PW-834

ROXAS AND COMPANY, INC.
(FORMERLY CADP GROUP
CORPORATION)

(Company's Full Name)

7TH FLOOR,
CACHO-GONZALES BUILDING,
101 AGUIRRE STREET LEGASPI
VILLAGE, MAKATI CITY

(Business Address: No. of Street City/Town/Province)

ATTY. ALEZANDRO S. CASABAR

810-8901

SEC Form 17-A (2014)
For Year Ended September 30, 2014

Form Type

September 30
Month *Day*
Fiscal Year

February 4th Wednesday
Month *Day*
Annual Meeting

NOT APPLICABLE
Secondary License Type, If Applicable

Department Requiring this Document

Article VI
Amended Articles Number/Section

Total Amount of Borrowings

3,402
Total No. of Stockholders

₽351.4 million
Domestic

Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purpose

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **30 September 2014**

2. SEC Identification Number: **834**

3. BIR Tax Identification No. : **000-269-435-000**

4. Exact name of issuer as specified in its charter: **ROXAS AND COMPANY, INC.**

5. **Philippines**
   Province, Country or other jurisdiction of
   Incorporation or Organization

6. (SEC Use Only)
   Industry Classification Code

7. **7th Floor Cacho-Gonzales Building, 101 Aguirre Street**
   Legaspi Village, Makati City 1229
   Address of Principal Office

8. **(632) 810-89-01 to 06**
   Registrant's telephone number, including area code

9. CADP GROUP CORPORATION
   6th Floor Cacho-Gonzales Building, 101 Aguirre Street
   Legaspi Village, Makati City 1229
   Former name and former address.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Authorized Capital Stock	
Common	**₱3,375,000,000**
No. of shares subscribed & outstanding:	
Common	1,921,501,094
Amount of loans outstanding as of 30 September 2014	**₱351,360,945**

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

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

Yes [√] No [ ]

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

12. Check whether the issuer:

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

Yes [√] No [ ]

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

Yes [√] No [ ]

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

Assuming that the number of stockholdings of non-affiliates as of 31 December 2014 is 431,734,649 common shares and assuming further that the market bid price of the shares as of same date is ₱2.80 then the aggregate market value of the voting stocks held by non-affiliates as of said date is ₱1,208,857,017.

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

(a) Incorporated by reference in Part III on Financial Information is the Consolidated Financial Statements of Roxas and Company, Inc. and subsidiaries for the fiscal year ended 30 September 2014.

PART I – BUSINESS

1. Business Development

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

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

With the merger of RCI and CADPGC, the Company now has interests in both (i) the real estate business of 100%-owned Roxaco and (ii) the sugar business of RHI and its sugar- and ethanol-manufacturing subsidiaries.

On November 29, 3013, RCI sold its 31% equity ownership in RHI to First Pacific Company, Ltd. (First Pacific), Hong Kong-based Company. RCI remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders. Subsequent to the sale, RHI became an associate of the Company.

2. Business

Description of the General Nature and Business of the Company

The Company (formerly CADP Group Corporation) is one of the largest sugar corporations in the country. It was established in October 1918. It became one of the biggest sugar mills in the Far East during the 1970s.

A change in ownership structure in 1995 paved the way for the rehabilitation, improvement, and expansion of the Company. In 2004, the Company was reorganized and transformed into a full-fledged sugar holding and investment corporation.

In 2008, the Roxas Group, of which Roxas & Company, Inc. (RCI), Roxas Holdings, Inc. (RHI), CADP Group Corporation (CADPGC) and Roxaco Land Corporation (Roxaco) are a part, undertook a corporate reorganization. With (a) the sale by CADPGC of all its sugar-related operating subsidiaries and assets to RHI, (b) the sale of CADPGC by RHI to RCI and (c) the approval of the merger between RCI and CADPGC by the SEC, the Company, a holding and investment corporation, now has interests in both the sugar businesses of RHI and the real estate business of Roxaco.

Since most of the real property development projects of Roxaco are already completed, it is looking into undertaking other projects for expansion and development. In 2012, it began the development of the first townhomes project with shop houses in Nasugbu, Batangas – the Landing Townhomes.

Roxaco has also expanded its Orchards project in 2013 with the launch of Phase II for The Orchards at Balayan Subdivision, also in Batangas.

Roxaco developed Anya Resort and Residences (Phases 1, 2 &3), Roxaco completed the development of Phase 1 as at September 2014. Roxaco will continue developing Anya Resort and Residences into a boutique resort with the construction of various resort amenities and branded residences.

