



ROXAS HOLDINGS, INC. & SUBSIDIARIES

PROJECTED FINANCIAL INFORMATION

September 30, 2016

*(With Comparative Audited Balances as at September 30, 2015
and for the Years Ended September 30, 2015 and 2014)*



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ROXAS HOLDINGS, INC. AND SUBSIDIARIES
SEPTEMBER 30, 2016 PROJECTED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
(With Comparative Audited Balances as at September 30, 2015)
(Amounts in Thousands)

	2016*	2015 (Audited)
ASSETS		
Current Assets		
Cash and cash in banks (Note 3)	₱288,650	₱202,415
Trade and other receivables (Note 4)	1,108,958	1,262,012
Inventories (Note 5)	1,336,641	1,500,826
Other current assets (Note 6)	620,115	625,605
Total Current Assets	3,354,364	3,590,858
Noncurrent Assets		
Investment in an associate (Note 7)	708,647	674,600
Property, plant and equipment (Note 8):		
At cost	10,600,324	10,352,271
At appraised values	4,221,148	4,021,148
Investment properties (Note 9)	311,110	311,110
Goodwill	1,236,052	1,236,052
Retirement assets	151,166	113,932
Net deferred tax assets	202,258	188,323
Other noncurrent assets	8,365	48,466
Total Noncurrent Assets	17,439,070	16,945,902
	₱20,793,434	₱20,536,760
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term borrowings (Note 10)	₱1,582,250	₱3,268,601
Current portion of long-term borrowings (Note 11)	1,054,130	1,244,649
Trade and other payables (Note 12)	1,343,975	1,946,675
Income tax payable	17,839	15,471
Total Current Liabilities	3,998,194	6,475,396
Noncurrent Liabilities		
Long-term borrowings - net of current portion (Note 11)	5,664,650	4,235,985
Retirement liabilities	262,158	232,908
Net deferred tax liabilities	1,037,416	1,037,416
Other noncurrent liabilities	1,300	40,150
Total Noncurrent Liabilities	6,965,524	5,546,459
Total Liabilities (Carried Forward)	10,963,718	12,021,855

** Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.*

	2016*	2015 (Audited)
Total Liabilities (Brought Forward)	₱10,963,718	₱12,021,855
Equity Attributable to the Equity Holders of the Parent Company (Note 14)		
Capital stock	1,439,442	1,169,289
Additional paid-in capital	2,451,435	1,573,993
Treasury stock	(52,290)	(52,290)
Other equity reserves	3,145,022	3,145,022
Retained earnings	2,674,689	2,515,315
	9,658,298	8,351,329
Non-controlling Interests	171,418	163,576
Total Equity	9,829,716	8,514,905
	₱20,793,434	₱20,536,760

** Unaudited. These financial projections are based on assumptions regarding future events.
Actual results may vary from the information presented.*

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
PROJECTED CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(With Comparative Audited Balances for the Years Ended
September 30, 2015 and 2014)
(Amounts in Thousands, except Basic and Diluted Earnings per Share Data)

	2016*	2015 (Audited)	2014 (Audited)
REVENUE (Note16)	₱10,170,597	₱8,208,396	₱8,316,718
COST OF GOODS SOLD (Note 17)	(8,786,403)	(7,164,185)	(6,882,691)
GROSS INCOME	1,384,194	1,044,211	1,434,027
GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	(815,983)	(1,031,997)	(731,902)
SELLING EXPENSES (Note 18)	(25,585)	(31,941)	(24,038)
INTEREST EXPENSE	(431,077)	(271,355)	(314,543)
SHARE IN NET EARNINGS OF AN ASSOCIATE (Note 7)	94,000	134,424	83,214
OTHER INCOME – Net (Note 19)	28,461	84,360	229,516
INCOME BEFORE INCOME TAX	234,010	(72,298)	676,274
INCOME TAX EXPENSE (BENEFIT)			
Current	15,445	82,068	90,491
Deferred	(13,935)	(172,919)	(29,563)
	(1,510)	(90,851)	60,928
NET INCOME	₱235,520	₱18,553	₱615,346
Net income attributable to:			
Equity holders of the Parent Company	₱227,678	₱10,832	₱611,937
Non-controlling interests	7,842	7,721	3,409
	₱235,520	₱18,553	₱615,346
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Basic	₱0.20	₱0.01	₱0.67
Diluted	0.19	0.01	0.66

