares of stock were exchanged for every share of stock of Roxas & Company, Inc. On the same date, the SEC approved the change in corporate name of CADPGC to RCI.

The acquisition by RHI on December 11, 2008 of the sugar-related operating subsidiaries and an associate from CADPGC was made for a total consideration of ₱3,838.0 million, which represents the cost of CADPGC's investments in subsidiaries and an associate amounting to ₱4,101.0 million, reduced by the net liabilities transferred by CADPGC amounting to ₱263.0 million. As a result, RHI increased its effective equity ownership in the sugar-related operating subsidiaries and recognized the effect of the change in equity ownership in subsidiaries and an associate in view of the reduction of non-controlling interests in subsidiaries of ₱44.6 million and presented as a separate component of the total consolidated equity.

On January 23, 2009, following the acquisition of the sugar-related operating subsidiaries and an associate from CADPGC, RHI sold its investment in CADPGC to RCI for a total consideration of ₱3,927.3 million. The excess of consideration received from RCI over the carrying amounts of net assets of CADPGC amounted to ₱577.1 million. This is presented as a separate component of equity under "Other equity reserves".

In 2019, the Parent Company's management used OSD in its income tax filing with the Bureau of Internal Revenue (BIR). The Parent Company's management believes it will continue to elect the use of OSD in 2020. As such, effective tax rate on the computation of deferred tax liability on the revaluation increment of the Parent Company's land held for sale as of September 30, 2019 changed from 30% to 18%.

c. Track record of registration

On March 16, 1994, the Parent Company registered with the SEC its 1,000,000,000 shares, consisting of 600,000,000 Class "A" shares and 400,000,000 Class "B" shares at a par value of ₱1.0 a share equivalent to ₱1,000,000,000, and representing the entire capital stock of the Parent Company. Moreover, the SEC licensed the sale or offer for sale of the Parent Company's 477,750,000 shares (inclusive of its present subscribed capital stock of 382,200,000 shares), out of which 95,550,000 shares were sold at ₱3.0 a share.

On September 4, 1995, the SEC licensed the sale or offer for sale of 174,400,000 shares in an initial public offering at an offer price between ₱ 5.0 to ₱ 8.0 a share. The said shares consist of 100.0 million shares from the Parent Company's registered but unlicensed and unissued capital stock for primary offering and 74,400,000 shares owned by selling shareholders for secondary offering.

On January 28, 1997, the Parent Company declared stock dividend at the rate of 30% payable to stockholders of record as at February 28, 1997.

On November 24, 1999 and December 15, 1999, the Parent Company declared stock dividend at the rate of 30%, consisting of 225,322,500 common shares at ₱1.0 a share, payable to stockholders of record as at February 15, 2000.

On January 30, 2003, the SEC approved the Parent Company's increase in authorized capital stock from ₱1,000,000,000 to ₱1,500,000,000, divided into 1,500,000,000 common shares. Of the total increase in authorized capital stock, 192,779,459 common shares at par value of ₱1.0 a share or total of 192,779,459 common shares, were fully paid through the declaration of stock dividend at the rate of 20% to stockholders of record as at February 28, 2003.

On April 3, 2003, the PSE approved the listing of additional 192,779,459 common shares, at a par value of ₱281.0 a share, representing the 20% stock dividend declaration discussed in the foregoing. Moreover, the Parent Company's listed shares were reduced by 188 common shares representing fractional shares arising from the 30% stock dividend declared in 1997 and 30% stock dividends declared in 2000, which were paid for in cash.

On February 15, 2017, the shareholders approved the amendment of the Parent Company's articles of incorporation to increase the authorized capital stock from ₱1,500,000,000 to ₱2,000,000,000 divided into 2,000,000,000 with par value of ₱1.0 per share. On the same day, the shareholders approved the subsequent conversion of the convertible note to be issued out of the increase in authorized capital stock at a conversion rate of ₱4.19 for every common share, or a total of 125,000,000 new common shares.

On July 14, 2017, the Parent Company's application for increase in authorized capital stock was approved by SEC. On November 9, 2017, the PSE approved the listing of these newly subscribed 125,000,000 common shares.

d. Retained earnings

Portion of retained earnings not available for dividend declaration

	Note	2019	2018
Deferred tax assets	26	**₱108,619**	₱619,301
Accumulated earnings of subsidiaries		**744,740**	710,341
Cumulative unrealized gain on changes in fair value of investment properties, net of tax	26	**185,620**	185,596
Treasury stock		**52,290**	52,290
		₱1,091,269	₱1,567,528

Accumulated earnings of the subsidiaries are not yet available for dividend distribution to the Parent Company's stockholders, unless received as cash dividends from the subsidiaries and an associate.

e. Share prices

The principal market for the Parent Company's shares of stock is the PSE. The high and low trading prices of the Parent Company's shares of stock for each quarter within the three fiscal years are presented in the table below.