In December 2013, Roxaco entered a joint venture with Vanguard Hotels Group to explore the "Budget Hotel" industry in the Philippines. The joint venture is designed for the partners to put up and operate a minimum of five (5) budget hotels in Metro Manila. The company continues to explore business prospects in the CALABARZON and Metro Manila areas.

Business Units and Operations

The Company directly owns (a) 100% of Roxaco Land Corporation (Roxaco), the real estate company of the Roxas Group, and (b) 35% of the total issued and outstanding shares of RHI, under which are the various sugar-operating companies.

The Company, through Roxaco, has investments in Fuego Development Corporation (FDC), Fuego Land Corporation (FLC), Club Punta Fuego, Inc. (CPFI), Fuego Hotels Property and Management Corporation (FHMPC), Roxaco-ACM Development Corporation (RADC) and Roxaco-Vanguard Hotels Corporation (RVHC).

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

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

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

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

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

On 02 December 2009, Roxaco entered into a Joint Venture Agreement with VJ Properties, Inc. for the development of a 36,201 square-meter property in Tagaytay City into a boutique resort-type of residential subdivision known as Anya Resort and Residences (Tagaytay). Roxaco has a 65% share in the net proceeds from the sale of 14 pre-selected lots, a 65% and 60% share in the net proceeds from the sale of remaining 12 and 28 lots respectively in Phase 1 The other 21,771 square-meter which consist of Phase 2 & 3 of Anya Resort and Residences (Tagaytay) is 100% development by Roxaco.

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

In December 2013, Roxaco entered a joint venture with Vanguard Hotels Group to explore the “Budget Hotel” industry in the Philippines. The joint venture is designed for both parties to put up and operate initially a minimum of five (5) budget hotels in Metro Manila.

Principal Products and Services

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

Its joint venture projects include:

(a) Peninsula De Punta Fuego, an 88-hectare world-class residential beach resort located in Nasugbu, Batangas developed in partnership with Landco Pacific Corporation (Landco). The Punta Fuego community consists of Spanish-Mediterranean inspired villas, a Beach Club, a Marina, a nine-hole golf course and a Country Club;

(b) Terrazas De Punta Fuego, a 61-hectare prime seafront property, also located in Nasugbu, Batangas, and developed by Fuego Land Corporation (FLC), a 70%-30% joint venture company of Landco and Roxaco. This property is also home to Amara en Terrazas, a seaside condominium project;

(c) Club Punta Fuego, an exclusive resort developed by FDC. Facilities include The Country Club, Upper Beach Club, Lower Beach Club, a Nelson-Haworth designed nine-hole golf course, twelve white sand beaches, casitas, a Marina, The Spa, The Boardwalk, Game Hall and KTC, Café Sol, double infinity pools and the Sunset Beach Cove. An associate membership to Club Punta Fuego is attached to every lot in Peninsula and Terrazas de Punta Fuego;

(d) Woodstock Homes, a 5-hectare mass housing project located in Nasugbu, Batangas. This was developed by Roxaco-ACM Development Corporation, an incorporated joint venture company between Roxaco and ACM Landholdings, Inc. A total of 386 housing units and 100 open lots comprise the development, all of which have been sold out;

(e) Goodwood Homes, a low-density residential development with only 150 duplex units in a 2-hectare area located in Imus, Cavite. The project was developed in joint venture with ACM Landholdings, Inc.;

(f) The Orchards at Balayan, a 9-hectare property located in Balayan, Batangas. This is an open-lot residential subdivision for Phase 1, a combination of an open-lot, house and lot residential subdivision for Phase 2 developed by Roxaco in joint venture with Marilo Corporation; and

(g) Anya Resort and Residences, a 4-hectare property located in Tagaytay City. This is a low density boutique resort-type of residential subdivision being developed by Roxaco and partly a joint venture with landowner VJ Properties, Inc.

On its own, Roxaco developed the following projects:

(a) Landing Subdivision, a residential open lot subdivision located in Nasugbu, Batangas. It has a total area of 23 hectares. All phases have been completed and sold out;

(b) Landing Commercial Building, a commercial facility with a total land area of 13,000 square meters consisting of 20 stalls. It is located along J.P. Laurel Street, Nasugbu, Batangas;

(c) Palm Estates Subdivision, a 23.6-hectare open-lot residential project consisting of three phases. Located in Nasugbu, Batangas, it offers a wide spectrum of lots designed to cater to families from all economic walks of life;

(d) Palm Homes, a 10-unit house and lot project in Palm Estates;

(e) San Antonio Memorial Gardens, the first master-planned memorial park in Western Batangas; and

(f) Landing Townhomes, a 1.2-hectare property, is the first townhouse development in Nasugbu, Batangas. It consists of 114 two-storey residential units offered for sale, 21 commercial units for sale of which 2 units is to be used as Roxaco office .