* Unaudited. These financial projections are based on assumptions regarding future events.
Actual results may vary from the information presented.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
PROJECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(With Comparative Audited Balances for the Years Ended
September 30, 2015 and 2014)
(Amounts in Thousands)

	2016	2015 (Audited)	2014 (Audited)
NET INCOME	₱235,520	₱18,553	₱615,346
OTHER COMPREHENSIVE INCOME (LOSS)			
Remeasurement gain (loss) on retirement assets and liabilities, net of tax	-	(17,277)	156,742
Appraisal increase on land, net of tax	-	-	704,122
Effect of change in tax rate on beginning balance of revaluation increment on land	-	-	37,600
Share in remeasurement gain (loss) on retirement asset of an associate	-	-	(1,084)
TOTAL COMPREHENSIVE INCOME	₱235,520	₱1,276	₱1,512,726
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱227,678	(₱6,445)	₱1,509,317
Non-controlling interests	7,842	7,721	3,409
	₱235,520	₱1,276	₱1,512,726

* Unaudited. These financial projections are based on assumptions regarding future events.
Actual results may vary from the information presented.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

PROJECTED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2016

(With Comparative Audited Balances for the Years Ended September 30, 2015 and 2014)

(Amounts in Thousands)

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Other Equity Reserves	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	₱163,576	₱8,514,905
Issuance of capital stock	270,153	852,994	–	–	–	1,123,147	–	1,123,147
Cash dividends	–	–	–	–	(68,304)	(68,304)	–	(68,304)
Employee stock option	–	24,448	–	–	–	24,448	–	24,448
Net income	–	–	–	–	227,678	227,678	7,842	235,520
Balances as at September 30, 2016*	₱1,439,442	₱2,451,435	(₱52,290)	₱3,145,022	₱2,674,689	₱9,658,298	₱171,418	₱9,829,716

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Other Equity Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balances as at September 30, 2014	₱1,168,976	₱574,913	(₱768,860)	₱3,162,299	₱2,751,827	₱6,889,155	₱38,696	₱6,927,851
Issuance of treasury stock, net of transaction cost	–	963,561	716,570	–	–	1,680,131	–	1,680,131
Cash dividends	–	–	–	–	(247,344)	(247,344)	–	(247,344)
Acquisition of non-controlling interest	–	–	–	–	–	–	117,159	117,159
Employee stock option	–	35,053	–	–	–	35,053	–	35,053
Net income	–	–	–	–	10,832	10,832	7,721	18,553
Remeasurement loss on retirement assets and liabilities, net of tax	–	–	–	(17,277)	–	(17,277)	–	(17,277)
Exercise of stock option	313	466	–	–	–	779	–	779
Balances as at September 30, 2015	₱1,169,289	₱1,573,993	(₱52,290)	₱3,145,022	₱2,515,315	₱8,351,329	₱163,576	₱8,514,905

*Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.

	Capital Stock	Additional Paid-in Capital	Treasury Stock	Other Equity Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balances at September 30, 2013	₱1,168,976	₱556,951	(₱768,860)	₱2,264,919	₱2,303,609	₱5,525,595	₱35,287	₱5,560,882
Net income	–	–	–	–	611,937	611,937	3,409	615,346
Appraisal increase on land, net of tax	–	–	–	704,122	–	704,122	–	704,122
Remeasurement gain on retirement assets and liabilities, net of tax	–	–	–	156,742	–	156,742	–	156,742
Effect of change in tax rate on beginning balance of revaluation increment on land	–	–	–	37,600	–	37,600	–	37,600
Share in remeasurement loss on retirement asset of an associate	–	–	–	(1,084)	–	(1,084)	–	(1,084)
Employee stock option	–	17,962	–	–	–	17,962	–	17,962
Cash dividends	–	–	–	–	(163,719)	(163,719)	–	(163,719)
Balances as at September 30, 2014	₱1,168,976	₱574,913	(₱768,860)	₱3,162,299	₱2,751,827	₱6,889,155	₱38,696	₱6,927,851

* Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
PROJECTED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(With Comparative Audited Balances for the Years Ended
September 30, 2015 and 2014)
(Amounts in Thousands)

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱234,010	(₱72,298)	₱676,274
Adjustments for:			
Depreciation and amortization	901,753	797,235	680,835
Interest expense	431,077	271,355	314,543
Share in net earnings of associate	(94,000)	(134,424)	(83,214)
Retirement benefits	29,250	44,861	44,992
Employee stock option	24,448	35,053	17,962
Provision for inventory losses and obsolescence	-	7,271	-
Interest income	-	(2,558)	(1,123)
Net provision (reversal of allowance) for impairment losses on receivables	-	1,386	(39,902)
Net unrealized foreign exchange losses (gains)	-	183	(2,284)
Recovery from insurance claims	-	-	(40,903)
Unrealized gain on fair value adjustment on investment properties	-	-	(33,349)
Operating income before changes in working capital	1,526,538	948,064	1,533,831
Decrease (increase) in:			
Trade and other receivables	153,054	75,085	306,017
Inventories	164,185	(811,156)	992,405
Other current assets	5,490	(72,573)	15,022
Increase (decrease) in trade and other payables	(599,679)	473,664	(79,200)
Net cash generated from operations	1,249,588	613,084	2,768,075
Income taxes paid, including final taxes	(13,077)	(123,240)	(79,289)
Interest received	-	2,558	1,123
Retirement contributions paid	(37,234)	-	(13,031)
Net cash flows provided by operating activities	1,199,277	492,402	2,676,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	(1,349,806)	(1,114,069)	(403,262)
Investment properties	-	(3,500)	-
Acquisition of subsidiaries, net of cash absorbed	-	(1,731,146)	-

(Forward)

**Unaudited. These financial projections are based on assumptions regarding future events.
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	2016	2015	2014
Proceeds from:			
Dividends received	₱59,953	₱86,505	₱67,376
Disposal of property and equipment	-	36,267	-
Recovery from insurance claims	-	-	40,903
Decrease in other noncurrent assets	40,100	(3,672)	(11,516)
Net cash flows used in investing activities	(1,249,753)	(2,729,615)	(306,499)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net availments (payments) of short-term borrowings	(847,676)	2,549,501	(301,427)
Payments of short-term borrowings from proceeds from stock rights offering	(838,675)	-	-
Proceeds from issuances of:			
Capital stock, net of transaction costs	1,113,785	-	-
Treasury shares, net of transaction costs	-	1,680,132	-
Proceed from exercise of stock option	9,362	778	-
Payments of:			
Long-term borrowings	(1,261,854)	(1,352,336)	(1,673,348)
Interest	(431,077)	(296,952)	(294,090)
Dividends	(68,304)	(247,344)	(163,719)
Availment of long-term borrowings	2,500,000	-	-
Redemption of preferred stock	(38,850)	-	-
Net cash flows provided by (used in) financing activities	136,711	2,333,779	(2,432,584)
NET INCREASE (DECREASE) IN CASH AND CASH IN BANKS	86,235	96,566	(62,205)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH IN BANKS	-	(183)	2,284
CASH AND CASH IN BANKS AT BEGINNING OF YEAR	202,415	106,032	165,953
CASH AND CASH IN BANKS AT END OF YEAR	₱288,650	₱202,415	₱106,032

**Unaudited. These financial projections are based on assumptions regarding future events.
Actual results may vary from the information presented.*

