

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	1	5	A				
---	---	---	---	---	---	--	--	--	--

COMPANY NAME

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

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

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

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

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

Secondary License Type, If Applicable

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.roxasholdings.com	(02) 771-7800	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,094	February 18	September 30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Hazel L. Rabara-Retardo	hazel.rabara@rhi.com.ph	(02) 810-8901	-

CONTACT PERSON'S ADDRESS

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

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

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



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Roxas Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at September 30, 2018 and 2017, 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, 2018 and 2017, 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.

Other Matter

The consolidated financial statements of the Group as at and for the year ended September 30, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on December 1, 2016.

Key Audit Matters

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



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

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, 2018, 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, such as forecasted bioethanol price, forecasted sales volume, expected gross profit 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 discount rate used. We evaluated management's key assumptions used in preparing the cash flow forecast such as forecasted bioethanol price, forecasted sales volume, and expected gross profit by comparing them against the CGU's historical performance and current industry outlook.



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, 2018, the carrying value of land amounted to ₱1.85 billion, representing 7% 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 involved our internal specialist in reviewing 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.

Estimating Useful Lives of Property, Plant and Equipment

Under PFRSs, the Group is required to review the estimated useful lives of property, plant and equipment at least at each reporting period. In 2018, the Group changed the estimated useful lives of buildings and building improvements, and machinery and equipment, in view of management's assessment based on examination of the structural condition and functional reliability of these assets that the remaining useful lives can be extended. The carrying values of buildings and building improvements, and machinery and equipment totaled to ₱6.4 billion, which account for 25% of the total consolidated assets as of September 30, 2018. Given that the change in estimated useful lives involves significant management judgment and estimate, we considered this is a key audit matter.

The disclosures on the estimated useful lives of the property, plant and equipment are included in Notes 4 and 5.



Audit Response

Our audit procedures included obtaining an understanding of management's basis for the change in the estimated useful lives of buildings and building improvements, and machinery and equipment. We reviewed management's internal memorandum discussing the factors considered which resulted in the change in estimated remaining useful lives. We compared the revised useful lives against market data and industry information. We tested the computation of depreciation expense based on the revised useful lives. We also reviewed the Group's disclosures regarding the change in the estimated useful lives of buildings and building improvements, and machineries and equipment.

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, 2018, total provisions recognized by the Group amounted to ₱7.55 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.

Accounting for Investment in Hawaiian-Philippine Company (HP Co.)

The Company has a 45% investment in HP Co., an associate, with carrying value of ₱642.69 million as of September 30, 2018. The investment is accounted for using the equity method. We consider the accounting for this investment as a key audit matter because it contributed ₱54.67 million to the consolidated net income and ₱56.83 million to the consolidated total comprehensive income. HP Co. also operates in the sugar industry business; thus, is subject to the same risks as the Group.

The disclosures on the investment in HP Co., are included in Note 11 to the consolidated financial statements.



Audit Response

We sent instructions to the statutory auditors of HP Co. to perform an audit on the relevant financial information of HP Co. for the purpose of the Group's consolidated financial statements. These instructions contained a discussion on their scope of work, risk assessment procedures, audit strategy and reporting requirements. We performed procedures to assess HP Co. statutory auditors' competence. We discussed with HP Co. statutory auditors about their key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended September 30, 2018. We reviewed the working papers of the statutory auditor of HP Co., focusing on the procedures performed on quedan accounting. We reviewed the appraisal report of the valuation of land accounted for as property, plant and equipment and recomputed the Group's share in appraisal increase on land of associate. We also obtained the financial information of HP Co. as of and for the year ended September 30, 2018 and recomputed the Group's share in net income for the year ended September 30, 2018.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended September 30, 2018 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, 2018, 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

Partner

CPA Certificate No. 72557

SEC Accreditation No. 0096-AR-4 (Group A),

August 18, 2016, valid until August 18, 2019

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

January 14, 2019



ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		September 30	
	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	7	₱295,149	₱571,377
Trade and other receivables	8	3,040,355	2,258,083
Inventories	9	2,646,085	2,539,526
Other current assets	10	1,204,288	829,203
		7,185,877	6,198,189
Assets Held for Sale	12	6,525,072	—
		13,710,949	6,198,189
Noncurrent Assets			
Investment in an associate	11	642,690	606,768
Property, plant and equipment:	12		
At cost		7,595,865	10,303,421
At revalued amount		1,376,627	4,746,047
Investment properties	13	347,591	349,267
Goodwill	6	1,079,615	1,079,615
Retirement assets – net	17	44,938	62,129
Deferred tax assets – net	26	440,817	270,839
Other noncurrent assets	10	291,423	279,898
		11,819,566	17,697,984
		₱25,530,515	₱23,896,173
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings	14	₱6,210,857	₱4,608,359
Current portion of long-term borrowings	15	4,813,113	1,234,803
Trade and other payables	16	2,279,766	1,188,567
Income tax payable		2,350	1,605
		13,306,086	7,033,334
Liability directly associated with the assets held for sale	12	1,024,465	—
		14,330,551	7,033,334
Noncurrent Liabilities			
Long-term borrowings - net of current portion	15	—	4,820,532
Retirement liabilities -net	17	249,953	316,758
Deferred tax liabilities - net	26	185,793	1,180,141
Other noncurrent liabilities	6	1,300	1,300
		437,046	6,318,731
Total Liabilities		14,767,597	13,352,065

(Forward)



		September 30	
	Note	2018	2017
Equity Attributable to the Equity Holders of the Parent Company			
Capital stock	18	₱1,565,579	₱1,564,599
Additional paid-in capital		2,840,370	2,826,554
Treasury stock	18	(52,290)	(52,290)
Revaluation increment on land under assets held for sale	12	2,390,419	—
Other equity items and reserves	18	1,177,585	3,419,147
Retained earnings		2,781,402	2,733,738
		10,703,065	10,491,748
Non-controlling Interests		59,853	52,360
		10,762,918	10,544,108
		₱25,530,515	₱23,896,173

See accompanying Notes to Consolidated Financial Statements.



ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED SEPTEMBER 30, 2016)
(Amounts in Thousands, except Basic and Diluted Earnings per Share)

	Note	2018	2017 (As restated, Note 12)	2016 (As restated, Note 12)
CONTINUING OPERATIONS				
REVENUE	21			
Sale of goods		₱4,849,279	₱5,470,843	₱7,638,288
Sale of services		48,498	38,795	32,715
		4,897,777	5,509,638	7,671,003
COST OF SALES AND SERVICES	22	(4,090,338)	(4,893,958)	(7,410,843)
GROSS INCOME		807,439	615,680	260,160
GENERAL AND ADMINISTRATIVE EXPENSES	23	(735,003)	(760,596)	(747,038)
SELLING EXPENSES	23	(20,801)	(8,608)	(22,445)
INTEREST EXPENSE	14, 15	(200,721)	(173,297)	(192,213)
SHARE IN NET EARNINGS OF AN ASSOCIATE	11	55,834	67,777	212,258
OTHER INCOME	25	70,161	47,250	34,271
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS		(23,091)	(211,794)	(455,007)
INCOME TAX BENEFIT (EXPENSE)	26			
Current		180,629	129,671	114,234
Deferred		(52,486)	319	104,674
		128,143	129,990	218,908
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		105,048	(81,804)	(236,099)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	12	(50,380)	201,844	337,690
		₱54,668	₱120,040	₱101,591
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱47,664	₱119,777	₱101,244
Non-controlling interests		7,004	263	347
		₱54,668	₱120,040	₱101,591
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Basic	27	₱0.03	₱0.08	₱0.07
Diluted		0.03	0.08	0.07
EARNINGS PER SHARE FOR CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Basic	27	₱0.06	(₱0.06)	(₱0.17)
Diluted		0.06	(0.06)	(0.16)

See accompanying Notes to Consolidated Financial Statements.



ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED SEPTEMBER 30, 2016)
(Amounts in Thousands)

	Note	2018	2017 (As restated, Note 12)	2016 (As restated, Note 12)
NET INCOME		₱54,668	₱120,040	₱101,591
OTHER COMPREHENSIVE INCOME (LOSS)	18			
<i>Items not to be reclassified to profit or loss</i>				
Remeasurement gain (loss) on retirement assets and liabilities [net of tax effect of 34.4 million in 2018, ₱9.8 million in 2017 and (₱17.9 million) in 2016]	17	80,249	22,876	(41,814)
Share in appraisal increase on land of an associate (net of tax effect of ₱51.0 million in 2018)	11	56,813	—	—
Appraisal increase on land (net of tax effect of ₱4.6 million in 2018, ₱50.0 million in 2017 and ₱77.8 million in 2016)	12	10,782	116,561	181,462
Share in remeasurement gain (loss) on retirement liability of an associate [net of tax effect of ₱0.6 million in 2018, ₱0.02 million in 2017 and (₱1.3 million) in 2016]	11	1,501	39	(3,030)
TOTAL COMPREHENSIVE INCOME		₱204,013	₱259,516	₱238,209
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱196,520	₱257,488	₱237,658
Non-controlling interests		7,493	2,028	551
		₱204,013	₱259,516	₱238,209

See accompanying Notes to Consolidated Financial Statements.



ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED SEPTEMBER 30, 2016)

(Amounts in Thousands)

	Note	Equity Attributable to the Equity Holders of the Parent Company									
		Capital Stock (Note 18)	Additional Paid-in Capital	Treasury Stock (Note 18)	Other Equity			Retained Earnings	Total	Non-controlling Interests	Total Equity
					Reserves (Note 18)	Increment on Land Under Sale (Note 12)	Revaluation				
Balances as at September 30, 2017		₱1,564,599	₱2,826,554	(₱52,290)	₱3,419,147	₱-		₱2,733,738	₱10,491,748	₱52,360	₱10,544,108
Net income:											
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	20	-	-	-	(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	₱10,703,064	₱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:											
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	-	-	-	39	-	-	-	39	-	39
Total comprehensive income		-	-	-	137,711	-	-	119,777	257,488	2,028	259,516
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)	₱3,419,147	₱-		₱2,733,738	₱10,491,748	₱52,360	₱10,544,108

(Forward)



Equity Attributable to the Equity Holders of the Parent Company

	Note	Capital Stock (Note 18)	Additional Paid-in Capital	Treasury Stock (Note 18)	Other Equity Items and Reserves (Note 18)	Revaluation Increment on Land Under Assets Held for Sale (Note 12)	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balances as at September 30, 2015		₱1,169,289	₱1,573,993	(₱52,290)	₱3,145,022	₱-	₱2,515,315	₱8,351,329	₱81,371	₱8,432,700
Net income:										
Continuing operations		-	-	-	-	-	(236,446)	(236,446)	347	101,591
Discontinued operations		-	-	-	-	-	337,690	337,690	-	(236,099)
Appraisal increase on land, net of tax	18	-	-	-	181,462	-	-	181,462	-	337,690
Remeasurement gain (loss) on retirement assets and liabilities, net of tax	17	-	-	-	(42,018)	-	-	(42,018)	-	181,462
Share in remeasurement loss on retirement liability of an associate, net of tax	11	-	-	-	(3,030)	-	-	(3,030)	204	(41,814)
Total comprehensive income		-	-	-	136,414	-	101,244	237,658	551	(3,030)
Issuances of shares from stock rights offering, net of transaction costs	18	266,754	846,544	-	-	-	-	1,113,298	-	238,209
Acquisition of non-controlling interest	4	-	-	-	-	-	(2,598)	(2,598)	(16,402)	1,113,298
Exercise of employee stock option	20	3,399	3,573	-	-	-	-	6,972	-	(19,000)
Employee stock option	20	-	1,440	-	-	-	-	1,440	-	6,972
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

See accompanying Notes to Consolidated Financial Statements.



ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED SEPTEMBER 30, 2016)
(Amounts in Thousands)

	Note	2018	2017 (As restated, Note 12)	2016 (As restated, Note 12)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax from continuing operations		(P23,091)	(P211,794)	(P455,007)
Income (loss) before income tax from discontinued operations	12	(67,870)	320,190	481,856
Adjustments for:				
Depreciation and amortization	12	775,308	950,839	927,513
Interest expense	14, 15	502,073	444,257	382,770
Retirement benefits	17	64,777	65,951	48,733
Share in net earnings of an associate	11	(55,834)	(67,777)	(212,258)
Unrealized gain on fair value adjustment on investment properties	13	(27,531)	(13,406)	(27,529)
Employee stock option	20	12,355	2,020	1,440
Interest income	25	(2,600)	(3,384)	(3,401)
Net unrealized foreign exchange gains	25	(1)	(187)	(389)
Loss (gain) from disposal of property, plant and equipment		38	(18)	(2,481)
Operating income before changes in working capital		1,177,624	1,486,691	1,141,248
Decrease (increase) in:				
Trade and other receivables		(782,272)	(1,029,549)	91,247
Inventories		(106,559)	(937,709)	(100,992)
Other current assets		(127,261)	(230,042)	(243,284)
Increase (decrease) in trade and other payables		1,083,077	118,185	(858,193)
Net cash generated from (used in) operations		1,244,609	(592,424)	30,026
Income taxes paid, including final taxes		(32,550)	(34,921)	(36,771)
Interest received		2,600	3,385	3,401
Retirement benefits paid	17	(350)	(193)	(3,251)
Net cash flows provided by (used in) operating activities		1,214,309	(624,153)	(6,595)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, plant and equipment	12	(1,185,332)	(1,140,984)	(911,749)
Investment properties	13	-	-	(83)
Proceeds from:				
Dividends received	11	78,226	212,408	132,468
Disposal of property and equipment		7,117	9,448	7,068
Increase (decrease) in other noncurrent assets		(258,999)	17,752	(38,515)
Acquisition of non-controlling interest	4	-	(15,188)	(19,000)
Net cash flows used in investing activities		(1,358,988)	(916,564)	(829,811)

(Forward)



Years Ended September 30				
	Note	2018	2017 (As restated, Note 12)	2016 (As restated, Note 12)
CASH FLOWS FROM FINANCING ACTIVITIES	31			
Net availments of short-term borrowings		₱1,602,498	₱1,694,020	₱1,045,738
Payments of:				
Long-term borrowings	15	(1,242,222)	(380,185)	(1,364,691)
Interest		(494,266)	(430,591)	(383,193)
Proceeds from:				
Exercise of stock option	20	2,440	391	6,972
Convertible debt securities		—	523,750	—
Issuances of common shares from stock rights offering, net of transaction costs	18	—	—	1,113,298
Availments of long-term borrowings		—	—	920,000
Net cash flows provided by (used in) financing activities		(131,550)	1,407,385	1,338,124
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(276,229)	(133,332)	501,718
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1	187	389
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		571,377	704,522	202,415
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	₱295,149	₱571,377	₱704,522

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. The corporate life of the Parent Company was extended on May 6, 2016 for another 50 years until November 1, 2030.

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).

As at September 30, 2015, the Parent Company is 31% owned by Roxas and Company, Inc. (RCI), a publicly listed company incorporated and domiciled in the Philippines, 27% owned by FP Natural Resources Holdings B.V. (FPNRH), a Hong Kong based company and a subsidiary of First Pacific Company, Ltd. (First Pacific), and 24% owned by First Agri Holdings Corporation (FAHC), a Philippine affiliate of FPNRH.

RHI completed its stock rights offering in May 2016 for 266,753,974 outstanding common shares of RHI, with par value of ₱1.00 a share, on a pre-emptive basis to holders of common shares of the capital stock of RHI as at May 4, 2016 (the "Record Date") at an offer price of ₱4.19 per Rights Share (the "Offer Price") (see Note 18). As a result, the equity interest of FAHC in RHI increased from 24% to 33% while the equity interest of RCI decreased from 31% to 22%.

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 million 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, 2018 and 2017 and for each of the three years in the period ended September 30, 2018, as reviewed and recommended for approval by the Group’s Audit and Risk Committee on December 3, 2018, were approved and authorized for issue by the Parent Company’s BOD on January 14, 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, 2017 (October 1, 2017 for the Group):

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments do not have any impact on the Group’s consolidated financial statements.

- Amendments to Philippine Accounting Standards (PAS) 7, *Statement of Cash Flows - Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The changes in the Group’s liabilities arising from its financing activities are presented in Note 31 of the consolidated financial statements.



As allowed under the transition provisions, the Group did not present comparative information for the years ended September 30, 2017 and 2016.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

These amendments did not have any impact on the Group's consolidated financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to September 30, 2018

The standards, interpretations, amendments and improvements to the standards that are issued, but not yet effective, up to date of issuance of the financial statements are disclosed below. The Group intends to adopt these, if applicable, when these become effective. Unless otherwise specified, these will not have an impact on the Group's consolidated financial statements.

Effective for Fiscal Year 2019

- PFRS 15, *Revenue from Contracts with Customers*, establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach. The Group is currently evaluating the impact of adopting PFRS 15 on the Group's milling and tolling agreements, among other revenue arrangements.
- PFRS 9, *Financial Instruments*, reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but providing comparative information is not compulsory. The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group does not expect that PFRS 9 will impact the classification of its financial instruments. However, the Group anticipates impact on the adoption of the expected credit loss.
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*, clarifies when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of



the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group is currently assessing the impact of adopting these amendments.

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

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

The Group is currently assessing the impact of adopting these amendments.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*, 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 the Group does not have any activities related to insurance contracts.

- Amendments to PAS 28 - *Measuring an Associate or Joint Venture at Fair Value*

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 FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting these amendments.



- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*, 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 nonmonetary asset or nonmonetary liability arising from advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of adopting this Interpretation.

Effective for Fiscal Year 2020

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. Earlier application is permitted. The Group is currently assessing the impact of adopting these amendments.
- PFRS 16, *Leases*, 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-statement of financial position model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

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

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

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

The Group is currently assessing the impact of adopting the new standard on its office spaces lease agreements.



- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*, clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Earlier application is permitted. The Group is currently assessing the impact of adopting these amendments.
- 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 adopting this Interpretation.

Effective for Fiscal Year 2021

- PFRS 17, *Insurance Contracts*, establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply to them PFRS 15 and provided the following conditions are met:

- (a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
- (b) the contract compensates the customer by providing a service, rather than by making cash payments to the customer; and
- (c) the insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services

PFRS 17 is not applicable to the Group since the Group does not have any insurance contracts.



Deferred Effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in PFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do 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 FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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			Nature of Business	Principal Place of Business
	2018	2017	2016	2018	2017	2016		
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%	86.91%	4.18%	4.18%	13.09%	Agricultural and industrial development	Negros Occidental
Roxas Power Corporation (RPC)	50.00%	50.00%	50.00%	50%	50%	50%	Sale of electricity	Nasugbu, Batangas
Northeastern Port Storage Corporation (NPSC) ⁽⁴⁾	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, 2017, 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 CCSI, CFSI and 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, 2018, 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 statement of comprehensive income and within the equity section of the consolidated statement of financial position and consolidated statement 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.