Distribution Methods of the Products or Services

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

Competition

Most of Roxaco's projects are located in the Municipality of Nasugbu, Batangas. It intends to develop the remaining land bank based on an integrated master plan, and also explore possible projects in other high-potential regions in the Philippines.

The giants of the local property market are Ayala Land, Robinsons Land, Megaworld, Filinvest Land, Vista Land and Sta.Lucia Realty. In Nasugbu, however, Roxaco's projects, which cater more to the local market, have no direct competitors. Most of the popular developments such as Pico de Loro in Hamilo Coast by SM Investments Corporation are designed as weekend homes for the Metro Manila market. In Tagaytay, SM Investments Corporation also offers premium residences that seamlessly fuse together leisure and luxury – Tagaytay Highlands.

In terms of project types, Roxaco is comparable to emerging developers like Moldex, Extra Ordinary Development Corporation, and other regional developers that are still in the process of establishing a national presence.

Roxaco does not have records on file indicative of the relative sizes and financial and market strengths of the said companies. However, financial and operational performances of publicly-listed real estate companies are available through their disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

Sources and Availability of Raw Materials and Names of Principal Suppliers

Roxaco secured the services of Land Infrastructures Experts, Inc., Arlkaye Builders, R.A. Construction Corporation, Blue Development Inc., Ecoplan Inc., ECCruz Corporation and Emesae Design Corporation for its major real estate developments.

Transactions with and/or Dependence on Related Parties

Roxaco is not dependent on a few customers or related parties in the sale of its properties or in offering its services. It caters to families from all economic walks of life.

Patents, Trademarks and Copyrights

The Company's real property arm, Roxaco, has applied for the registration of the trademark for its project "Anya Resort and Residences" and Device. The application is currently on process.

Need for Government Approvals of Principal Products or Services

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

Effect of Existing or Probable Governmental Regulations

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

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

Value Added Tax System

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

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

Costs and Effects of Compliance with Environmental Laws

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

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

Total Number of Employees and Number of Full-Time Employees

As of 30 September 2014, the Company had one (1) executive and three (8) employees.

Roxaco, on the other hand, had two (2) executives and twenty-seven (26) employees. Nine (9) of these Roxaco employees are based in Nasugbu, Batangas and one (1) in a satellite office in Balayan, Batangas. The rest are based in its administrative and corporate offices in Makati City.

Property

The Company is the owner of a big tract of land located in Nasugbu, Batangas with land area of more or less 2,900 hectares, and with total appraised values of ₽4,448.50 million as of 30 September 2014. Of these, approximately 2,300.60 hectares were covered by the Comprehensive Agrarian Reform Program (CARP).

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

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

There are pending legal cases as at September 30, 2014. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

The Company is likewise the registered owner of a 1,030 sqm condominium unit located at the 7th Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₽179,506 while fair market value is pegged at ₽ 59.74 Million as of 30 September 2014. This property and 7,770 sqm of land in Nasugbu, Batangas are presently mortgaged to secure certain loan obligations.

Real Estate

As of 30 September 2014, Roxaco's real estate for sale and development, consisting of real estate properties for sale, raw land and land improvements, were valued at ₱441.01million (historical cost). Of these, properties with total area of 677,522 sqm and carrying costs of ₱178.8 million were used as collateral to secure certain loan obligations of the Company.

Legal Proceedings

RCI is a party to various legal proceedings mostly involving the coverage of its properties in Nasugbu, Batangas under the Comprehensive Agrarian Reform Program (CARP).

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

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

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

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

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

To date, the said application has remained unacted upon primarily because it took the DOT some time to promulgate the Implementing Rules and Regulations ("IRR"). However, last July 2011, the IRR has been published in newspapers of general circulation and the same took effect on 01 August 2011. At present, RCI's application is still pending with the TIEZA.

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

On 20 September 2011, RCI received from the Supreme Court a Decision dated 05 September 2011[3] affirming the exemption of a 21.1236-hectare property from CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.

There are three[5] other CARP-related cases that are pending with the Provincial Adjudicator (PARAD) of Western Batangas and the Department of Agrarian Reform (DAR).

In the ordinary course of its business, the Company is a party to other cases, either as complainant or defendant. However, the Company believes that these cases do not have any material adverse effect on it.