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO PROJECTED 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 Securities and Exchange Commission (SEC) on October 30, 1930 for the purpose of holding and investing in corporations engaged in the business of manufacturing sugar and allied products. The corporate life of the Parent Company has been extended 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, 2013, the Parent Company is 66% owned by Roxas and Company, Inc. (RCI), a publicly-listed company incorporated and domiciled in the Philippines. On November 29, 2013, RCI sold its 31% equity interest in the Parent Company to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. RCI remains the major shareholder of the Parent Company with 35% equity interest while First Pacific has 34% equity interest as it acquired additional shares of stock of the Parent Company from other stockholders as at September 30, 2014.

On February 28, 2015, First Pacific, through its subsidiary (First Agri Holdings Corp), acquired 241,780,709 treasury shares of the Company amounting to ₱1,692.5 million resulting to an increase in effective interest from 34% to 51%. As a result, First Pacific became the major shareholder of the Parent Company while equity interest of RCI in the Parent Company was further diluted from 35% to 28%. RCI has 31% equity interest in the Parent Company as at September 30, 2015.

The corporate office of the Parent Company is located at the 6th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City, while the manufacturing plants of its operating subsidiaries are in Barrio Lumbangan, Nasugbu, Batangas and Barrio Consuelo, La Carlota City, Negros Occidental, San Carlos Ecozone, San Carlos City, Negros Occidental.

2. Basis of Preparation and Summary of Significant Assumptions

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land and investment properties 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.

**Unaudited. These financial projections are based on assumptions regarding future events.
Actual results may vary from the information presented.*

This financial projection presents, to the best of Management’s knowledge and belief, the Company’s results of operations and significant changes in financial position for the projection period if the hypothetical assumptions occur. Accordingly, the projection reflects management’s judgment as of February 2016, the date of this projection, of the expected conditions if the hypothetical assumptions occur. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between projected and actual results, as events and circumstances frequently do not occur as expected, and those differences may be material.

The unaudited projected financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Company’s annual audited financial statements as at and for the year ended September 30, 2015.

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.

Following is the list of the subsidiaries:

	Percentage of Ownership			Nature of Business	Principal Place of Business
	2016	2015	2014		
Central Azucarera Don Pedro, Inc. (CADPI) ⁽¹⁾	100.00%	100.00%	100.00%	Production and selling of raw and refined sugar, molasses and related products	Makati 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	Makati 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%	-	Agricultural business	Batangas City
Roxas Pacific Bioenergy Corporation (RPBC) ⁽²⁾	100.00%	100.00%	-	Holding company for bioethanol investments	Negros Occidental
RHI Pacific Commercial Corp. (RHIPCC) ⁽²⁾	100.00%	100.00%	-	Selling arm of RHI Group	Makati City
San Carlos Bioenergy, Inc. (SCBI) ⁽³⁾	93.68%	93.68%	-	Production and selling of bioethanol fuel	Negros Occidental
Najalin Agri Ventures, Inc. (NAVI)	77.38%	77.38%	77.38%	Agricultural and industrial development	Negros Occidental
Roxas Power Corporation (RPC)	50.00%	50.00%	50.00%	Sale of electricity	Nasugbu, Batangas
Jade Orient Management Services, Inc. (JOMSI)	-	-	-	Managing and operating agricultural land and planting and cultivation of sugar cane and other farm products	Makati City

⁽¹⁾ Direct ownership of 20.53% and indirect ownership through CADPI of 79.47%

⁽²⁾ Newly incorporated wholly owned subsidiaries in 2015. As at September 30, RABDC and RHIPCC have not yet started commercial operations

⁽³⁾ Acquired in April 2015 through RPBC

**Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.*

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

Significant Assumptions

a) Equity Financing

In 2016, the Company expects to issue 266,753,974 shares from a stock rights offering. The accompanying projection is based on the assumption that the Company will raise capital amounting to P1.2 billion from the stock offer.

b) Accounts receivable

Accounts receivable are projected to include an average of two months (60 days) of total revenue for the year then ended.