Quarter	High	Low
October 1, 2018 through September 30, 2019		
First	₱1.87	₱1.83
Second	1.83	1.77
Third	1.72	1.69
Fourth	1.58	1.52
October 1, 2017 through September 30, 2018		
First	4.13	4.00
Second	3.42	3.28
Third	2.86	2.82
Fourth	2.19	2.14
October 1, 2016 through September 30, 2017		
First	3.04	2.98
Second	3.00	2.87
Third	3.83	3.67
Fourth	4.19	4.10

19. Related Party Transactions and Balances

In the normal course of business, the Group has transactions with related parties as follows:

Related Party	Relationship	Nature of Transaction	Year	Transactions during the Year	Trade Payables (Note 16)	Net Amount Due from Related Parties (see Note 8)	Net Amount Due to Related Parties (see Note 16)
CADP Retirement Fund, Inc. (CADPRFI)	Retirement Fund of CADPI	Noninterest-bearing advances payable on demand	**2019**	**₱62,697**	**₱–**	**₱99,670**	**₱13,149**
			2018	–	–	36,973	13,149
RHI Retirement Fund, Inc. (RHIRFI)	Retirement Fund of RHI	Noninterest-bearing advances payable on demand	**2019**	**–**	**–**	**6**	**55,000**
			2018	–	–	6	55,000
CACI Retirement Fund, Inc. (CACIRFI)	Retirement Fund of CACI	Noninterest-bearing advances payable on demand	**2019**	**724**	**–**	**138**	**27,424**
			2018	–	–	138	28,146
Roxas Foundation, Inc.	Other related party*	Noninterest-bearing advances payable on demand	**2019**	**–**	**–**	**252**	**–**
			2018	–	–	252	–
HP Co	Associate	Sale of raw sugar	**2019**	**–**	**–**	**–**	**–**
			2018	113,004	–	–	–
		Purchase of raw sugar	**2019**	**–**	**–**	**–**	**–**
			2018	121,007	–	–	–
		Purchase of molasses	**2019**	**92,514**	**20**	**–**	**–**
			2018	46,126	–	–	–
		Purchase of bagasse	**2019**	**31,422**	**108**	**–**	**–**
			2018	44,063	1,603	–	–
		Dividend income	**2019**	**49,419**	**–**	**–**	**–**
			2018	–	–	–	–
Total			**2019**		**₱128**	**₱100,066**	**₱95,573**
			2018		1,603	37,369	96,295

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

a. The Group made advances to RHIRFI, CADPIRFI and CACIRFI for a portion of the retirement payments made to the Group's qualified retired employees under defined benefit plan. As at September 30, 2019 and 2018, advances to RHIRFI, CADPRFI and CACIRFI are included in "Trade and other receivables" account. The Group's retirement funds hold RHI shares amounting to ₱65.5 million and ₱82.0 million as of September 30, 2019 and 2018, respectively (see Note 17).

b. Due to related parties, which are presented as part of "Trade and other payables" account, represents noninterest-bearing payable arising from advances and rent of office space from CADPRFI.

c. As at September 30, 2019 and 2018, total amount of trade and non-trade receivables and payables with related parties eliminated during consolidation amounts to ₱8,243.5 million and ₱7,796.9 million, respectively, while revenue and expense eliminated amounts to ₱2,996.1 million, ₱3,042.9 million and ₱3,477.0 million as at September 30, 2019, 2018 and 2017, respectively.

Outstanding balances of transactions with related parties at yearend are unsecured and settlements are made in cash. The Group did not recognize any provision for impairment loss in 2019, 2018 and 2017. This assessment is undertaken each financial year by reviewing the financial position of the related party and the market in which the related party operates.

Key management personnel compensation:

	Note	2019	2018	2017
Salaries and wages and other short-term benefits		**₱110,777**	₱100,095	₱92,519
Retirement benefits		**21,959**	18,805	19,306
Employee stock option	20	**1,068**	1,642	1,917
		₱133,804	₱120,542	₱113,742

20. Employee Stock Option Plans (ESOP)

The BOD of the Parent Company approved the establishment of its first and second ESOP on May 8, 2013 and January 16, 2014, respectively. The ESOPs cover all employees of the Parent Company and its subsidiaries, namely: CACI, CADPI and RBC, who have rendered at least six months of service at the time of grant, subject for approval by the Senior Vice President, Human Resource, and the designated administrator. Employees are given the option to purchase the shares allocable to them over an exercise period of five years from the effectivity date of ESOP. The share options vest each year over the five-year term of ESOP. The offer price of the shares is based on the average quoted price during the 30-trading days prior to exercise date less a 15% discount. About 35.0 million and 30.0 million common shares of the Parent Company's unissued shares have been initially reserved under the first and second ESOP, respectively.

Movements of the number of share options for the first and second ESOP are as follows:

	First ESOP		Second ESOP	
	2019	2018	**2019**	2018
Balance at beginning of year	**–**	15,650,483	**16,703,856**	22,953,725
Forfeited or expired	**–**	(14,670,350)	**(16,703,856)**	(6,249,869)
Exercised	**–**	(980,133)	**–**	–
Balance at end of year	**–**	–	**–**	16,703,856
Exercisable at end of year	**–**	–	**–**	13,363,085

In 2018, the Parent Company issued 980,133 common shares pertaining to the exercise of stock option of employees under First ESOP amounting to ₱2.4 million (see Note 18). The weighted-average share price at the date of exercise for share options under the First ESOP was ₱3.44.