On 22 October 2012, the DAR published a Notice of Coverage over approximately 2,514.76 hectares of the Company's properties. The Company has filed its Protest with the DAR against this wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage) and the applicable law (RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

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

There are pending legal cases as at September 30, 2014. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

<u>Real Estate</u>

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

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[3] Agapito Rom, et. al. vs. Roxas and Company, Inc., G.R. No. 169331.

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

Submission of Matters to a Vote of Security Holders

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

PART II – SECURITIES OF THE REGISTRANT

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

1. Market Information.

The Company has 1,921,501,095 common shares listed and traded in the Philippine Stock Exchange under the trading symbol "RCI".

(1) High and low share price for the last two (2) fiscal years.

	High	Low
October 2012-December 2012	3.50	1.68
January 2013-March 2013	2.39	2.25
April 2013-June 2013	3.00	2.27
July 2013-Sept 2013	2.25	1.51
October 2013-December 2013	5.35	4.83
January 2014-March 2014	3.38	3.37
April 2014-June 2014	2.81	2.80
July 2014-Sept 2014	2.99	2.98
October 2014-December 2014	2.80	2.80
January 09, 2015	2.88	2.57

(a) Holders. There were 3,402 holders of the Company's listed shares as of 30 September 2014. The top twenty (20) holders of the Company's common shares as of said date were:

	STOCKHOLDERS	NATIONALITY	TOTAL SHARES	%
1	SPCI Holdings, Inc.	Filipino	642,779,593	33.45%
2	Antonio J. Roxas	Filipino	500,000,000	26.02%
3	Pesan Holdings, Inc.	Philippine National[6]	340,593,270	17.73%
5	Beatriz O. Roxas	Spanish	125,210,092	6.52%
6	PCD Nominee Corporation	Filipino	8,932,903	0.46%
7	Rizal Commercial Banking Corporation	Philippine National	3,048,161	0.16%
8	Antonio Roxas Chua	Filipino	2,379,610	0.12%

[6] This does not include the 1,271,559 shares beneficially owned by Pesan Holdings, Inc. (PHI) but owned on record by the PCD Nominee Corporation, the top 9 stockholder. Mr. Pedro E. Roxas is the controlling stockholder of Pesan Holdings, Inc. (PHI). In total, Mr. Pedro E. Roxas owns, directly and indirectly, 536,681,945 RCI shares representing 18.43% of the subscribed capital stock.

9	Mari Carmen Roxas de Elizalde	Filipino	1,361,241	0.07%
10	Santiago R. Elizalde	Filipino	1,210,930	0.06%
11	Francisco Jose R. Elizalde	Filipino	1,203,013	0.06%
12	Carlos Antonio R. Elizalde	Filipino	1,200,320	0.06%
13	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.06%
14	Pedro E. Roxas	Filipino	939,031	0.05%
15	Equitable Securities FAO Inigo Elizalde	Filipino	933,810	0.05%
16	Severo A. Tuason & Company, Inc.	Filipino	537,000	0.03%
17	Dolores Teus De M Vara De Rey	Filipino	488,020	0.03%
18	Concepcion Teus Vda. De M Vara De Rey	Filipino	445,650	0.02%
19	Pan Malayan Mgmt. Corp.	Filipino	337,559	0.02%
20	Ma. Del Pino Ruiz	Filipino	336,700	0.02%
	SUBTOTAL		**1,906,552,832**	99.22%
	OTHER STOCKHOLDERS		14,948,263	0.78%
	GRAND TOTAL		**1,921,501,095**	**100.00%**

2. Dividends.

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

Declaration Date	*Dividend Per Share*	*Record Date*	*Payment Date*
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	₱ 0.06	19 October 2006	10 November 2006
21 June 2007	₱ 0.06	13 July 2007	31 July 2007
20 September 2007	₱ 0.04	15 October 2007	8 November 2007
26 June 2008	₱ 0.06	15 July 2008	31 July 2008
2 October 2008	₱ 0.06	15 October 2008	30 October 2008
13 December 2013	₱ 0.02	06 January 2014	30 January 2014
12 December 2014	₱ 0.02	15 January 2014	30 January 2014

3. Recent Sales of Unregistered Securities.

(a) Securities Sold.

There was no recent sale of unregistered or exempt securities.

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

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

(b) Exemption from Registration Claimed.

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

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

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

4. Description of Registrant's Securities.

The authorized capital stock of the company is Three Billion Three Hundred Seventy Five Million Pesos (₱3,375,000,000.00) divided into 3,375,000,000 common shares with par value of One Peso (₱1.00) per share.