c) Accounts payable

Accounts payable are projected to include an average of two months (60 days) of cost of goods sold for the year then ended.

d) Revenue

The projection assumes that the Company's ethanol business will continue to grow with the acquisition of SCBI in May 2015. Expected ethanol production also increased due to planned higher capacity utilization. The sugar revenue will be maintained with minimal increase compared to prior years.

e) Cost of sales

Cost of sales were projected based on 30% increase in market prices of molasses against 2015 market prices and additional hauling subsidy granted to planters to increase market share of cane.

f) Operating expenses

Operating expenses were estimated based on normal operations. 2015 expenses includes nonrecurring expenses (e.g. redundancy expenses).

3. **Cash and Cash in Banks**

This account consists of:

	2016	2015
Cash on hand	₱3,000	₱3,138
Cash in banks	273,016	199,277
	₱276,016	₱202,415

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

**Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.*

4. **Trade and Other Receivables**

This account consists of:

	2016	2015
Trade	₱935,227	₱1,059,717
Due from:		
Planters and cane haulers	97,552	110,103
Employees	48,410	54,638
Related parties	32,382	32,382
Advances to suppliers	19,457	21,960
Others	56,609	63,891
	1,189,637	1,342,691
Allowance for impairment losses	(80,679)	(80,679)
	₱1,108,958	₱1,262,012

Trade receivables are unsecured, noninterest-bearing with credit terms ranging from 15 to 90 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.

Due from employees include housing, educational loans and advances for business purposes subject to liquidation that are collected from the employees through salary deduction. The loans to employees are noninterest-bearing, except for certain housing loans extended in 2008 to its employees, which bear interest of 8.0% and are payable until 2018.

Advances to suppliers primarily pertains to advance payments for materials and labor related to repairs and maintenance of the bio-ethanol distillery complex.

Other receivables include advances to planters' association, other suppliers and nontrade receivables, which are noninterest-bearing and normally settled within one year.

5. **Inventories**

This account consists of:

	2016	2015
At NRV:		
Materials and supplies	₱460,939	₱572,861
Molasses	129,984	161,533
Alcohol	240,628	138,845
At cost:		
Refined sugar	257,332	319,745

**Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.*

	2016	2015
Raw sugar	245,252	304,778
Others	2,506	3,064
	₱1,336,641	₱1,500,826

Cost of inventories valued at NRV is shown below:

	2016	2015
Materials and supplies	₱483,689	₱595,611
Molasses	131,311	162,860
Alcohol	240,682	138,899
	₱855,682	₱897,370

6. Other Current Assets

This account consists of:

	2016	2015
Creditable withholding taxes, net of allowance for impairment loss	₱347,515	₱339,398
Input VAT	230,130	238,480
Indemnification asset	21,904	21,904
Others	20,566	25,823
	₱620,115	₱625,605

Input VAT, which includes deferred input VAT, mainly arises from construction services relating to the Ethanol Plant and other purchases of capital goods and services for operations.

Others consist of prepaid insurance and rent.

7. Investment in an Associate

Movements in investment in an associate are as follows:

	2016	2015
Acquisition cost	₱127,933	₱127,933
Accumulated share in net earnings:		
Balance at beginning of year	345,350	297,431
Share in net earnings	94,000	134,424
Dividends received	(59,953)	(86,505)
Balance at end of the year	379,397	345,350
Cumulative share in remeasurement loss on retirement asset:	(6,175)	(6,175)
Share in revaluation increment of land	207,492	207,492
	₱708,647	₱674,600

**Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.*

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

8. Property, Plant and Equipment

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

	2016						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	₱3,341,109	₱15,276,447	₱668,707	₱192,640	₱102,910	₱769,964	₱20,351,777
Acquisitions from:							
Proceeds from stock rights offering	-	350,000	-	-	-	-	350,000
Working capital	-	127,460	36	-	-	672,310	799,806
Reclassifications	369,160	769,964				(1,139,124)	-
Balances at end of year	3,710,269	16,523,871	668,743	192,640	102,910	303,150	21,501,583
Accumulated Depreciation and Amortization							
Balances at beginning of year	1,380,340	7,872,589	643,844	52,199	50,534	-	9,999,506
Depreciation and amortization	124,337	762,860	9,115	-	5,441	-	901,753
Balances at end of year	1,504,677	8,635,449	52,199	52,199	55,975	-	10,901,259
Net Carrying Amount	₱2,205,592	₱7,888,422	₱616,544	₱140,441	₱46,935	₱-	₱10,600,324

	2015						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	₱2,785,580	₱12,316,311	₱105,484	₱-	₱39,385	₱193,909	₱15,440,669
Additions	119,370	61,493	15,961	-	54,307	861,325	1,112,456
Acquisition through business combination	339,467	2,709,881	541,119	192,640	6,481	77,500	3,867,088
Retirement and disposals	-	(68,436)	-	-	-	-	(68,436)
Reclassifications	96,692	257,198	6,143	-	2,737	(362,770)	-
Balances at end of year	3,341,109	15,276,447	668,707	192,640	102,910	769,964	20,351,777
Accumulated Depreciation and Amortization							
Balances at beginning of year	1,190,660	6,496,801	96,968	-	38,750	-	7,823,179
Acquisition through business combination	66,497	750,809	537,761	52,199	6,343	-	1,413,609
Depreciation and amortization	123,183	657,148	9,115	-	5,441	-	794,887
Retirement and disposals	-	(32,169)	-	-	-	-	(32,169)
Balances at end of year	1,380,340	7,872,589	643,844	52,199	50,534	-	9,999,506
Net Carrying Amount	₱1,960,769	₱7,403,858	₱24,863	₱140,441	₱52,376	₱769,964	₱10,352,271

Construction in progress pertains mainly to the on-going plant improvements and rehabilitation of milling and refinery equipment, which are to be completed in the succeeding fiscal year.

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

	2016	2015
At appraised values:		
Balance at beginning of year	₱4,021,148	₱3,779,605
Acquisition through business combination	-	244,953
Reclassification	-	(5,023)
Additions	200,000	1,613
Balance at end of year	₱4,221,148	₱4,021,148
At cost	₱825,533	₱625,533

The fair value of land is based on the appraised value using a market data approach, as determined by a professionally qualified independent appraiser. The fair value has been categorized as level 2 (directly or indirectly observable inputs). The latest appraisal report was made in various dates in 2014.

**Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.*

9. Investment Properties

Movements in investment properties are as follows:

	2016	2015
Balance at beginning of year	₱311,110	₱205,986
Acquisition through business combination	-	96,601
Additions	-	3,500
Reclassification	-	5,023
Balance at end of year	₱311,110	₱311,110

Investment properties pertain to land of the Parent Company, NAVI, CADPI and SCBI held for rental and capital appreciation.

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. The fair value measurement for land has been categorized as Level 2 (directly or indirectly observable inputs). The latest appraisal report was made on various dates in 2014.

10. 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 60 days and bear interest ranging from 2.75% to 3.75% and 3.0% to 3.5%, respectively.

11. Long-term Borrowings

Long-term borrowings consist of loans from:

	2016	2015
Banco De Oro Unibank, Inc. (BDO)	₱4,073,178	₱3,445,785
Bank of the Philippine Islands (BPI)	1,837,464	1,227,079
Syndicated Loan with Development Bank of the Philippines (DBP)	444,319	444,319
Rizal Commercial Banking Corporation (RCBC)	380,357	380,000
Syndicated Loan with BPI	830	830
	6,736,148	5,498,013
Unamortized transaction costs	(17,368)	(17,379)
Current portion	(1,054,130)	(1,244,649)
Noncurrent portion	₱5,664,650	₱4,235,985

Interest Expense

Interest ranges from 3.38% to 5.80% in 2016 and 2.75% to 7.50% in 2015.