Cash and cash Equivalents

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

Financial Instruments

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

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction



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

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

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

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

The Group does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at September 30, 2018 and 2017.

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 and 2017 (see Notes 7, 8 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.

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

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

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

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

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

This category includes trade and other payables (excluding statutory liabilities and provision for probable losses) and short-term and long-term borrowings as at September 30, 2018 and 2017 (see Notes 14, 15, 16 and 19).

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

- the rights to receive cash flows from the asset expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and 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 rights 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 asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.



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

When 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.

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

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

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

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.

Offsetting Financial Instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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 a currently enforceable right if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and event of insolvency or bankruptcy of the Group and all of the counter parties.

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 statement of financial position. The net amount of VAT payable to taxation authority is included in "Trade and other payables" in the consolidated statement 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 statement 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 sale 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.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement 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 statement 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," net of related deferred tax, in the consolidated statement 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.



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

Asset Category	Number of Years	
	2018	2017
Buildings and building improvements	30	25
Land improvements	10 to 25	10 to 25
Machinery and equipment:		
Factory machinery and installations	17 to 28	17 to 25
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 statement 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 statement 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

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.

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.

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

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.

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

Cost and Expense Recognition

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

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

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

Borrowing Costs

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

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

Leases

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 Company 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.

Related Party Relationship and Transactions

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

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 per Share

The Group presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit 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.

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, 2018, 2017 and 2016 are sugar, alcohol and others (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 ₱248.3 million, ₱210.8 million and ₱184.4 million, respectively, included in "Cost of goods sold" and "General and administrative expenses" accounts, in 2018, 2017 and 2016, respectively (see Notes 22 and 23).

- 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).



Determining the classification of assets held for sale and discontinued operations. On May 23, 2018, the Group has reached an agreement with Universal Robina Corporation ("URC") 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 URC in its current condition as of September 30, 2018. Further, management believes that the PCC approval is required in relation to similar transactions. As of January 14, 2019, the Proposed Sale Transaction is still under review by the PCC. Nonetheless, the Group remains committed to the Proposed Sale Transaction. The agreement between the Group and URC represents a disposal of a separate major operating segment of the Group hence, the disclosure as discontinued operations.

As at September 30, 2018, assets held for sale amounted to ₱6,525.0 million (see Note 12).

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

The Group classified and accounted the land of NAVI, SCBI and the Parent Company held for rent or capital appreciation as investment properties. As at September 30, 2018 and 2017, the carrying amount of investment properties amounted to ₱347.6 million and ₱349.3 million, respectively (see Note 13).

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.

Estimating Impairment Losses on Receivables. 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 and 2017, trade and other receivables amounted to ₱3,040.4 million and ₱2,258.1 million, respectively (see Note 8). Allowance for impairment losses of trade and other receivables amounted to ₱90.8 million and ₱76.0 million as at September 30, 2018 and 2017, respectively (see Note 8).



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

As at September 30, 2018 and 2017, the inventories carried at lower of cost and NRV amounted to ₱2,646.1 million and ₱2,539.5 million, respectively (see Note 9). Allowance for inventory losses and obsolescence amounted to ₱57.8 million and ₱30.1 million as at September 30, 2018 and 2017, 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, 2018 and 2017, portion of molasses inventory amounting to ₱68.3 million and ₱5.9 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, 2018 and 2017, the carrying amount of creditable withholding taxes (net of allowance amounting to ₱ 12.2 million as of both years) amounted to ₱ 794.5 million and ₱597.5 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 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, 2018 and 2017 amounted to ₱1,376.6 million and ₱4,746.0 million, respectively (see Note 12). Appraisal increase, net of tax, amounted to ₱10.8 million, ₱116.6 million and ₱181.5 million in 2018, 2017, and 2016, 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 current year depreciation expense by ₱119.5 million. Estimated increase on future annual depreciation expense amounted to ₱77.9 million in 2019 to 2023 and ₱52.0 million in 2024 to 2028 while estimated decrease amounted to ₱249.4 million in 2029 onwards.

The carrying amount of the depreciable property, plant and equipment as at September 30, 2018 and 2017 amounted to ₱6,731.7 million and ₱9,849.6 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 appraisers using Market Data Approach based on gathered available market evidences. The latest appraisal reports were made on various dates in 2018.

Investment properties stated at fair value amounted to ₱347.6 million and ₱349.3 million as at September 30, 2018 and 2017, respectively (see Note 13). The unrealized gain on fair value adjustment of investment properties amounted to ₱27.5 million, ₱13.4 million and ₱27.5 million in 2018, 2017 and 2016, respectively, recorded under "Other income" in the consolidated statements of income (see Note 25).

Estimation of fair value less costs to sell 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, 2018, assets held for sale are measured at its carrying amount of ₱6,525.1 million, which is lower than its fair value less costs to sell.

Assessing Impairment of Nonfinancial Assets. The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed in the next page (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	2018	2017
Property, plant and equipment	12	₱7,595,865	₱10,303,421
Investment in an associate	11	642,690	606,768

There are no indications of possible impairment on the nonfinancial assets. Accordingly, the Group has not recognized any impairment losses on nonfinancial assets in 2018, 2017 and 2016.

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, 2018 and 2017 (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, 2018 and 2017 are as follows:

Sales growth (average of less than 1% year on year) - Management based the projected sales growth on the production capacity of its plant over the forecast period.

Terminal growth rate (2.2%) - Cash flows beyond the five-year period are extrapolated growth rate using a 2.2% 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 72% over the forecast period) – Management based the ratio of production costs over feedstock margin on its historical experience.



Operating expenses ratio (averaging at 6% over the forecast period) – Management based the ratio of operating expenses over feedstock margin on its historical experience.

Discount rate (11.45% and 8.8% in 2018 and 2017, 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, 2018 and 2017 (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, 2018 and 2017, net retirement assets amounted to ₱44.9 million and ₱62.1 million, respectively, while net retirement liabilities amounted to ₱249.9 million and ₱316.8 million as at September 30, 2018 and 2017, respectively (see Note 17). Net retirement benefits expense amounted to ₱64.8 million, ₱66.0 million and ₱48.7 million in 2018, 2017 and 2016, 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 ₱638.1 million and ₱472.7 million as at September 30, 2018 and 2017, respectively (see Note 26).



Deferred tax assets were not recognized on certain deductible temporary differences and carryforward benefits of excess MCIT over RCIT with income tax effect amounting to ₱10.0 million and ₱12.8 million as at September 30, 2018 and 2017, respectively (see Note 26). Management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized.

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 ₱7.6 million and ₱96.6 million as at September 30, 2018 and 2017, 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:

	2018	2017
Cash on hand	₱3,148	₱1,040
Cash in banks	289,988	520,334
Cash equivalents	2,013	50,003
	₱295,149	₱571,377



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 ₱ 0.7 million, ₱0.8 million and ₱1.0 million in 2018, 2017, and 2016, respectively (see Note 25).

8. Trade and Other Receivables

This account consists of:

	Note	2018	2017
Trade	19	₱2,811,084	₱2,013,752
Due from:			
Planters and cane haulers	28	159,717	130,792
Employees		58,046	63,274
Related parties	19	37,369	57,821
Others		64,931	68,435
		3,131,147	2,334,074
Allowance for impairment losses		(90,792)	(75,991)
		₱3,040,355	₱2,258,083

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 ₱1.7 million, ₱2.4 million and ₱1.9 million in 2018, 2017 and 2016, 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 impairment losses on trade and other receivables determined through specific identification are presented in the following tables:

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



2017						
Note	Trade	Due from Planters and Cane Haulers	Due from Employees	Others	Total	
Balance at beginning of year	₱39,176	₱37,743	₱733	₱8,858	₱86,510	
Provision (reversal)	23	–	(9,322)	65	(9,257)	
Write-off	(1,262)	–	–	–	(1,262)	
Reclassifications	(19,182)	18,051	1,131	–	–	
Balance at end of year	₱18,732	₱46,472	₱1,929	₱8,858	₱75,991	

9. Inventories

This account consists of:

	2018	2017
At NRV:		
Materials and supplies	₱560,676	₱541,014
Alcohol	46,227	46,153
At cost:		
Refined sugar	1,383,012	1,324,000
Molasses	488,319	335,046
Raw sugar	108,897	283,887
Others	58,954	9,426
	₱2,646,085	₱2,539,526

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:

	2018	2017
Materials and supplies	₱600,713	₱571,051
Alcohol	63,948	46,227
	₱664,661	₱617,278

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

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



	2017		
	Alcohol	Materials and Supplies	Total
Balance at beginning of year	P—	P29,985	P29,985
Provisions	74	52	126
Balance at end of year	P74	P30,037	P30,111

Provisions for inventory losses and obsolescence amounting to P27.6 million and P0.1 million, are presented as “Others” under “Cost of goods sold” and “General and Administrative Expenses” in 2018 and 2017, respectively (see Notes 22 and 23).

Cost of inventories recognized as expense and presented as “Direct materials used” under “Cost of sales” amounted to P1,575.8 million, P2,086.7 million and P4,259.7 million in 2018, 2017 and 2016, respectively (see Note 22). Cost of inventories recognized as expense included as part of “Cost of sales and services” of discontinued operations amounted to P4,918.6 million, P3,108.0 million and P1,985.7 million in 2018, 2017 and 2016, respectively (see Note 12).