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

First ESOP

	Year One	Year Two	Year Three	Year Four	Year Five
	Options Vesting After				
Spot price	₱2.80	₱2.80	₱2.80	₱2.80	₱2.80
Strike price	₱2.49	₱2.49	₱2.49	₱2.49	₱2.49
Expected volatility	38.83%	39.10%	36.59%	39.61%	42.46%
Risk-free rate	2.71%	2.98%	3.29%	3.60%	3.36%
Dividend rate as a percentage of spot price	0.00%	0.00%	0.00%	0.00%	0.00%

Second ESOP

	Year One	Year Two	Year Three	Year Four	Year Five
	Options Vesting After				
Spot price	₱6.90	₱6.90	₱6.90	₱6.90	₱6.90
Strike price	₱5.32	₱5.32	₱5.32	₱5.32	₱5.32
Expected volatility	33.46%	39.77%	39.71%	37.65%	39.95%
Risk-free rate	2.86%	2.82%	3.15%	3.90%	3.38%
Dividend rate as a percentage of spot price	0.00%	0.00%	0.00%	0.00%	0.00%

The weighted average fair value of the share options granted in 2013 (First ESOP) and 2014 (Second ESOP) amounted to ₱0.9 and ₱3.0, respectively. The volatility rate is determined as the historical volatility of the returns on the stock over a period similar to the vesting period of the option.

The weighted average remaining contractual life of the outstanding stock options is nil and 0.58 years as at September 30, 2019 and 2018, respectively.

The employee stock option expense recognized for employee services received amounted to ₱1.8 million, ₱7.8 million and ₱5.3 million in 2019, 2018 and 2017, respectively, presented as part of "Personnel costs" account (see Note 24).

21. **Revenue**

a. The components of revenue are as follows:

	2019	2018	2017
Sale of goods:			
Alcohol	**₱3,861,260**	₱3,244,918	₱3,602,242
Raw sugar	**1,776,217**	1,469,426	1,695,517
Molasses	**184,192**	117,376	155,010
Carbon dioxide	**11,774**	9,856	10,526
Refined sugar	**–**	7,703	7,548
	5,833,443	4,849,279	5,470,843
Sale of services:			
Milling (Note 3)	**₱683,959**	₱–	₱–
Power	**19,443**	29,564	16,366
Farm services	**17,759**	18,436	22,429
Tolling fees	**–**	498	–
	721,161	48,498	38,795
	₱6,554,604	₱4,897,777	₱5,509,638

b. Contract Balances

The Company's trade and other receivables amounted to ₱1,255.8 million and ₱2,927.4 million as at September 30, 2019 and October 1, 2018, respectively (see Note 8).

The Company has no contract assets as at September 30, 2019 and October 1, 2018.

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

c. Performance Obligations

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

22. **Cost of Sales and Services**

	Note	2019	2018	2017
Direct materials used	9	**₱3,552,467**	₱1,575,808	₱2,086,688
Milling cost		**676,800**	–	–
Depreciation and amortization	12	**506,511**	448,828	538,636
Fuel and oil		**388,170**	358,664	400,294
Repairs and maintenance		**239,454**	217,312	299,300
Personnel costs	24	**226,996**	233,449	196,185
Communication, light and water		**184,990**	109,711	72,782
Rent	28	**184,605**	197,222	86,400
Productivity assistance and other subsidies		**100,406**	569,964	801,984
Taxes and licenses		**92,040**	84,542	81,121
Outside services		**90,081**	73,218	88,175
Materials and consumables		**52,797**	127,118	122,828
Others	9	**138,770**	94,502	119,565
		₱6,434,087	₱4,090,338	₱4,893,958

23. **Operating Expenses**

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Note	2019	2018	2017
Personnel costs	24	**₱373,664**	₱395,236	₱363,056
Taxes and licenses		**92,315**	70,692	95,790
Outside services		**80,290**	61,275	46,188
Provision for probable losses	16, 28	**70,000**	–	20,770
Depreciation and amortization	12	**60,005**	47,455	64,264
Professional fees		**30,956**	24,164	32,514
Rent	28	**22,955**	21,345	27,582
Communication, light and water		**20,179**	21,067	22,169
Travel and transportation		**17,498**	16,638	18,342
Organizational activities		**10,024**	9,881	9,571
Repairs and maintenance		**9,729**	6,811	8,962
Materials and consumables		**7,346**	3,020	3,695
Entertainment, amusement and recreation		**6,919**	6,662	3,296
Corporate social responsibility		**4,637**	3,857	3,177
Provision for impairment losses on receivables	8	**4,068**	6,272	67
Others		**24,375**	40,628	41,153
		₱834,960	₱735,003	₱760,596

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

Selling Expenses
Selling expenses, representing mandatory fees paid to various regulatory agencies prior to sale of sugar, mainly pertains to delivery charges, sugar liens and dues and monitoring fees totaling ₱15.2 million, ₱20.8 million and ₱8.6 million in 2019, 2018 and 2017, respectively.

24. **Personnel Costs**

Personnel costs include:

	Note	2019	2018	2017
Salaries, wages, allowances and other employee benefits		**₱549,780**	₱580,125	₱511,081
Retirement benefits	17	**49,067**	40,800	42,903
Employee stock option	20	**1,813**	7,760	5,257
		₱600,660	₱628,685	₱559,241

The amount of personnel costs are allocated as follows:

	Note	2019	2018	2017
Cost of sales	22	**₱226,996**	₱233,449	₱196,185
General and administrative expenses	23	**373,664**	395,236	363,056
		₱600,660	₱628,685	₱559,241

25. **Other Income - net**

This account consists of:

	Note	2019	2018	2017
Fair value adjustment of investment properties	13	**₱21,680**	₱27,531	₱13,406
Sales of scrap		**10,021**	8,846	15,047
Storage, handling and insurance fees		**2,818**	23,545	23,013
Interest income	7, 8	**2,749**	2,437	3,182
Others		**3,113**	7,802	(7,398)
		₱40,381	₱70,161	₱47,250

Others mainly pertain to income from conversion rights, woodchips and reversals of various accruals.