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

3. Management's Discussion and Analysis or Plan of Operation

FISCAL YEAR 2013-2014

This year, Roxas and Company, Inc. (RCI) or the Parent Company made a major strategic decision to give up majority control of its investment in Roxas Holdings Inc. (RHI) in order to buy-out its minority shareholders, fund the expansion of its tourism-related realty projects and to pay down its debts. RCI sold its 31% equity ownership in RHI to First Pacific Natural Resources Holdings BV (First Pacific), a Hong Kong-based company, on November 29, 2013. Proceeds from the sale amounted to P2,220.4 million and led to a gain of P6,316.9 million. As a result, RCI's consolidated net income increased by 430% to ₱2,289.2 million.

RCI remains as a major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders. RCI's investment in RHI shall hence be deconsolidated as a Subsidiary and reclassified to Investment in Associate.

Results of Operation

Consolidated revenues for the fiscal year amounted to ₱217.6 million or 201% higher than last year's ₱108 million due to higher revenues from Roxaco Land Corporation's (RLC's) Anya Resort and Landing Townhomes projects. RLC rationalize the basis of recognizing revenues from its real estate sales from 25% to 10% of collected sales. Management believes that at 10% collection, sales collectability is reasonably assured and the risks and benefits over the asset have been transferred to the buyer.

Gross profit for the fiscal year amounted to ₱112.0 million or 51% of revenue. The Gross profit rate is slightly lower than last year's 68% due to the increase in the cost of development.

Operating expenses of ₱80.6 million is 10% lower than last year due to cost cutting measures implemented during the year and lower number of managerial employees, resulting to lower salaries and other employee benefits.

Selling and marketing expenses amounting to ₱20.1 million is higher by 5% than last year due to commissions and marketing expenses incurred by the property group for its Anya Resort project.

Equity in net earnings of associate and a joint venture as of fiscal year end amounted to ₱197.0 million, which went up largely due to recognition of RHI as an Investment in associate at equity method.

Interest expenses of ₱15.5 million is 40% lower than last year due the prepayment of ₱250.0 million of long-term borrowings of the Parent Company.

Net Income from discontinued operation amounted to ₱42.0 million and 91% lower than last year due to deconsolidation of RHI from RCI starting December 2013.

Overall, the Group registered a consolidated net income of ₱2,289.2 million, substantially higher than ₱431.8 million last year due to the gain on the sale of investment in RHI and improved results of operations. Earnings per Share (EPS) increased from ₱0.09 to ₱1.18.

For the Fiscal Year ended September 30, 2014, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to ₱2,418.6 million compared to ₱1,137.8 million last year.

Financial Condition

Consolidated total assets amounted to ₱7,472.5 million, 63% lower than last year's ₱20,240.8 million as a result of the deconsolidation of RHI.

Current ratio this year improved from 2.01:1 to 2.85:1. Debt to equity (D/E) ratio likewise improved to 0.08:1 compared to last year's 1.02:1, within the allowable 0.75:1 DE ratio required in the debt covenant for term loans.

The Group likewise has existing credit lines/facilities with banks for its working capital requirements. Unused working capital lines as at September 30, 2014 amounted to ₱678.7 million.

Book value per share is ₱3.61 and ₱3.45 as at September 30, 2014 and 2013, respectively.

Cash and cash equivalents amounted to ₱139.8 million. Proceeds from sale of the Parent Company's 31% equity in RHI to First Pacific Company, Ltd., on November 29, 2013, was used for the acquisition of treasury shares of the Parent Company, payment of long-term loans and financing the capital and short-term requirements of the Group.

Total trade and other receivables, inventories and trade payables dropped in September 30, 2014 as a result of the deconsolidation of RHI.

Real estate for sale and development increased by 14% from ₱387.9 million as at September 30, 2013 to ₱441.0 million as at September 30, 2014 due to construction and development costs incurred for the Anya Resorts project.

Other current assets went down to ₱70.0 million as at September 30, 2014. Bulk of the ₱538.5 million balances as at September 2013 pertains to input taxes and CWT of the Sugar Group.

Investment in an associate increased to ₱2,167.4 million as at September 30, 2014 from ₱757.6 million as at September 30, 2013 mainly due to the reclassification of the investment in RHI and investment in the Roxaco-Vanguard Hotels Corporation amounting to ₱155.0 million.

Short and long term borrowings substantially declined as a result of the deconsolidation of RHI and RCI's prepayment of P250 million of its term debt.

Moreover, the Company has adopted the amendments in PAS 19, Employee Benefits resulting to recognition of net retirement liability amounting to ₱6.7 million.