10. Other Assets

Current portion of this account consists of:

	2018	2017
Creditable withholding taxes, net of allowance for probable losses of P12.2 million	P794,453	P597,480
Advances to suppliers	261,040	103,682
Input VAT	37,550	70,395
Prepayments	35,932	18,211
Refundable deposits	14,410	14,315
Others	60,903	25,120
	P1,204,288	P829,203

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

Noncurrent portion of other assets consist of:

	2018	2017
Input VAT	P273,023	P256,661
Refundable deposits	16,842	16,842
Others	1,558	6,395
	P291,423	P279,898

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



11. Investment in an Associate

The Parent Company has 45.09% ownership interest in Hawaiian-Philippine Company (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	2018	2017
Acquisition cost		₱127,933	₱127,933
Accumulated share in net earnings:			
Balance at beginning of year		280,509	322,648
Dividends declared		(78,226)	(109,916)
Share in net earnings		55,834	67,777
Balance at end of the year		₱258,117	₱280,509
Cumulative share in remeasurement loss on retirement liability:	18		
Balance at beginning of year		(9,166)	(9,205)
Share in remeasurement gain		1,501	39
Balance at end of the year		(7,665)	(9,166)
Share in revaluation increment of land:	18		
Balance at beginning of year		207,492	207,492
Share in revaluation increment		56,813	–
Balance at end of the year		264,305	207,492
		₱642,690	₱606,768

Cash dividends declared by HP Co. are as follows:

Date Approved	Amount per Share	Total Amount	Stockholders of Record Date	Date Paid
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
February 11, 2016	2.42	153,224	February 29, 2016	April 7, 2016

Dividends declared attributable to the Parent Company amounted to ₱78.2 million and ₱109.9 million in 2018 and 2017, respectively.

The associate has no contingent liabilities or capital commitments as of September 30, 2018 and 2017.

Summarized financial information of HP Co. are as follows:

	2018	2017
Current assets	₱743,060	₱1,000,976
Noncurrent assets	1,360,903	1,388,505
Current liabilities	(887,343)	(1,044,500)
Noncurrent liabilities	(324,419)	(406,395)
Net assets	892,201	938,586
Revenue	2,314,515	2,136,579
Net income	100,520	150,314
Other comprehensive income - remeasurement loss on retirement benefit obligation	283	86



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:

	2018						Total
	Buildings and Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Depot and Storage Facilities	Transportation Equipment	Construction In Progress	
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

	2017						Total
	Buildings and Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Depot and Storage Facilities	Transportation Equipment	Construction In Progress	
Cost							
Balances at beginning of year	₱3,357,857	₱16,277,444	₱739,017	₱173,387	₱155,045	₱537,797	₱21,240,547
Additions	20,162	248,520	32,565	1,750	3,254	613,510	919,761
Retirement and disposals	—	(17,919)	—	—	(1,375)	—	(19,294)
Reclassifications	490,463	78,175	(1,660)	—	117,641	(684,619)	—
Adjustments	6,823	(31,152)	(16,701)	13,870	(13)	(12,837)	(40,010)
Balances at end of year	3,875,305	16,555,068	753,221	189,007	274,552	453,851	22,101,004
Accumulated Depreciation and Amortization							
Balances at beginning of year	1,519,967	8,600,074	664,667	52,199	71,819	—	10,908,726
Depreciation and amortization	184,766	689,746	17,933	16,000	17,578	—	926,023
Retirement and disposals	—	(9,252)	—	—	(574)	—	(9,826)
Reclassifications	377,291	(438,440)	(3,399)	—	64,548	—	—
Adjustments	(2,622)	(7,777)	(16,927)	—	(14)	—	(27,340)
Balances at end of year	2,079,402	8,834,351	662,274	68,199	153,357	—	11,797,583
Net Carrying Amount	₱1,795,903	₱7,720,717	₱90,947	₱120,808	₱121,195	₱453,851	₱10,303,421

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 2019. As at September 30, 2018 and 2017, the Group has contractual commitment for the on-going construction projects amounting to ₱798.5 million and ₱394.1 million, respectively.

The Group has no borrowing cost capitalized in 2018 and 2017. Unamortized capitalized borrowing cost as at September 30, 2018 and 2017 amounted to ₱208.8 million and ₱259.4 million with corresponding deferred tax of ₱62.6 million and ₱77.8 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	2018	2017	2016
Cost of sales	22	₱448,828	₱538,636	₱487,429
General and administrative expenses	23	47,455	64,264	64,598
Discontinued operations		279,025	347,939	375,486
		₱775,308	₱950,839	₱927,513



Depreciation and amortization in 2018, 2017 and 2016 includes amortization of software cost of ₱4.8 million, ₱24.8 million and ₱13.4 million, respectively.

As at September 30, 2018 and 2017, fully depreciated property, plant and equipment with an aggregate cost of ₱519.3 million and ₱1,494.6 million, respectively, are still being used in operations.

Land at appraised values and its related cost are as follows:

	Note	2018	2017
Balance at beginning of year		₱4,746,047	₱4,379,780
Reclassification to asset held for sale		(3,414,959)	–
Appraisal increase	18	15,403	166,516
Reclassification	13	27,531	(14,717)
Additions		2,605	214,468
Balance at end of year		₱1,376,627	₱4,746,047
At cost		₱769,617	₱841,279

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 2017, reclassification pertains to land which was owner-occupied but was held for lease and classified as investment property starting in 2017.

As at September 30, 2018 and 2017, the revaluation of land is based on the appraised values using a market data approach, as determined by Philippine SEC accredited independent 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 2018.

Certain property, plant and equipment and assets held for sale with a carrying amount of ₱8,183.2 million as at September 30, 2018 and 2017 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 URC for the sale of the Group's sugar milling and refining operations in Batangas. The consummation of the Proposed Sale Transaction is subject to the parties being able to secure the requisite regulatory approvals, corporate approvals, and other third party consents. As of January 14, 2019, the Proposed Sale Transaction is still under review by the PCC. The PCC review is customary for similar transactions. However, management is committed to the Proposed Sale Transaction and expects it to be completed after PCC approval is secured.

The assets held for sale represent CADPI's operations which are included as part of the sugar operating segment until September 30, 2018. With CADPI's operations being classified as discontinued operations, these are no longer presented as part of sugar operating segment disclosures in Note 32.



Assets held for sale as of September 30, 2018 are as follows:

Land	₱3,414,959
Machinery and equipment	2,379,373
Buildings and improvements	548,149
Furniture fixture and other improvements	64,104
Transportation equipment	11,707
Investment properties	1,433
Construction in-progress	105,347
	₱6,525,072

Deferred tax liability directly associated with the assets held for sale amounted to ₱1,024.5 million as of September 30, 2018.

Revaluation increment on land held for sale amounted to ₱2,390.4 million as of September 30, 2018.

The results of operations of CADPI's sugar and milling operations are shown in the table below:

	2018	2017	2016
Revenue			
Sale of goods	₱6,816,298	₱5,194,349	₱4,126,252
Sale of services	97,214	243,546	252,979
	6,913,512	5,437,895	4,379,231
Cost of sales and services`	(6,466,514)	(4,639,292)	(3,600,524)
Gross income	446,998	798,603	778,707
General and administrative expenses	(195,526)	(204,749)	(114,532)
Selling expense	(73,013)	(49,250)	(46,995)
Interest expenses	(301,351)	(270,960)	(190,557)
Other income - net	55,022	46,546	55,233
Income (loss) before income tax	(67,870)	320,190	481,856
Income tax expense (benefit)	17,490	(118,346)	(144,166)
Net income (loss) from discontinued operations	(₱50,380)	₱201,844	₱337,690

The restatement of the 2017 and 2016 consolidated statements of income as a result of the discontinued operations are presented below:

	2017 Balances as Previously Reported	Balances Attributable to Discontinued Operations	2017 Balances after Restatement
Revenue			
Sale of goods	₱10,665,192	₱5,194,349	₱5,470,843
Sale of services	282,341	243,546	38,795
	10,947,533	5,437,895	5,509,638
Cost of sales and services	(9,533,250)	(4,639,292)	(4,893,958)
Gross income	1,414,283	798,603	615,680
General and administrative expenses	(965,345)	(204,749)	(760,596)
Selling expenses	(57,858)	(49,250)	(8,608)
Interest expense	(444,257)	(270,960)	(173,297)
Share in net earnings of an associate	67,777	-	67,777
Other income	93,796	46,546	47,250
Income (loss) before income tax	108,396	320,190	(211,794)
Income tax benefit (expense)	11,644	(118,346)	129,990
Net income (loss)	₱120,040	₱201,844	(₱81,804)



	2016 Balances as Previously Reported	Balances Attributable to Discontinued Operations	2016 Balances after Restatement
Revenue			
Sale of goods	₱11,764,540	₱4,126,252	₱7,638,288
Sale of services	285,694	252,979	32,715
	12,050,234	4,379,231	7,671,003
Cost of sales and services	(11,011,367)	(3,600,524)	(7,410,843)
Gross income	1,038,867	778,707	260,160
General and administrative expenses	(861,570)	(114,532)	(747,038)
Selling expenses	(69,440)	(46,995)	(22,445)
Interest expense	(382,770)	(190,557)	(192,213)
Share in net earnings of an associate	212,258	-	212,258
Other income	89,504	55,233	34,271
Income (loss) before income tax	26,849	481,856	(455,007)
Income tax benefit (expense)	74,742	(144,166)	218,908
Net income (loss)	₱101,591	₱337,690	(₱236,099)

Net increase (decrease) in cash provided by CADPI's discontinued operations follow:

	2018	2017	2016
Net cash provided by operating activities	₱1,925,360	₱737,336	(₱853,701)
Net cash provided by investing activities	(292,430)	(223,318)	(327,848)
Net cash provided by financing activities	(1,255,482)	911,032	1,516,638

Earnings per share from discontinued operations follow (see Note 27):

	2018	2017	2016
Basic	(₱0.03)	₱0.14	₱0.24
Diluted	(0.03)	0.14	0.24

13. Investment Properties

Movements in investment properties are as follows:

	Note	2018	2017
At fair value:			
Balance at beginning of year		₱349,267	₱320,812
Fair value adjustment	25	27,531	13,406
Reclassifications	12	(27,531)	14,717
Reclassification to asset held for sale	12	(1,433)	-
Others		(243)	332
		₱347,591	₱349,267

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 ₱5.4 million, ₱6.8 million and ₱7.7 million in 2018, 2017 and 2016, respectively (see Note 25). Direct operating expenses amounted to ₱0.8 million, ₱0.7 million and ₱0.6 million in 2018, 2017 and 2016, 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 a professionally qualified independent appraiser. 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 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 4.25% to 7.00% in 2018 and from 3.50% to 5.75% in 2017.