26. **Income Taxes**

a. The components of the recognized net deferred tax assets and liabilities represent the tax effects of the following temporary differences:

		2019		2018	
	Note	**Net Deferred Tax Assets[1]**	**Net Deferred Tax Liabilities[2]**	Net Deferred Tax Assets[3]	Net Deferred Tax Liabilities[4]
Deferred tax assets recognized in profit or loss:					
Retirement liabilities	17	**₱35,419**	**₱1,461**	₱89,328	₱–
Various accruals		**12,194**	**15,283**	86,064	15,495
NOLCO		**–**	**8,989**	282,158	8,123
Unamortized past service cost		**16,053**	**–**	23,782	–
Excess MCIT		**–**	**6,608**	47,946	6,602
Allowances for:					
Impairment losses of receivables	8	**280**	**–**	28,121	–
Inventory losses and obsolescence	9	**4,206**	**841**	10,885	–
Impairment losses of CWT		**–**	**841**	–	–
Employee stock option		**–**	**4,534**	13,794	4,973
Customer's deposits		**1,754**	**156**	2,030	–
		69,906	**38,713**	584,108	35,193
Deferred tax asset recognized in other comprehensive income - cumulative remeasurement losses on retirement asset		**–**	**–**	18,518	40,946
		69,906	**38,713**	602,626	76,139

(Forward)

		2019		2018	
	Note	**Net Deferred Tax Assets[1]**	**Net Deferred Tax Liabilities[2]**	Net Deferred Tax Assets[3]	Net Deferred Tax Liabilities[4]
Deferred tax liabilities recognized in profit or loss					
Unamortized capitalized interest	12	**(₱67,526)**	**(₱5,092)**	(₱62,648)	(₱4,678)
Revaluation increment on land and depreciable assets		**–**	**(206,820)**	–	(204,914)
Unamortized transaction cost		**(2,380)**	**(882)**	(3,179)	(344)
Unrealized fair value gain on investment properties		**–**	**(4,969)**		
Retirement assets	17	**–**	**(2,884)**	(22,847)	(50,627)
Deferred milling costs		**–**	**(3,751)**	–	(1,692)
		(69,906)	**(224,398)**	(88,674)	(262,255)
Deferred tax liabilities recognized in other comprehensive income:					
Cumulative remeasurement losses on retirement asset		**–**	**(9,167)**	(18,225)	–
Revaluation increment on land		**–**	**(70,056)**	(54,910)	–
		(69,906)	**(303,621)**	(161,809)	(262,255)
Net deferred tax assets (liabilities)		**₱–**	**(₱264,908)**	₱440,817	(₱185,793)

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

Details of other deductible temporary differences for which no deferred tax assets were recognized as management believes that it may not be probable that sufficient future taxable profits will be available against which the other deductible temporary differences can be utilized are presented as follows:

	2019	2018
NOLCO	**₱1,499,442**	₱25,852
Excess MCIT	**51,076**	–
Allowance for impairment losses of receivables	**25,580**	3,679
Provision for inventory losses and obsolescence	**7,845**	3,752
	₱1,583,943	₱33,283

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

NOLCO

Year Incurred	Balance as at September 30, 2018	Additions	Applied	Expired	Balance as at September 30, 2019	Available Until
Recognized:						
September 30, 2019	₱–	₱927,928	₱–	₱–	₱927,928	September 30, 2022
September 30, 2018	554,585	–	–	–	554,585	September 30, 2021
September 30, 2017	46,892	–	–	–	46,892	September 30, 2020
September 30, 2016	391,980	–	–	(391,980)	–	September 30, 2019
	₱993,457	₱927,928	₱–	(₱391,980)	₱1,529,405	

Excess MCIT

Year Incurred	Balance as at September 30, 2018	Additions	Applied	Expired	Balance as at September 30, 2019	Available Until
Recognized:						
September 30, 2018	₱21,102	₱4,735	₱–	₱–	₱25,837	September 30, 2021
September 30, 2017	31,847	–	–	–	31,847	September 30, 2020
September 30, 2016	1,599	–	–	(1,599)	–	September 30, 2019
	₱54,548	₱4,735	₱–	(₱1,599)	₱57,684	

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

	2019	2018	2017
Income tax benefit (expense) at statutory tax rate	**(₱423,839)**	₱26,932	(₱32,519)
Tax effects of:			
Nondeductible expenses	**116,333**	(26,232)	(16,864)
Adjustments resulting from derecognition of deferred tax assets	**59,309**	(8,700)	(8,604)
Effect of 5% statutory tax rate of SCBI	**18,617**	28,453	(1,704)
Unallowable interest expense	**4,247**	(21)	(68)
Interest subject to final tax	**(538)**	146	1,015
Net income subject to income tax holiday (ITH)	**(3,444)**	117,086	58,482
Share in net earnings of an associate	**(27,226)**	16,750	20,333
Effect of change in tax rate	**(231,206)**	–	–
Others	**11,607**	(8,781)	(8,427)
	(₱476,140)	₱145,633	₱11,644