Total equity decreased by 31% from ₱10,040.3 million to ₱6,933.0 million as a result of the sale of the investment in RHI and the buyback of treasury shares.

Top Five Performance Indicators

As maybe concluded in the foregoing description of the business of RLC, the Company's financial performance is determined to a large extent by the following key results:

1. *Realized gross profit (RGP) on sale of developed real estate (lots only).* This is recognized in full when the collection of the total contract price reached 10%. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lotbuyer.

2. *Number of lots sold*. The lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Company.

3. *Collection efficiency on trade receivables*. Income recognition is a factor of collection, plus the interest income component.

4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.

5. *Return on Equity* - denotes the capability of the Company to generate returns for the shareholders.

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

Performance Indicator	**2014**	**2013**	**2012**
Realized gross profit on real estate sales	₱94 million	₱48.8 million	₱54.3 million
Number of lots sold / reserved	119 units residential/ 72 memorial	121 unit residential/ 164 memorial	85 lots residential/ 127 memorial
Collection efficiency	98%	99%	99%
EBITDA	₱2,418.6 million	₱1,137.8 million	₱1,194.7 million
Return on equity	33%	4%	5%

<u>Key Variable and Other Qualitative and Quantitative Factors</u>

1. Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;

2. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;

3. The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

4. The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

5. The company is not aware of any known trend, events or uncertainties that will have material impact on sales.

6. The company is not aware of causes for any material changes from period to period in the

financial statements.

7. Description of material commitments for capital expenditures:

For FY 2014-2015, RLC has programmed ₱919 million for project development costs of which ₱737 million is for Anya Resorts and ₱182.0 million is for new projects.

Plan of Operation

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

- Complete the land development of the two current Batangas residential projects, Landing Townhomes and Orchards Phase II, including townhomes and houses due for completion.
- Complete the development of phase two of Anya Resort and Residences.
- Formally launch Anya Resort and Residences phase three and break ground for its construction.
- Aggressively pursue acquisition of new properties within greater Metro Manila for potential Low-to-medium-density residential development.
- Complete the construction of the 1st Go Hotel property, a joint venture project with Vanguard, which will be opened by May 2015 and start the construction of the other 4 properties with target completion in the year 2016.
- Increase ownership in Fuego Hotels up to 100% (now 75%) and enlarge its property management operations through investment or partnership.

FISCAL YEAR 2012-2013

On February 2, 2011, the Board of Directors (BOD) of the company and its subsidiaries (Roxas Group or Company) approved the amendment on the Group's By-Laws changing the accounting period from fiscal year ending June 30, to September 30 of each year. The change in accounting period of the Company was approved by the Securities and Exchange Commission (SEC) on March 3, 2011. The change in accounting period of the Company's subsidiaries was approved by SEC on various dates in 2011.

In December 2011, the Group's management started to implement new business strategies and action plans to improve operations and ensure long-term viability of the business.

Management directed all cost and profits centers to implement cost efficiency measures which resulted in a reduction in certain overhead expenses by at least 10% from last year and an increase in margins for this fiscal year 2012. Management also directed the plants to achieve operating efficiencies which also contributed to the increase in margins this fiscal year.

Management also negotiated with its creditor banks which resulted in the change of the interest rate from a fixed rate to a floating rate and additional three-year grace period on principal payments

Results of Operation

The Group's consolidated revenues for the fiscal year ended September 30, 2013 amounted to ₱6,172.5 million. This is 21% lower than the ₱7,769.6 million revenues generated in 2012 due to softening of the market. Consolidated raw sugar sales for the fiscal year ending September 30, 2013, amounted to ₱1,577.3 million while refined sugar sales refined sugar sales totaled ₱3,728.4 million. The rest came from alcohol, molasses and real estate sales and refining services.

Cost of sales amounted to ₱4,484.6 million, 25% lower than last year's ₱5,997.4 million due to lower sales volume.

As a result, gross profit amounted to ₱1,687.9 million with improved gross profit rate of 27% against last year's 23%.

Operating expenses for the period amounted to ₱712.3 million. This is 17% better than last year's ₱855.6 million. The decrease is due to lower salaries and wages due to the redundancy program, lower provision for doubtful accounts and provisions for taxes.

Equity in net earnings went up by 44% to ₱67.0 million for the fiscal year ending September 30, 2013, from ₱47.1 million for the fiscal year ending September 30, 2012, due to lower cost of production of an associate company.

Selling expenses amounted to ₱59.5 million this year, 49% lower than ₱78.5 million incurred last year. This is due to lower salaries as a result of the redundancy program.