Total interest expense arising from short-term borrowings amounted to ₱120.5 million, ₱99.5 million and ₱98.3 million in 2018, 2017 and 2016, respectively (see Note 15).

15. Long-term Borrowings

The Group obtained various loans from local banks. Outstanding long-term borrowings are presented below:

Facility	Terms	Collateral	Outstanding Balance	
			2018	2017
₱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)	₱1,983,750	₱2,314,375
₱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	982,000	1,178,000
₱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	1,133,328	1,400,000
₱800.0 million dated August 12, 2016	Quarterly principal repayment amounting to ₱100.0 million starting November 2017 until December 2019 with one year grace period and bears fixed interest rate of 4.50% subject to change as agreed by the parties	Suretyship agreement and MTI	400,000	800,000
₱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	325,736	380,000
₱1,500.0 million dated February 14, 2008 amended on February 6, 2012	Payable in 15 equal consecutive quarterly installment beginning November 5, 2014 until May 5, 2018 and bears fixed interest of 5.5%	Suretyship agreement and MTI	-	236
Others			41	756
Unamortized transaction costs			4,824,855	6,073,367
			(11,742)	(18,032)
			4,813,113	6,055,335
Current portion			(4,813,113)	(1,234,803)
Noncurrent portion			₱-	₱4,820,532



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, including 28,549,365 HP Co. shares. Property, plant and equipment with a carrying amount of ₱8,183.2 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, 2018, the Group did not meet the minimum required DSCR but received the approved bank waivers on minimum DSCR requirement as of September 30, 2018 on December 17, 2018, January 11, 2019 and January 14, 2019. Accordingly, the Group classified its long-term borrowings as current liability on its consolidated statement of financial position. However, the lender-banks have not called the loan as of report date.

The maturities of the long-term borrowings based on the original terms of the loan agreements are as follows:

	2018	2017
Less than one year	₱1,248,433	₱1,234,803
Between one to two years	1,405,576	2,667,717
Between two to five years	1,840,221	1,840,221
Between five to eight years	330,625	330,626
	₱4,824,855	₱6,073,367

Interest Expense

Interest ranges from 4.55% to 5.54%, 3.00% to 5.79% and 3.00% to 5.50% in 2018, 2017 and 2016, respectively. Interest expense arises from the following borrowings:

	Note	2018	2017	2016
Continuing operations:				
Long-term		₱269,254	₱273,717	₱213,742
Short-term	14	232,819	164,080	169,028
Convertible debt	18, 19	—	6,460	—
Discontinued operations		301,352	270,960	190,557
		₱502,073	₱444,257	₱382,770



16. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade		₱1,230,454	₱549,474
Accruals for:			
Construction in progress		358,059	6,545
Sugar and molasses purchase		181,919	172
Interest		45,794	37,987
Payroll and other employee benefits		30,643	38,935
Others		100,195	141,209
Due to:			
Related parties	19	96,295	103,724
Planters		5,935	19,630
Provision for probable losses	23, 28	₱7,550	₱96,572
Payable to government agencies for taxes and statutory contributions		73,293	29,953
Customers' deposits		8,163	12,957
Others		141,466	151,409
		₱2,279,766	₱1,188,567

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.

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.

Customers' deposits represent 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, 2018 and 2017, which are noninterest-bearing, unsecured and payable on demand.

Rollforward of provision for probable losses in September 30, 2018 and 2017 are as follows:

	Note	2018	2017
Beginning balance		₱96,572	₱22,000
Addition	23	—	74,572
Payment		(89,022)	—
Ending balance		₱7,550	₱96,572



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 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 salaries and wages and employee benefits under "Cost of sales" and "General and administrative expenses" account are as follows:

	2018	2017	2016
Current service cost	P50,601	P54,102	P46,332
Net interest cost	14,229	11,849	6,158
Past service cost	—	—	(6,966)
Adjustment due to curtailment	(53)	—	3,209
	P64,777	P65,951	P48,733

The remeasurement losses (gains) recognized in the consolidated statements of comprehensive income are as follows:

	2018	2017	2016
Remeasurement losses (gains) on:			
Defined benefit obligation due to:			
Changes in financial assumptions	(P124,582)	(P36,468)	P24,776
Changes in demographic assumptions	(7,223)	2,221	—
Experience adjustments	(744)	(3,893)	(15,883)
	(132,549)	(38,140)	8,893
Return on plan assets	18,508	5,894	47,766
	(114,041)	(32,246)	56,659
Deferred tax	33,792	9,370	(14,845)
	(P80,249)	(P22,876)	P41,814

Retirement Assets and Liabilities

Retirement assets and liabilities recognized in the consolidated statements of financial position are as follows:

	2018	2017
Net retirement liabilities ⁽¹⁾	(P249,953)	(P316,758)
Net retirement assets ⁽²⁾	44,938	62,129
Net retirement liabilities	(P205,015)	(P254,629)

⁽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:

	2018	2017
Present value of defined benefit obligation	(P448,205)	(P569,065)
Fair value of plan assets	243,189	314,436
	(P205,016)	(P254,629)

The movements in net retirement assets (liabilities) are as follows:

	2018		2017	
	Net Retirement Assets	Net Retirement Liabilities	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	P62,129	(P316,758)	P106,835	(P327,952)
Remeasurement gain (loss) recognized in other comprehensive income	(9,692)	123,733	(40,710)	72,956
Retirement benefits expense	(7,849)	(56,928)	(3,996)	(61,955)
Benefits paid from Group funds	350	—	—	193
Balance at end of year	P44,938	(P249,953)	P62,129	(P316,758)

Changes in the Present Value of the Defined Benefit Obligation

	2018		2017	
	Net Retirement Assets	Net Retirement Liabilities	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	P90,183	P478,882	P86,952	P473,060
Current service cost	6,617	43,984	6,027	48,075
Remeasurement losses (gains) due to:				
Changes in financial assumptions	(23,868)	(100,714)	(5,623)	(30,845)
Experience adjustments	(1,648)	904	458	(4,351)
Changes in demographic assumptions	(1,987)	(5,236)	—	2,221
Benefits paid	(1,317)	(65,386)	(1,391)	(29,253)
Interest cost	4,546	23,245	3,760	19,975
Balance at end of year	P72,526	P375,679	P90,183	P478,882

Changes in the Fair Value of Retirement Plan Assets

	2018		2017	
	Net Retirement Assets	Net Retirement Liabilities	Net Retirement Assets	Net Retirement Liabilities
Balance at beginning of year	P152,311	P162,125	P193,785	P145,110
Remeasurements	(37,195)	18,687	(45,874)	39,980
Benefits paid	(967)	(65,333)	(1,391)	(29,061)
Interest income on plan assets	5,617	7,944	5,791	6,096
Balance at end of year	P119,766	P123,423	P152,311	P162,125



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:

	2018	2017
Cash	18.7%	39.2%
Receivables	62.9%	17.3%
AFS financial assets	18.3%	14.0%
Investmentsth in properties	0.0%	0.1%
Investments in government securities	0.1%	29.4%
	100.0%	100.0%

As at September 30, 2018 and 2017, plan assets include investments in 27.4 million shares of stock of the Parent Company with a fair value amounting to ₱82.0 million and ₱120.4 million, respectively.

The principal assumptions used in determining the retirement assets and liabilities of the Group are shown below:

	Discount Rate		Salary Increase Rate	
	2018	2017	2018	2017
RHI	8.0%	4.8%	4.0%	4.0%
CADPI	8.0%	4.2%	4.0%	4.0%
CACI	8.0%	4.3%	4.0%	4.0%
RBC	8.7%	4.8%	4.0%	4.0%
SCBI	8.2%	5.0%	4.0%	5.0%

As at September 30, 2018, the Group's discount and salary increase rates are as follows:

	Discount Rate	Salary Increase Rate
RHI	8.0%	4.0%
CADPI	8.0%	4.0%
CACI	8.0%	4.0%
RBC	8.7%	4.0%
SCBI	8.2%	4.0%

The Group does not expect to contribute to their respective retirement funds in 2019.

The sensitivity analysis based on reasonably possible changes of the assumptions as at September 30, 2018 and 2017 is presented below.

	Change in Assumption	Effect on Retirement Assets/Liabilities	
		2018	2017
Discount rate	+1.0%	(₱31,506)	(₱46,724)
	-1.0%	35,984	54,176
Salary Rate	+1.0%	37,091	54,124
	-1.0%	(32,938)	(47,527)



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	2018	2017
Less than one year	₱59,657	₱39,066
Between one and five years	231,310	273,146
Over five years	2,509,220	2,158,186
	₱2,800,187	₱2,470,398

As at September 30, 2018 and 2017, the average duration of the defined benefit obligation at the end of reporting period is 12.2 years and 14.4 years, respectively.