The current income tax expense of the Group in 2019, 2018 and 2017 pertains to RCIT, or MCIT, whichever is higher, except for RBC and SCBI, which are entitled to ITH and 5% gross income tax, respectively.

d. Registration with the Board of Investments (BOI) of RBC

On October 24, 2008, the BOI approved the registration of RBC as a New Producer of Bioethanol (Anhydrous) and Potable (Hydrous) Ethanol on a Pioneer and Non-Pioneer Status under the Omnibus Investments Code of 1987 or Executive Order (E.O.) No.226

On October 22, 2014, the BOI approved the amendment of registration of RBC from a New Producer of Bioethanol (Anhydrous) under E.O. No. 226 to Renewable Energy (R.E.) Developer of Biomass Resources under the R. A. No. 9513. The registration as a New Producer of Potable Ethanol is maintained under E.O. No. 226.

As a registered enterprise, RBC is entitled to certain tax incentives, which include, among others:

- ITH for the first seven years from December 3, 2013 until December 3, 2020;
- Duty-free importation of machinery, equipment and materials including control and communication equipment within the first ten years from the issuance of the BOI certificate of registration until October 23, 2018;
- Realty and other taxes on civil works, equipment, machinery, and other improvements actually and exclusively used for R. E. facilities shall not exceed one and a half (1.5%) of the original cost less accumulated depreciation or net book value;
- NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from gross income for the next seven consecutive taxable years immediately following the year of such loss is unused;
- Corporate tax rate of 10% on its net taxable income after seven years of ITH;
- If RBC did not avail of the ITH, the plant, machinery and equipment that are reasonably needed and actually used for the exploration, development and utilization of R. E. resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed; and
- Zero percent value-added tax rate on its purchase of local supply of goods, properties and services needed for the development, construction and installation of its plant facilities.

Total tax incentives availed of amounted to ₱36.8 million, ₱31.8 million and ₱18.5 million in 2019, 2018 and 2017, respectively.

e. Income Tax Regime of SCBI

SCBI is registered with the Philippine Economic Zone Authority (PEZA) as an Agro-industrial Ecozone Enterprise under Registration Certificate No.09-01-AI dated September 23, 2009.

The following are the mutual covenants and undertaking of SCBI pursuant to Registration Agreement with the PEZA:

i. The registration as an Agro-Industrial Ecozone Enterprise entitles SCBI to conduct and operate its business inside the San Carlos Ecozone.

ii. The scope of SCBI's registered activity is limited to the production of bioethanol fuel and its by-products, power/electricity, carbon dioxide, and carbon emission reduction (known as carbon credits) and importation of raw materials, machinery, equipment, tools, goods, wares, articles or merchandise directly used in its registered operations at the San Carlos Ecozone.

iii. SCBI is not entitled to a separate ITH incentive. The incentives entitlement of SCBI is the remaining ITH period granted in its registration with the BOI until December 2014. Upon expiry of the ITH under BOI registration, SCBI is entitled to the 5% Gross Income Tax (GIT) incentive, in lieu of paying of all local and national internal revenue taxes, and other incentives under Article 77, Book VI of E.O. No. 226.

The PEZA approved SCBI's amendment in its registered activity to include the production of syrup from sugarcane, which will be subjected to 5% gross income tax, until October 1, 2015. The results of operations from said registered product thereafter is subjected to national taxes.

27. Earnings per Share

Earnings per share is computed as follows:

	2019		2018		2017	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Net income (loss) attributable to the equity holders of the Parent Company (a)	**(₱1,884,113)**	**(₱1,884,113)**	₱47,664	₱47,664	₱119,777	₱119,777
Weighted average number of common shares outstanding for basic EPS	**1,547,936**	**1,547,936**	1,565,337	1,565,337	1,449,038	1,449,038
Average incremental number of shares under ESOP	**–**	**–**	–	–	–	29,867
Weighted average number of common shares adjusted for effect of dilution (b)	**1,547,936**	**1,547,936**	1,565,337	1,565,337	1,449,038	1,478,905
Earnings (loss) per share (a/b)	**(₱1.22)**	**(₱1.22)**	₱0.03	₱0.03	₱0.08	₱0.08

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

	2019		2018		2017	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Net income (loss) attributable to equity holders of the Parent Company from discontinued operations (a)	**(₱732,000)**	**(₱732,000)**	(₱50,380)	(₱50,380)	₱201,844	₱201,844
Weighted average number of common shares outstanding for basic EPS	**1,547,936**	**1,547,936**	1,565,337	1,565,337	1,449,038	1,449,038
Average incremental number of shares under ESOP	**–**	**–**	–	–	–	29,867
Weighted average number of common shares adjusted for effect of dilution (b)	**1,547,936**	**1,547,936**	1,565,337	1,565,337	1,449,038	1,478,905
Earnings (loss) per share (a/b)	**(₱0.47)**	**(₱0.47)**	(₱0.03)	(₱0.03)	₱0.14	₱0.14

28. Commitments and Contingencies

a. Milling Contracts

CACI and CADPI (the "Mills") have milling contracts with the planters, which provide for a 35% and 65% sharing between the Mills and the planters, respectively, of sugar, molasses and other sugar cane by-products, excluding bagasse, produced every crop year.