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

	2016	2015
Less than one year	₱1,054,130	₱1,244,649
Between one to two years	1,149,022	379,640
Between two to five years	2,254,218	1,703,235
Between five to eight years	2,278,778	2,170,489
	₱6,736,148	₱5,498,013

12. Trade and Other Payables

This account consists of:

	2016	2015
Trade	₱845,604	₱813,338
Customers' deposits	-	397,322
Accrued expenses	130,864	170,939
Due to:		
Related parties	110,449	110,449
Planters	39,296	51,330
Deferred interest	-	68,407
Payable to government agencies for taxes and statutory contributions	63,717	66,249
Cumulative preferred dividend	-	34,214
Provision for probable losses	16,227	16,227
Others	137,818	218,200
	₱1,343,975	₱1,946,675

Trade payables are noninterest-bearing and generally settled within 30 to 60 days.

Customer's deposits represent noninterest-bearing cash deposits from customers, which will be applied against future deliveries of refined sugar.

Other accruals primarily pertain to purchased molasses and biomass fuel, which were already received but not yet billed by the suppliers.

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

Other payables include advances from Menarco Holdings, Inc. and MCEI to fund SCBI's working capital requirements amounting to ₱168.9 million, which are noninterest-bearing, unsecured and payable on demand. These entities are the related parties of SCBI before RHI Group acquired SCBI.

13. 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. 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.

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

	Discount Rate	Salary Increase Rate
CADPI	4.70	4.00
CACI	4.80	4.00
RHI	4.75	4.00
SCBI	4.75	5.00

14. Equity

a. Capital stock and treasury stock

Details of capital stock and treasury stock follow:

	2016		2015	
	Number of Shares	Amount (in Thousands)	Number of Shares	Amount (in Thousands)
Authorized – common shares “Class A” at ₱1.0 par value	1,500,000,000	₱1,500,000	1,500,000,000	₱1,500,000
Issued:				
Balance at beginning of year	1,169,288,884	₱1,169,289	1,168,976,425	₱1,168,976
Issuances	270,153,277	270,153	312,459	313
Balance at end of year	1,439,442,161	1,439,442	1,169,288,884	1,169,289
Treasury stock				
Balance at beginning of year	(259,424,189)	(768,860)	(259,424,189)	(768,860)
Issuances	241,780,709	716,570	241,780,709	716,570
Balance at end of year	(17,643,480)	(52,290)	(17,643,480)	(52,290)
Issued and outstanding	1,421,798,681	₱1,387,152	1,151,645,404	₱1,116,999

b. Additional paid-in capital

Details of movements in additional paid-in capital are as follows:

	2016	2015	2014
Balance at beginning of year	₱1,573,993	₱574,913	₱556,951
Issuance of shares in excess of par value, net of transaction cost	852,994	–	–

(Forward)

**Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.*

	2016	2015	2014
Issuance of treasury stock in excess of cost, net of transaction cost	P-	P963,561	P-
Vested employee stock options:			
CADPI	19,083	27,872	14,436
RHI	3,507	5,123	1,410
RBC	1,092	1,596	1,055
CACI	316	462	1,061
Excess of exercise price of stock options over par value	450	466	-
	P2,451,435	P1,573,993	P574,913

15. Related Party Transactions and Balances

In the normal course of business, the Group has transactions with related parties as follows:

- a. The Group made advances to RHIRFI, CADPIRFI and CACIRFI for a portion of the retirement payments made to the Group's qualified retired employees under defined benefit plan. Advances to RHIRFI, CADPIRFI and CACIRFI are included in "Trade and other receivables" account.
- b. Due to related parties, which are presented as part of "Trade and other payables" account, represents noninterest-bearing payable arising from advances and rent of office space from CADPIRFI.
- c. RCBC, a creditor of CADPI and CACI, owns 34.5 million shares or 2.99% and 3.79% interest in RHI as at September 30, 2015 and 2014, respectively.