Net Interest costs amounted to ₱416.4 million, 17% lower than last year's ₱ 502.7 million. This is due to reduction in debts levels, lower interest rates and the change in the interest rate from fixed rate to a floating rate as negotiated by Management with creditor banks.

Other Income amounted to ₱104.7 million, 272% better than ₱62.3 million loss as restated figure for 2012. In September 2012, RCI executed a Deed of Assignment, Warranties and Undertaking covering 75.12 hectares of land in Hacienda Palico located at Brgy. Cogonan, Nasugbu, Batangas for a total consideration of ₱12.0 million transferring ownership to farmer beneficiaries by way of expropriation by the Philippine Government. The property is carried at fair value of ₱202.6 million as of September 2012 report. On June 6, 2013, the company received the compensation on the expropriated property. The expropriation was recognized as 2012 transaction which required prior period adjustment in 2013 recognizing the loss on expropriation amounting to ₱190.1 million, the difference between the fair value and the compensation received from the government.

Overall, the group registered a consolidated net income of ₱431.8 million, 9% lower than last year's restated figure of ₱474.9 million. This is equivalent to an earnings per share of ₱0.09 and ₱0.08 in September 30, 2013 and 2012, respectively.

For the Fiscal Year ending September 30, 2013, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to ₱1,137.8 million compared to ₱1,194.7 million for the fiscal year September 30, 2012.

Financial Condition

Consolidated resources of the Group stands at ₱20,240.8 million and ₱19,465.0 million as at September 30, 2013 and 2012 respectively. Consolidated current assets went up from ₱2,693.7 million to ₱4,131.6 million. On the other hand, consolidated current liabilities went down from ₱2,683.4 million to ₱2,059.6 million.

The Group's current ratio went up from 1.00:1 in September 2012 to 2:01:1 in September 2013. Debt to equity ratio for the period ending September 30, 2013 is at 1.02:1 which within the allowable 2.33:1 ratio required in the debt covenant with the banks.

The Group likewise has existing credit lines/facilities with banks to meet working capital requirements. Unused working capital lines as at September 30, 2013 and September 30, 2012 from local banks amounted to ₱2,922.5 million and ₱892 million, respectively.

Book value per share is ₱3.45 and ₱3.37 as at September 30, 2013 and 2012, respectively. There are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to results in the Company's material liquidity problem;

- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;

- Significant elements of income or loss that arose from continuing operations; and

- Seasonal aspects that had a material effect on the financial condition or results of operations.

Cash and cash equivalents amounted to ₱198.6 million and ₱199.5 million as at September 30, 2013 and 2012, respectively.

Total receivables, went up by 63% from ₱895.2 million in September 2012 to ₱1.455.7 million as of September 2013. This is due to sales generated at latter part of fourth quarter in 2013 due to the softening of the market.

Total inventories as at September 30, 2013 was ₱1,550.9 million, 99% higher than the ₱779.3 million inventory level as at September 30, 2012. The increase was due to higher refined sugar inventory (resulting from market softening) and alcohol.

Real estate for sale and development increased by 14% from ₱341 million as at September 2012 to ₱387.9 million as at September 2013. This is mainly to land acquisition and development costs incurred for Anya Resorts.

The 12% increase in prepayments amounting to ₱59.4 million was due to accumulated VAT input taxes on capital expenditures / plant expansion and ethanol plant construction.

Investment in associates increased to ₱757.6 million from ₱712.5 million in previous period due to equity in net earnings of HPCo. this year.

Net pension plan assets decreased by nil this year from ₱82.9 million last year.

Deferrred Tax Assets decreased from ₱153.8 million in 2012 to ₱38.1 million in 2013 due to expiration of tax benefit of net loss carry over for 2011.

Other non-current assets decreased to ₱17.2 million from ₱37.6 million due to reclassification of long- term portion of CADPI employees' loans to current portion.

Trade and other payables decreased to ₱733.9 million as of September 30, 2013 or a 4% decrease from ₱767.6 million as at September 30, 2012 due to lower trade payables and accruals.

Short-term borrowings amounted to ₱1,064.0 million as at September 2013, 35% lower than the ₱1,638.0 million level in 2012 due to payments and conversion to long term debts. On the other hand, total long- term borrowings amounted to ₱7,211.3 million, 19% higher than last year due to availments and conversion.

The net retirement liability increased from ₱134.8 million to ₱231.8 million as at September 30, 2013 and 2012, respectively.

Total equity posted at ₱10,040.3 million as at September 30, 2013, this is slightly higher than ₱9.822.6 million as of September 30, 2012.