In December 2017, milling contracts of CADPI with the planters were revised to provide for a 32% and 68% sharing between CADPI and the planters, respectively. This agreement is effective until crop year 2017 to 2018. Renewal is upon mutual consent of both parties thereafter.

b. The Group has in its custody the following raw and refined sugar owned by third parties:

	2019		2018	
	Total Volume *(in Thousands) (LKg*)*	**Estimated Market Value** *(Amounts in Millions)*	Total Volume *(in Thousands) (LKg*)*	Estimated Market Value *(Amounts in Millions)*
Raw sugar	**158**	**₱237**	185	₱299
Refined sugar	**484**	**934**	333	727

**Equivalent to 50 kilogram bag unit.*

The foregoing volume of sugar is not reflected in the consolidated statements of financial position since these are not considered as assets of the Group. These raw sugar held on behalf of the third parties are also supported by quedans. The Group is accountable to the third parties for the value of trusted sugar or their sales proceeds.

c. Sales Contracts

CADPI, RBC and SCBI entered into various sales contracts with its major customers for the sale of raw sugar, refined sugar and molasses. Outstanding sales contracts for refined sugar amounted to ₱467.8 million for 198,681 lkg bags, ₱1,407.4 million for 672,344 lkg bags and ₱765.0 million for 335,773 lkg bags as at September 30, 2019, 2018 and 2017, respectively, and ₱315.3 million for 5,323,499 liters, ₱415.0 million for 7,511,654 liters and ₱897.8 million for 19,240,000 liters for anhydrous alcohol as at September 30, 2019, 2018 and 2017, respectively.

d. Crop Loan and Contract Growing Agreements

RADC entered into crop loan and contract growing agreements with various planters for the scheduled delivery of sugar cane for the crop year 2017 to 2018. Advances made to planters related to these agreements as at September 30, 2019 and 2018 amounted to ₱26.3 million and ₱34.4 million, respectively, which are included as part of "Due from planters and cane haulers" under "Trade and other receivables" account (see Note 8).

e. Leases

The Group has various lease agreements for a period of one year covering heavy loading equipment and service vehicles with various trucking and heavy equipment service companies, which are used in transloading, hauling and other milling operations. The lease agreements are renewable annually upon mutual consent of both parties.

Moreover, the Group, as a lessee, leases its office space from a third party for a period of five years until May 31, 2021, which is renewable upon mutual agreement of the parties.

Future minimum lease payments on its office space as at September 30, 2019 and 2018 are as follow:

	2019	2018
Within one year	**₱18,592**	₱17,215
After one year but not more than five years	**13,038**	31,630
	₱31,630	₱48,845

Total rent expense from the related contracts amounted to ₱ 207.6 million, ₱ 218.6 million and ₱114.0 million in 2019, 2018 and 2017, respectively.

f. Hauling Services Contracts

The Group has an agreement for hauling services for the transport of sugarcane from the plantations to milling facilities. Related hauling expenses, which are presented as part of "Planters' subsidy and productivity assistance" account under "Cost of goods sold", amounted to ₱683.2 million, ₱758.2 million and ₱1,034.0 million in 2019, 2018 and 2017, respectively (see Note 22).

g. Emission Reduction Purchase Agreement (ERPA)

On January 14, 2009, RBC and World Bank Group signed a $3.2 million ERPA for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year with a crediting period of 10 years starting 2010. As part of the ERPA, portion of the revenue for the purchase of the credits will be used to finance the RBC's community development projects.

h. Fuel Ethanol Supply Agreement (FESA)

SCBI has an existing FESA with Petron Corporation, wherein SCBI will exclusively supply fuel ethanol from the integrated ethanol distillery to Petron Corporation for a period of 10 years until 2018. The pricing, delivery, acceptance and payment terms are set out in the FESA.

i. Unused Credit Lines

The Group has unused lines of credit with various local banks amounting to nil and ₱ 310.7 million as at September 30, 2019 and 2018, respectively.

j. Contingencies

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

Outstanding provision for losses for disputed claims and assessments amounted to ₱149.6 million and ₱7.6 million as at September 30, 2019 and 2018, respectively, presented under "Trade and other payables" account (see Note 16).

29. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, trade and other receivables, and trade and other payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as restricted cash and dividends payable.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group monitors the market price risk arising from all financial instruments. The Group's operations are also exposed to commodity price risk, particularly from sugar prices. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet or settle its obligations or at a reasonable price.

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

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

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

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

	September 30, 2019				
	On demand	**Less than one year**	**Over 1 year but less than 2 year**	**Over 2 year**	**Total**
Financial assets:					
Cash and cash equivalents	**₱438,268**	**₱–**	**₱–**	**₱–**	**₱438,268**
Trade receivables***	**120,094**	**926,025**	**–**	**–**	**1,046,119**
Due from employees***	**53,015**	**–**	**–**	**–**	**53,015**
Due from related parties	**100,066**	**–**	**–**	**–**	**100,066**
Other receivables***	**56,571**	**–**	**–**	**–**	**56,571**
	768,014	**926,025**	**–**	**–**	**1,694,039**
Financial liabilities					
Trade and other payables**	**165,533**	**848,431**	**–**	**–**	**1,013,964**
Short-term borrowings*	**–**	**7,186,976**	**–**	**–**	**7,186,976**