Outstanding balances of transactions with related parties at yearend are unsecured and settlements are made in cash. The Company did not recognize any provision for impairment loss in 2015 and 2014. 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.

16. Revenue

The components of revenue are as follows:

	2016	2015	2014
Sale of:			
Refined sugar	P2,652,373	P2,518,987	P3,618,592
Alcohol	3,893,919	2,367,878	1,918,573
Raw sugar	2,827,537	2,247,077	2,336,308
Molasses	271,937	646,829	376,286
Liquid sugar	-	38,336	-
Tolling fees	484,961	381,586	66,959
Power	39,646	-	-
Others	224	7,703	-
	P10,170,597	P8,208,396	P8,316,718

**Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.*

17. Cost of Goods Sold

	2016	2015	2014
Direct materials used	₱3,979,082	₱3,207,261	₱3,921,591
Planters' subsidy and productivity assistance	1,346,000	1,025,722	871,755
Depreciation and amortization	841,795	752,067	627,929
Fuel and oil	706,179	771,189	284,276
Materials and consumables	462,533	243,143	207,584
Repairs and maintenance	353,479	282,076	216,301
Salaries, wages and other employee benefits	353,368	354,885	286,434
Taxes and licenses	185,237	131,871	176,173
Communication, light and water	151,959	130,425	98,461
Rent	194,445	102,568	90,787
Outside services	102,118	68,786	47,660
Insurance	84,859	49,512	40,728
Provision for inventory losses and obsolescence	–	7,271	–
Hauling	–	–	212
Others	25,349	37,409	12,800
	₱8,786,403	₱7,164,185	₱6,882,691

18. Operating Expenses

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	2016	2015	2014
Salaries, wages and other employee benefits	₱327,360	₱389,742	₱240,643
Materials and consumables	32,300	36,348	26,744
Outside services	99,380	102,782	159,650
Taxes and licenses	75,920	180,950	54,461
Depreciation and amortization	52,330	45,168	52,906
Insurance	26,200	34,871	33,743
Communication, light and water	18,410	10,599	10,634
Rent	17,420	14,422	19,930
Repairs and maintenance	13,220	10,798	10,395
Corporate social responsibility	10,930	13,427	12,832
Travel and transportation	17,920	27,523	11,753
Representation and entertainment	4,020	3,394	2,549
Provision for impairment losses on receivables	–	1,386	116
Reversal for allowance of impairment losses on receivables	–	–	(40,018)
Others	120,573	160,587	135,564
	₱815,983	₱1,031,997	₱731,902

**Unaudited. These financial projections are based on assumptions regarding future events. Actual results may vary from the information presented.*

Others mainly pertain to professional fees, training and development, transfer cost and bank charges.

Selling Expenses

Selling expenses mainly pertains to sugar liens and dues and monitoring fees representing mandatory fees paid to various regulatory agencies prior to sale of sugar.

19. Other Income

This account consists of:

	2016	2015	2014
Storage, handling and insurance fees	₱28,461	₱51,878	₱39,804
Sales of scrap	-	15,301	21,715
Rent income	-	6,649	7,695
Interest income	-	2,558	1,123
Net unrealized foreign exchange gains (losses)	-	(183)	2,284
Recovery from insurance claims	-	-	40,903
Reversal of long-outstanding payables	-	-	80,681
Unrealized gain on fair value adjustment of investment properties	-	-	33,349
Others	-	8,157	1,962
	₱28,461	₱84,360	₱229,516

20. Income Taxes

The current income tax expense of the Group in 2015 and 2014 pertains to RCIT, or MCIT, whichever is higher, except for RBC and SCBI, which are entitled to income tax holiday (ITH) and 5% gross income tax, respectively.

a. 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. Under the terms of its registration, RBC is required to achieve certain production and sales volume for both anhydrous and hydrous ethanol.

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 the start of commercial operations;
- 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 the Company 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.

Under the terms of its registration, RBC is required to achieve certain production and sales volume for ethanol.

b. 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.