18. Equity

a. Capital stock and treasury stock

Details of capital stock and treasury stock follow:

	2018		2017		2016	
	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	1,500,000,000	₱1,500,000	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	1,500,000,000	₱1,500,000
Issued common shares "Class A"						
Balance at beginning of year	1,564,599,146	₱1,564,599	1,439,442,161	₱1,439,442	1,169,288,884	₱1,169,289
Issuances	980,133	980	125,156,985	125,157	270,153,277	270,153
Balance at end of year	1,565,579,279	1,565,579	1,564,599,146	1,564,599	1,439,442,161	1,439,442
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	1,546,955,666	₱1,512,309	1,421,798,681	₱1,387,152

In May 2016, the Parent Company issued 266,753,974 common shares from stock rights offering at ₱4.19 a share Offer Price amounting to ₱1,117.7 million, net of transaction costs of ₱4.4 million (see Note 1). The net proceeds from the stock rights offering were used to partially pay the loan obligations of RPBC and to acquire certain equipment for sugar milling and refining facilities of the Group.

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	2018	2017	2016
Equity reserves:				
Revaluation Increment on Land	12			
Balance at beginning of year		P2,772,367	P2,657,525	P2,476,063
Reclassification of revaluation increment on land under held for sale		(2,390,419)	—	—
Appraisal increase, net of tax		10,422	114,842	181,462
Balance at end of year		392,370	2,772,367	2,657,525
Cumulative Remeasurement Loss on Net Retirement Assets and Liabilities	17			
Balance at beginning of year		(173,261)	(196,091)	(154,073)
Remeasurement gain (loss), net of tax		80,120	22,830	(42,018)
Balance at end of year		(93,141)	(173,261)	(196,091)
Share in Revaluation Increment on Land of an Associate	11			
Balance at beginning of year		207,492	207,492	207,492
Remeasurement gain, net of tax		56,813	—	—
Balance at end of year		264,305	207,492	207,492
Cumulative Share in Remeasurement Loss on Retirement Liability of an Associate	11			
Balance at beginning of year		(9,166)	(9,205)	(6,175)
Share in remeasurement gain (loss) on retirement liability of an associate		1,501	39	(3,030)
Balance at end of year		(7,665)	(9,166)	(9,205)
Total equity reserves		555,869	2,797,432	2,659,721
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		P1,177,585	P3,419,147	P3,281,436
Revaluation increment on land under assets held for sale (see Note 12)		P2,390,419	P—	P—

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".

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	2018	2017
Deferred tax assets	26	₱638,142	₱472,740
Accumulated earnings of subsidiaries		298,714	302,827
Cumulative unrealized gain on changes in fair value of investment properties, net of tax	26	185,596	158,064
Treasury stock		52,290	52,290
		₱1,174,742	₱985,921

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, 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
October 1, 2015 through September 30, 2016		
First	5.86	4.43
Second	6.19	4.00
Third	4.65	4.01
Fourth	3.98	3.19



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 Receivables (Note 8)	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	2018	₱-	₱-	₱-	₱36,973	₱13,149
			2017	24,354	-	-	57,425	14,118
RHI Retirement Fund, Inc. (RHIRFI)	Retirement Fund of RHI	Noninterest-bearing advances payable on demand	2018	-	-	-	6	55,000
			2017	6	-	-	6	55,000
CACI Retirement Fund, Inc. (CACIRFI)	Retirement Fund of CACI	Noninterest-bearing advances payable on demand	2018	-	-	-	138	28,146
			2017	138	-	-	138	28,146
Roxas Foundation, Inc.	Other related party	Noninterest-bearing advances payable on demand	2018	-	-	-	252	-
			2017	252	-	-	252	-
HP Co	Associate	Sale of raw sugar	2018	113,003,729	-	-	-	-
			2017	381,483	2,106	-	-	-
		Purchase of raw sugar	2018	121,007	-	-	-	-
			2017	125,383	-	-	-	-
		Purchase of molasses	2018	46,126	-	-	-	-
			2017	236,418	-	-	-	-
		Purchase of bagasse	2018	44,063	-	1,603	-	-
			2017	12,856	-	-	-	-
		Dividend income	2018	-	-	-	-	-
			2017	109,916	-	-	-	-
FPNHR	Stockholder	Interest-bearing convertible debt securities (Note 1)	2018	-	-	-	-	-
		Interest expense	2017	6,460	-	-	-	6,460
Total			2018		₱-	₱1,603	₱37,369	₱96,295
			2017		2,106	-	57,821	103,724

*Other related party pertains to an entity under common control of the RHI Group management

- The Group made advances to RHIRFI, CADPRFI 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, 2018 and 2017, advances to RHIRFI, CADPRFI and CACIRFI are included in "Trade and other receivables" account. The Group's retirement funds hold RHI shares amounting to ₱82.0 million and ₱120.4 million as of September 30, 2018 and 2017, respectively (see Note 17).
- 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.
- As at September 30, 2018 and 2017, total amount of trade and non-trade receivables and payables with related parties eliminated during consolidation amounts to ₱7,796.9 million and ₱ 14,652.2 million, respectively, while revenue and expense eliminated amounts to ₱3,042.9 million, ₱3,477.0 million and ₱2,572.5 million as at September 30, 2018, 2017 and 2016, 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 2018, 2017 and 2016. 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	2018	2017	2016
Salaries and wages and other short-term benefits		P100,095	P92,519	P88,498
Retirement benefits		18,805	19,306	15,281
Employee stock option	20	1,642	1,917	712
		P120,542	P113,742	P104,491

20. Employee Stock Option Plans (ESOP)

The BOD of the 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 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 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	
	2018	2017	2018	2017
Balance at beginning of year	15,650,483	16,110,376	22,953,725	24,460,832
Forfeited or expired	(14,670,350)	(302,908)	(6,249,869)	(1,507,107)
Exercised	(980,133)	(156,985)	-	-
Balance at end of year	-	15,650,483	16,703,856	22,953,725
Exercisable at end of year	-	11,409,605	13,363,085	11,145,620

In 2018, the Company issued 980,133 common shares pertaining to the exercise of stock option of employees under First ESOP amounting to P2.4 million (see Note 18). In 2017, the Company issued 156,985 common shares pertaining to the exercise of stock option of employees under First ESOP amounting to P0.4 million (see Note 18). The weighted-average share price at the date of exercise for share options under the First ESOP was P3.44.

The fair value of the First and Second ESOP was estimated at the date of grant using Black Scholes-Merton model with the following inputs as follows:

First ESOP

	Options Vesting After				
	Year One	Year Two	Year Three	Year Four	Year Five
Spot price	P2.80	P2.80	P2.80	P2.80	P2.80
Strike price	P2.49	P2.49	P2.49	P2.49	P2.49
Expected volatility	38.83%	39.10%	36.59%	39.61%	42.46%
Risk-free rate	2.71%	2.98%	3.29%	3.60%	3.36%
Dividend rate as a percentage of spot price	0.00%	0.00%	0.00%	0.00%	0.00%



Second ESOP

	Options Vesting After				
	Year One	Year Two	Year Three	Year Four	Year Five
Spot price	₱6.90	₱6.90	₱6.90	₱6.90	₱6.90
Strike price	₱5.32	₱5.32	₱5.32	₱5.32	₱5.32
Expected volatility	33.46%	39.77%	39.71%	37.65%	39.95%
Risk-free rate	2.86%	2.82%	3.15%	3.90%	3.38%
Dividend rate as a percentage of spot price	0.00%	0.00%	0.00%	0.00%	0.00%

The weighted average fair value of the share options granted in 2013 (First ESOP) and 2014 (Second ESOP) amounted to ₱0.9 and ₱3.0, respectively. The volatility rate is determined as the historical volatility of the returns on the stock over a period similar to the vesting period of the option.

The weighted average remaining contractual life of the outstanding stock options is 0.58 years and 1.25 years as at September 30, 2018 and 2017, respectively.

The employee stock option expense recognized for employee services received amounted to ₱7.8 million, ₱5.3 million and ₱1.4 million in 2018, 2017 and 2016, respectively, presented as part of "Personnel costs" account (see Note 24).

21. Revenue

The components of revenue are as follows:

	2018	2017	2016
Sale of goods:			
Alcohol	₱3,244,918	₱3,602,242	₱4,201,952
Raw sugar	1,469,426	1,695,517	3,174,684
Molasses	117,376	155,010	77
Carbon dioxide	9,856	10,526	8,215
Refined sugar	7,703	7,548	253,360
	4,849,279	5,470,843	7,638,288
Sale of services:			
Power	29,564	16,366	30,966
Farm services	18,436	22,429	1,749
Tolling fees	498	-	-
	48,498	38,795	32,715
	₱4,897,777	₱5,509,638	₱7,671,003



22. Cost of Sales and Services

	Note	2018	2017	2016
Direct materials used	9	₱1,575,808	₱2,086,688	₱4,259,743
Planters' subsidy and productivity assistance	28	569,964	801,984	1,119,019
Depreciation and amortization	12	448,828	538,636	487,429
Fuel and oil		358,664	400,294	616,623
Personnel costs	24	233,449	196,185	171,374
Repairs and maintenance		217,312	299,300	206,453
Rent	28	197,222	86,400	115,894
Materials and consumables		127,118	122,828	76,710
Communication, light and water		109,711	72,782	72,375
Taxes and licenses		84,542	81,121	84,561
Outside services		73,218	88,175	81,748
Others	9	94,502	119,565	118,914
		₱4,090,338	₱4,893,958	₱7,410,843

23. Operating Expenses

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Note	2018	2017	2016
Personnel costs	24	₱395,236	₱363,056	₱277,655
Taxes and licenses		70,692	95,790	74,727
Outside services		61,275	46,188	67,442
Depreciation and amortization	12	47,455	64,264	64,598
Professional fees		24,164	32,514	31,795
Rent	28	21,345	27,582	27,715
Communication, light and water		21,067	22,169	34,038
Travel and transportation		16,638	18,342	25,982
Organizational activities		9,881	9,571	9,064
Repairs and maintenance		6,811	8,962	9,846
Entertainment, amusement and recreation		6,662	3,296	3,783
Provision for (reversal of provision for) impairment losses on receivables	8	6,272	67	6,098
Corporate social responsibility		3,857	3,177	5,409
Materials and consumables		3,020	3,695	28,543
Provision for (reversal of provision for) probable losses	16, 28	-	20,770	3,916
Others	9	40,630	41,153	76,427
		₱735,005	₱760,596	₱747,038

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 ₱20.8 million, ₱8.6 million and ₱22.4 million in 2018, 2017 and 2016, respectively.