(Forward)

September 30, 2019					
	On demand	**Less than one year**	**Over 1 year but less than 2 year**	**Over 2 year**	**Total**
Current portion of long term borrowings*	**₱–**	**₱1,036,218**	**₱–**	**₱–**	**₱1,036,218**
Noncurrent portion of long term borrowings*	**–**	**–**	**1,540,622**	**1,411,386**	**2,952,008**
	165,533	**9,071,625**	**1,540,622**	**1,411,386**	**12,189,166**
Liquidity gap	**₱602,481**	**(₱8,145,600)**	**(₱1,540,622)**	**(₱1,411,386)**	**(₱10,495,127)**

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

September 30, 2018					
	On demand	Less than one year	Over 1 year but less than 2 year	Over 2 year	Total
Financial assets:					
Cash and cash equivalents	₱295,149	₱–	₱–	₱–	₱295,149
Trade receivables***	440,516	2,337,450	–	–	2,777,966
Due from employees***	55,962	–	–	–	55,962
Due from related parties	37,369	–	–	–	37,369
Other receivables***	56,073	–	–	–	56,073
	885,069	2,337,450	–	–	3,222,519
Financial liabilities:					
Trade and other payables**	78,366	2,120,555	–	–	2,198,921
Short-term borrowings*	6,583,508	–	–	–	6,583,508
Current portion of long term borrowings*	–	1,447,850	–	–	1,447,850
Noncurrent portion of long term borrowings*	–	–	990,883	2,939,754	3,930,637
	6,661,874	3,568,405	990,883	2,939,754	14,160,916
Liquidity gap	(₱5,776,805)	(₱1,230,955)	(₱990,883)	(₱2,939,754)	(₱10,938,397)

**Includes expected future interest payments for short-term and long-term borrowings amounting to ₱372.7 million and ₱546.6 million, respectively.*
*** Excludes payables to government agencies amounting to ₱73.3 million and provision for losses amounting to ₱7.6 million.*
****Net of related allowances for impairment losses totaling ₱44.1 million.*

As of September 30, 2018, the long term loans are presented as part of current liabilities due to breach of a loan covenant (Note 15). However, the Group received waiver subsequent to report date, and the bank has not called the loan in default. Thus, the contractual undiscounted payments are based on the original terms of the loan agreements.

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

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

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

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

a. Risk concentrations of the maximum exposure to credit risk

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

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

b. As at September 30, 2019 and 2018, the analysis of financial assets follows:

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

**Excluding cash on hand amounting to 5.1 million.*

2018				
	Neither Past Due nor Impaired	Past Due but not Impaired	Past Due and Impaired	Net of allowance for doubtful accounts
Loans and receivables:				
Cash and cash equivalents*	₱292,001	₱–	₱–	₱292,001
Trade and other receivables				
Trade receivables	2,730,463	47,503	33,118	2,811,084
Due from employees	55,962	–	2,084	58,046
Due from related parties	37,369	–	–	37,369
Other receivables	–	56,073	8,858	64,931
Refundable deposits	31,252	–	–	31,252
	₱3,147,047	₱103,576	₱44,060	₱3,294,683

**Excluding cash on hand amounting to 3.1 million.*

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

As at September 30, 2019 and 2018, the age of the entire Group's past due but not impaired receivables is over 60 days (see Note 8).

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

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

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

c. Impairment analysis

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

For due from related parties, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type or by payors). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, due from related parties are written-off if the account is at least one year past due and are deemed uncollectible after subjecting to all possible collection effort activities. No ECL was recognized on due from related parties as of September 30, 2019 and 2018.

Commodity price risk
The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar and alcohol managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

The Group's sales commitments are contracted at fixed prices, and thus have no impact on the consolidated cash flows in the next 12 months.

Interest rate risk
The primary source of the Group's interest rate risk relates to interest-bearing financial liabilities. The interest rates on these liabilities are disclosed in Notes 14 and 15.

The loans amounting to ₱866.7 million and ₱1,133 million as at September 30, 2019 and 2018, respectively, bear floating interest and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity in 2019 and 2018. The estimates are based on the outstanding interest-bearing liabilities of the Group with floating interest rate as at September 30, 2019 and 2018.

	2019		2018	
Increase (Decrease)	**Effect on Income before Tax**	**Effect on Equity**	Effect on Income before Tax	Effect on Equity
0.25%	**(₱2,167)**	**(₱1,517)**	(₱2,833)	(₱1,983)
(0.25%)	**2,167**	**1,517**	2,833	(1,983)

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 14 and 15).

The other financial instruments of the Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to interest rate risk.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended September 30, 2019 and 2018.

Management considers the total consolidated equity (excluding noncontrolling interest) amounting to ₱9,109.4 million and ₱10,703.1 million as of September 30, 2019 and 2018, respectively, reflected in the consolidated statements of financial position as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

30. Fair Value Measurement

The Group has assets and liabilities that are measured at fair value on a recurring basis in the consolidated statements of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated statements of financial position at the end of each reporting period. These include investment properties and land under property and equipment at revalued amount.

The Group does not have nonrecurring fair value measurements in the consolidated financial statements. The Group's management determines the policies and procedures for recurring fair value measurement.