24. Personnel Costs

Personnel costs include:

	Note	2018	2017	2016
Salaries, wages, allowances and other employee benefits		₱580,125	₱511,081	₱417,446
Retirement benefits	17	40,800	42,903	30,143
Employee stock option	20	7,760	5,257	1,440
		₱628,685	₱559,241	₱449,029

The amount of personnel costs are allocated as follows:

	Note	2018	2017	2016
Cost of sales	22	₱233,449	₱196,185	₱171,374
General and administrative expenses	23	395,236	363,056	277,655
		₱628,685	₱559,241	₱449,029

25. Other Income

This account consists of:

	Note	2018	2017	2016
Storage, handling and insurance fees		₱23,545	₱23,013	₱12,734
Fair value adjustment of investment properties	13	27,531	13,406	27,529
Sales of scrap		8,846	15,047	344
Interest income	7, 8	2,437	3,182	2,877
Others		7,802	(7,398)	(9,213)
		₱70,161	₱47,250	₱34,271

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:

		2018		2017	
	Note	Net Deferred Tax Assets ⁽¹⁾	Net Deferred Tax Liabilities ⁽²⁾	Net Deferred Tax Assets ⁽¹⁾	Net Deferred Tax Liabilities ⁽²⁾
Deferred tax assets on:					
NOLCO		P282,158	P8,123	P153,762	P48,246
Retirement liabilities	17	107,846	323	90,959	279
Various accruals		86,064	15,495	41,451	13,759
Unamortized past service cost		23,782		29,308	—
Allowances for:					
Impairment losses of receivables	8	28,121	—	26,150	—
Inventory losses and obsolescence	9	10,885	—	9,011	—
Excess MCIT		47,946	6,602	33,725	5,845
Employee stock option		13,794	4,973	13,910	4,271
Customer's deposits		2,030	—	2,064	—
		602,626	35,516	400,340	72,400
Deferred tax liabilities on:					
Unamortized capitalized interest	12	(62,648)	(4,678)	(73,153)	(4,678)
Revaluation increment on land, depreciable assets, and asset transferred to subsidiaries		(54,910)	(204,914)	(51,154)	(1,227,815)
Unamortized transaction cost		(3,179)	(344)	(4,947)	(462)
Retirement assets	17	(41,072)	(9,681)	(247)	(18,530)
Deferred milling costs		—	(1,692)	—	(1,056)
		(161,809)	(221,309)	(129,501)	(1,252,541)
Net deferred tax assets (liabilities)		P440,817	(P185,793)	P270,839	(P1,180,141)

⁽¹⁾ Recognized net deferred tax assets of CADPI, CAC, and ADC

⁽²⁾ 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 as follows:

	2018	2017
NOLCO	P25,852	P34,242
Allowance for impairment losses of receivables	3,679	4,716
Provision for inventory losses and obsolescence	3,752	3,752
	P33,283	P42,710

- b. Details of carry forward benefits arising from NOLCO and excess MCIT are as follows:

NOLCO

Year Incurred	Balance as at September 30, 2017	Additions	Applied	Balance as at September 30, 2018	Available Until
Recognized:					
September 30, 2018	P—	P554,585	P—	P554,585	September 30, 2021
September 30, 2017	94,671	—	(47,779)	46,892	September 30, 2020
September 30, 2016	491,146	—	(99,166)	391,980	September 30, 2019
September 30, 2015	121,785	—	(121,785)	—	September 30, 2018
	P707,602	P554,585	(P268,730)	P993,457	



Excess MCIT

Year Incurred	Balance as at September 30, 2017	Additions	Applied	Expired	Balance as at September 30, 2018	Available Until
Recognized:						
September 30, 2018	P=	P21,102	P=	P=	P21,102	September 30, 2021
September 30, 2017	31,847	-	-	-	31,847	September 30, 2020
September 30, 2016	1,599	-	-	-	1,599	September 30, 2019
September 30, 2015	6,124	-	-	(6,124)	-	September 30, 2018
	P39,570	P22,102	P=	(6,124)	P54,548	

- c. The reconciliation between the income tax expense (benefit) computed at the applicable statutory tax rate and income tax expense (benefit) presented in the consolidated statements of income is as follows:

	2018	2017	2016
Income tax expense (benefit) at statutory tax rate	(P26,932)	P32,519	P8,055
Tax effects of:			
Net income subject to income tax holiday (ITH)	(117,086)	(58,482)	(23,482)
Share in net earnings of an associate	(16,750)	(20,333)	(63,677)
Nondeductible expenses	26,232	16,864	17,726
Interest subject to final tax	(146)	(1,015)	(361)
Effect of 5% statutory tax rate of SCBI	(28,453)	1,704	(10,873)
Unallowable interest expense	21	68	53
Adjustments resulting from derecognition of deferred tax assets	8,700	8,604	-
Others	9,139	8,427	(2,182)
	(P145,275)	(P11,644)	(P74,741)

The current income tax expense of the Group in 2018, 2017 and 2016 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 Republic Act (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 ₱31.8 million, ₱18.5 million and ₱7.7 million in 2018, 2017 and 2016, 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:

	2018		2017		2016	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income attributable to the equity holders of the Parent Company (a)	₱47,664	₱47,664	₱119,777	₱119,777	₱101,244	₱101,244
Weighted average number of common shares outstanding for basic EPS	1,565,337	1,565,337	1,449,038	1,449,038	1,421,798	1,421,798
Average incremental number of shares under ESOP	-	-	-	29,867	-	18,716
Weighted average number of common shares adjusted for effect of dilution (b)	1,565,337	1,565,337	1,449,038	1,478,905	1,421,798	1,440,514
Earnings per share (a/b)	₱0.03	₱0.03	₱0.08	₱0.08	₱0.07	₱0.07

Earnings per share for discontinued operations (Note 12) is computed as follows:

	2018		2017		2016	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income (loss) attributable to equity holders of the Parent Company from discontinued operations (a)	(₱50,380)	(₱50,380)	₱201,844	₱201,844	₱337,690	₱337,690
Weighted average number of common shares outstanding for basic EPS	1,565,337	1,565,337	1,449,038	1,449,038	1,421,798	1,421,798
Average incremental number of shares under ESOP	-	-	-	29,867	-	18,716
Weighted average number of common shares adjusted for effect of dilution (b)	1,565,337	1,565,337	1,449,038	1,478,905	1,421,798	1,440,514
Earnings per share (a/b)	(₱0.03)	(₱0.03)	₱0.14	₱0.14	₱0.23	₱0.23

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:

	2018		2017	
	Total Volume (in Thousands) (LKg*)	Estimated Market Value (Amounts in Millions)	Total Volume (in Thousands) (LKg*)	Estimated Market Value (Amounts in Millions)
Raw sugar	185	₱299	426	₱511
Refined sugar	333	727	443	841

*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 and RBC 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 ₱1,407.4 million for 672,344 lkg bags, ₱765.0 million for 335,773 lkg bags and ₱575.6 million for 231,622 lkg bags as at September 30, 2018, 2017 and 2016, respectively, and ₱415.0 million for 7,511,654 liters, ₱897.8 million for 19,240,000 liters and ₱63.8 million for 1,051,000 liters for anhydrous alcohol as at September 30, 2018, 2017 and 2016, 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, 2018 and 2017 amounted to ₱34.4 million and ₱23.6 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, 2018 and 2017 are as follow:

	2018	2017
Within one year	₱11,178	₱15,939
After one year but not more than five years	37,667	48,845
	₱48,845	₱64,784

Total rent expense from the related contracts amounted to ₱248.3 million, ₱210.8 million and ₱184.4 million in 2018, 2017 and 2016, 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 ₱758.2 million, ₱1,034.0 million and ₱1,343.6 million in 2018, 2017 and 2016, 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 ₱310.7 million and ₱800.0 million as at September 30, 2018 and 2017, 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.

Outstanding provision for losses for disputed claims and assessments amounted to ₱7.6 million and ₱96.6 million as at September 30, 2018 and 2017, 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 maturing obligations.



The Group's objective is to maintain sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available. As of September 30, 2018, the Group has an APA for the Proposed Sale Transaction (Note 12), the proceeds of which will be used to repay the long-term debts and reduce short-term debt to levels sufficient for its working capital needs.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management.