External valuers are involved for valuation of investment properties and land under property and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussion with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short-term nature or the interest rates that they carry approximate the interest rate on comparable instruments in the market. For the long term loans, these are subject to both fixed and floating rates.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash, trade receivables, due to and from related parties, due from employees, other receivables, trade and other payable and short-term borrowings. The carrying amounts of these instruments approximate fair values due to their short-term maturities.

Long-term borrowings. The carrying value of long-term borrowings as at September 30, 2019 and 2018 approximates its fair value as they carry interest rates of comparable instruments in the market.

The following tables present fair value hierarchy of the Group's financial liabilities, investment properties and land under property, plant and equipment:

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

Date of valuation: various dates in 2018	Carrying Value	Fair Value based on significant observable inputs (Level 2)
Assets measured at fair value		
Land under property, plant and equipment (see Note 12)	₱1,376,627	₱1,376,627
Investment properties (see Note 13)	347,591	347,591
Liabilities for which fair value is disclosed		
Fixed interest rate loan (see Note 15)	1,707,736	1,738,612

31. Notes to Statements of Cash Flows

a. Additions to property and equipment, which were purchased on account, amounted to ₱30.7 million in 2019 and nil in both 2018 and 2017. Noncash activities of the Company pertain to the adjustment to cost of property and equipment due to final billing of certain project contracts.

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

2019

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

2018

	Beginning Balance	Cash Flows	Interest Expense	Amortization of Transaction Costs	Ending Balance
Current interest-bearing loans and borrowings	₱4,608,359	₱1,602,498	₱–	₱–	₱6,210,857
Noncurrent interest-bearing loans and borrowings	6,055,335	(1,242,222)	–	–	4,813,113
Interest on loans and borrowings	37,987	(494,266)	494,266	7,807	45,794
Total liabilities from financing activities	₱10,701,681	(₱133,990)	₱494,266	₱7,807	₱11,069,764

32. Segment Reporting

The Group has two reportable segments: sugar and alcohol. The Group's sugar segment consists of four operating subsidiaries: CADPI, CACI, NAVI and RABDC that manufacture and sell raw and refined sugar, molasses and provides tolling and farm operations services. The alcohol segment consists of two operating subsidiaries: RBC and SCBI that manufactures and sells bio-ethanol fuel.

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

The Group's senior management regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statements of income.

In 2019, 2018 and 2017, ₱4,095.7 million (29%), ₱2,628.0 million (or 35%) and ₱3,132.7 million (or 37%), respectively, of the Group's total revenue were derived from two customers.

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

2019

	Sugar	Alcohol	Eliminations	Consolidated
Revenue:				
External customers	**₱2,572,275**	**₱3,982,329**	**₱–**	**₱6,554,604**
Inter-segment	**1,117,461**	**1,109,559**	**(2,227,020)**	**–**
Cost of goods sold:				
Direct materials used	**2,420,279**	**3,727,584**	**(2,595,396)**	**3,552,467**
Planters' subsidy and productivity assistance	**65,930**	**34,476**	**–**	**100,406**
Fuel and oil	**5,076**	**383,094**	**–**	**388,170**
Depreciation and amortization	**330,734**	**175,777**	**–**	**506,511**
Interest expense	**409,903**	**64,179**	**–**	**474,082**
Segment profit (loss)	**(1,395,617)**	**(60,115)**	**(433,204)**	**(1,888,936)**
Other disclosures:				
Capital expenditures	**233,264**	**29,920**	**–**	**263,184**
Investment in associate	**655,899**	**–**	**–**	**655,899**

2018

	Sugar	Alcohol	Eliminations	Consolidated
Revenue:				
External customers	₱1,505,790	₱3,391,987	₱–	₱4,897,777
Inter-segment	1,430,501	1,146,120	(2,576,621)	–
Cost of goods sold:				
Direct materials used	1,279,512	2,873,499	(2,577,203)	1,575,808
Planters' subsidy and productivity assistance	533,163	36,801	–	569,964
Fuel and oil	44,112	314,552	–	358,664
Depreciation and amortization	273,349	175,479	–	448,828
Interest expense	200,719	2	–	200,721
Segment profit (loss)	(424,492)	505,757	(26,597)	54,668
Other disclosures:				
Capital expenditures	863,041	322,290	–	1,185,332
Investment in associate	642,690	–	–	642,690

2017

	Sugar (As restated, Note 12)	Alcohol	Eliminations	Consolidated (As restated, Note 12)
Revenue:				
External customers	₱1,781,884	₱3,727,754	₱–	₱5,509,638
Inter-segment	2,155,054	845,996	(3,001,050)	–
Cost of goods sold:				
Direct materials used	1,819,126	3,241,005	(2,973,443)	2,086,688
Planters' subsidy and productivity assistance	741,962	60,022	–	801,984
Fuel and oil	57,546	342,748	–	400,294
Depreciation and amortization	300,181	238,455	–	538,636
Interest expense	231,345	4,329	(62,377)	173,297
Segment profit (loss)	80,919	181,652	(142,531)	120,040
Other disclosures:				
Capital expenditures	868,920	272,064	–	1,140,984
Investment in associate	606,768	–	–	606,768

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STOCK CODE

PSEI: ROX

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Roxas & Company, Inc.

Subsidiaries

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roxol Bioenergy Corporation
Central Azucarera de La Carlota, Inc.
san carlos Bioenergy, Inc.
RHi Agribusiness Development Corp.

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