	2018						Total
	On Demand	Less than One Year	Over One to Two Years	Over Two to Four Years	Over Four to Five Years	Over Five Years	
Short-term borrowings*	P6,583,508	P-	P-	P-	P-	P-	P6,583,508
Trade and other payables**	78,366	2,120,555	-	-	-	-	2,198,921
Current portion of long-term borrowings*	-	1,447,850	-	-	-	-	1,447,850
Noncurrent portion of long-term borrowings*	-	-	990,883	2,179,369	421,345	339,040	3,930,637
	P6,661,874	P3,568,405	P990,883	P2,179,369	P421,345	P339,040	P14,160,916
Cash and cash equivalents	P292,001	P-	P-	P-	P-	P-	P292,001
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
	881,921	2,337,450	P-	P-	P-	P-	P3,219,371

*Includes expected future interest payments for short-term and long-term borrowings amounting to P372.7 million and P546.6 million, respectively.

** Excludes payables to government agencies amounting to P73.3 million and provision for losses amounting to P7.6 million.

***Net of related allowances for impairment losses totaling P44.1 million.

As of September 30, 2018, the long term loans are presented as part of current liabilities due to breach of a loan covenant (see 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.

	2017						Total
	On Demand	Less than One Year	Over One to Two Years	Over Two to Four Years	Over Four to Five Years	Over Five Years	
Short-term borrowings*	P4,840,424	P-	P-	P-	P-	P-	P4,840,424
Trade and other payables**	767,466	294,576	-	-	-	-	1,062,042
Current portion of long-term borrowings*	-	1,729,101	-	-	-	-	1,729,101
Noncurrent portion of long-term borrowings*	-	-	2,706,374	1,637,604	694,777	-	5,038,755
	P5,607,890	P2,023,677	P2,706,374	P1,637,604	P694,777	P-	P12,670,322
Cash	P570,337	P-	P-	P-	P-	P-	P570,337
Trade receivables***	440,516	1,554,504	-	-	-	-	1,995,020
Due from employees***	61,345	-	-	-	-	-	61,345
Due from related parties	57,821	-	-	-	-	-	57,821
Other receivables***	59,577	-	-	-	-	-	59,577
	P1,189,596	P1,554,504	P-	P-	P-	P-	P2,744,100

*Includes expected future interest payments for short-term and long-term borrowings amounting to P232.1 million and P712.5 million, respectively.

** Excludes payables to government agencies amounting to P30.0 million and provision for losses amounting to P96.6 million.

***Net of related allowances for impairment losses totaling P29.5 million.

Credit risk

Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history.

The Group has established a credit quality review process to provide early identification of possible change in the creditworthiness of counterparties, including regular collateral revisions.



Counterparty credit limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.

	2018	2017
Cash	₱292,001	₱570,337
Trade receivables*	2,777,966	1,995,020
Due from employees*	55,962	61,345
Due from related parties	37,369	57,821
Other receivables*	56,073	59,577
	₱3,219,371	₱2,744,100

*Net of allowance for impairment losses totaling ₱44.1 million and ₱29.5 million in 2018 and 2017, respectively.

Collaterals and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. As at September 30, 2018 and 2017, the Group did not hold collateral from any counterparty.

Credit quality per class of financial assets

The credit quality of receivables is managed by the Group through its Marketing Department. High grade accounts are those receivables from counterparties with whom collections are made without much effort. Standard grade accounts consist of receivables from its distributors, related parties and employees with good financial condition and with relatively low defaults. Substandard grade accounts, on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets which are neither past due nor impaired and an aging analysis of past due but not impaired accounts.

	2018							
	Neither past due nor impaired				Past due but not impaired			
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	Total
Cash	₱292,001	₱-	₱-	₱-	₱-	₱-	₱-	₱292,001
Trade receivables	963,451	1,767,012	-	5,672	3,379	38,452	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
	₱1,253,452	₱1,860,343	₱-	₱5,672	₱3,379	₱94,525	₱44,060	₱3,263,431

	2017							
	Neither past due nor impaired				Past due but not impaired			
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	Total
Cash	₱570,337	₱-	₱-	₱-	₱-	₱-	₱-	₱570,337
Trade receivables	617,010	1,179,467	-	78,312	31,009	89,223	18,731	2,013,752
Due from employees	-	61,345	-	-	-	-	1,929	63,274
Due from related parties	-	57,821	-	-	-	-	-	57,821
Other receivables	-	-	-	-	-	59,577	8,858	68,435
	₱1,187,347	₱1,298,633	₱-	₱78,312	₱31,009	₱148,800	₱29,518	₱2,773,619



Impairment assessment

The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectibility.

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 ₱1,133 million and ₱1,400.0 million as at September 30, 2018 and 2017, 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 2018 and 2017. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at September 30, 2018 and 2017.

	2018		2017	
Increase (Decrease)	Effect on Income before Tax	Effect on Equity	Effect on Income before Tax	Effect on Equity
0.25%	(₱2,833)	(₱1,983)	(₱3,500)	(₱2,450)
(0.25%)	2,833	(1,983)	3,500	2,450

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, 2018 and 2017.

Management considers the total consolidated equity (excluding noncontrolling interest) amounting to ₱10,731 million and ₱10,491 million as of September 30, 2018 and 2017, 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 from planters and cane haulers, due to and from related parties, due from employees, other receivables, trade and other payable and short-term borrowings, current portion of long-term borrowings and dividends payable. 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, 2018 and 2017 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:

<i>Date of valuation: various dates in 2018</i>	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
<i>Date of valuation: various dates in 2017</i>	Carrying Value	Fair Value Significant observable inputs (Level 2)
Assets measured at fair value		
Land under property, plant and equipment (see Note 12)	₱4,746,047	₱4,746,047
Investment properties (see Note 13)	349,267	349,267
Liabilities for which fair value is disclosed		
Fixed interest rate loan (see Note 15)	2,358,107	2,362,759

31. Note to Statement of Cash Flows

In 2018, changes in liabilities arising from financing activities are as follows:

	2017	Cash Flows	Interest Expense	Amortization of Transaction Costs	2018
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 2018, 2017 and 2016, ₱2,628.0 million (or 35%), ₱3,132.7 million (or 37%) and ₱3,272.7 million (or 27%), respectively, of the Group's total revenue were derived from two customers.

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

	2018			Consolidated
	Sugar	Alcohol	Eliminations	
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			Consolidated (As restated, Note 12)
	Sugar (As restated, Note 12)	Alcohol	Eliminations	
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)	-
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



	2016			
	Sugar (As restated, Note 12)	Alcohol	Eliminations	Consolidated (As restated, Note 12)
Revenue:				
External customers	₱3,469,051	₱4,201,952	₱-	₱7,671,003
Inter-segment	2,541,083	31,419	(2,572,502)	-
Cost of goods sold:				
Direct materials used	4,233,819	2,596,195	(2,570,271)	4,259,743
Planters' subsidy and productivity assistance	1,108,731	10,288	-	1,119,019
Fuel and oil	62,694	553,929	-	616,623
Depreciation and amortization	273,056	206,518	7,855	487,429
Interest expense	114,749	77,464	-	192,213
Segment profit (loss)	63,634	37,957	-	101,591
Other disclosures:				
Capital expenditures	599,888	311,944	-	911,832
Investment in associate	684,868	-	-	684,868

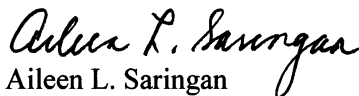


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Roxas Holdings, Inc. and subsidiaries as at and for the years ended September 30, 2018 and 2017, included in this Form 17-A, and have issued our report thereon dated January 14, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Aileen L. Saringan

Partner

CPA Certificate No. 72557

SEC Accreditation No. 0096-AR-4 (Group A),

August 18, 2016, valid until August 18, 2019

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

January 14, 2019



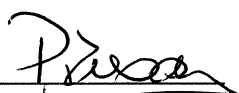


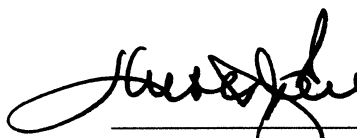
**"STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS"**

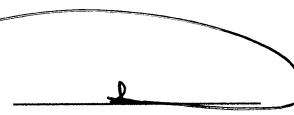
The management of **Roxas Holdings, Inc. and Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements as of and for the years ended September 30, 2018 and 2017, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors and appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders and has expressed its opinion on the fairness of presentation upon completion of such examination.


PEDRO E. ROXAS
Chairman of the Board


HUBERT D. TUBIO
President

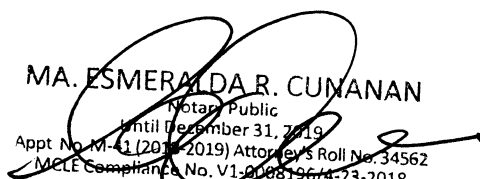

CELSO T. DIMARUCUT
Chief Financial Officer

JAN 14 2019

SUBSCRIBED AND SWORN to before me this ____ day of January, 2019 affiant(s) exhibiting to me their government IDs as follows:

Names	ID No.	Date of Issue	Place of Issue
Pedro E. Roxas	EC2368933	October 10, 2014	DFA Manila
Hubert D. Tubio	P0169013A	September 6, 2016	DFA Manila
Celso T. Dimarucut	EB8575557	July 5, 2013	DFA Manila

Doc No. 226
Page No. 47
Book No. 1V
Series of 2019


MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Appt. No. M-41 (2018-2019) Attorney's Roll No. 34562
MCLE Compliance No. V1-0008196/4-23-2018
PTR No. 7333751/1-3-2019/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark 1
Dela Rosa St. Legaspi Village,
Makati City