Batangas Operations

CADPI's raw production for crop year 2012-2013 decrease slightly to 2.706 million Lkg. versus 2.803 million Lkg. in prior crop year. Total tonnage for the period reached 1.418 million tons cane compared to 1.549 million tons cane milled last year. However, sugar recovery increased from 1.81 Lkg/TC to 1.91 Lkg/TC.

Refined sugar production went up to 2.395 million Lkg. versus 2.270 million Lkg. or 6% increase due to efficient plant operation and higher sugar recovery in Lkg/TC.

Negros Operations

CAC's raw production for crop year 2012-2013 increased by 12% to 4.119 million Lkg. versus 3.688 million Lkg. in prior crop year, due to good weather condition and efficient plant operations. Total tonnage for the period reached 1.921 million tons cane compared to 1.877 million tons cane milled last year. Sugar recovery increased, from 1.965 Lkg/TC to 2.137 Lkg/TC, also due to favorable weather condition during the planting season of crop year 2012-2013.

Top Five Performance Indicators- Sugar Group

As maybe concluded in the foregoing description of the business of the Group, the Company's financial performance is determined to a large extent by the following key results:

- Raw sugar production – a principal determinant of consolidated revenues and computed as the gross amount of raw sugar output of CADPI and CACI as consolidated subsidiaries and pertains to production capacity, ability to source sugar canes and the efficiencies and productivity of manufacturing facilities.

- Refined sugar production – the most important determinant of revenues and computed as the gross volume of refined sugar produced by the CADPI refinery both as direct sales to industrial customers and traders or as tolling manufacturing service, limited by production capacity and by the ability of the Group to market its services to both types of customers.

- Raw sugar milling recovery – a measure of raw sugar production yield compared to unit of input and is computed as the fraction of raw sugar produced (in Lkg bags) from each ton of sugar cane milled (Lkg/TC).

- Earnings before interest, taxes, depreciation and amortization (EBITDA) – the measure for cash income from operation and computed as the difference between revenues and cost of sales and operating and other expenses, but excluding finance charges from loans, income taxes and adding back allowances for depreciation and other non-cash amortization.

- Return on Equity – denotes the capability of the Group to generate returns on the shareholders‟ fund computed as a percentage of net income to total equity.

The table below, presenting the top five performance indicators of the Group in three (3) fiscal years, shows the financial and operating results:

Performance Indicator	**2012-2013**	**2011-2012**	**2010-2011**
Raw sugar production	6.825 M bags	6.491 M bags	6.109 M bags
Refined sugar production	2.395 M bags	2.258 M bags	2.137 M bags
Ethanol Production	15.127 M ltrs.	11.123 M ltrs.	
Milling recovery	2.040 Lkg/TC	1.895 Lkg/TC	1.880 Lkg/TC
EBITDA	₱1.763 billion	₱1.615 billion	₱793 million
Return on equity	8%	11%	-7%

Top Five Performance Indicators – Property Group

As maybe concluded in the foregoing description of the business of Roxaco, the company's financial performance is determined to a large extent by the following key results:

- Realized gross profit (RGP) on sale of developed real estate (lots only). This is recognized in full when the collection of the total contract price reached 25%. At this stage, it is reasonably assured that the risks and rewards over the developed assets have been transferred to the lotbuyer.

- Number of lots sold. The lot sold and its terms of sale will determine when would be recognized and how much is the potential income to the Company.

- Collection efficiency on trade receivables. Income recognition is a factor of collection, plus the interest income component.

- Earnings before interest, taxes and depreciation - This is the measure of cash income from operations. Return on Equity – denotes the capability of the Company to generate returns for the shareholders.

The table below, presenting the top five performance indicators of Roxaco in three fiscal years, shows general improvement in the financial and operating results:

Performance Indicator	**2012-2013**	**2011-2012**	2010-2011
Realized gross profit on real estate sales	₱ 48.8 Million	₱ 54.3 Million	₱ 25.0 Million
Number of lots sold / reserved	121 unit residential / 164 memorial	85 lots residential / 127 memorial	194 lots
Collection efficiency	99%	99%	98%
EBITDA	(₱ 2,353 million)	₱ 25.5 million	₱ 15.10 million
Return on equity	(1.97%)	2.35%	1.95%

Key Variable and Other Qualitative and Quantitative Factors

1. The company is not aware of any known trends, events or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.

2. The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

3. The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships

of the Company with unconsolidated entities or other persons created during the reporting period.

4. Description of material commitments for capital expenditures. The Group had an allocation of 184 million in capital expenditures for crop year 2012-2013 of which P111 million is for CADPI for the integrated mill and refinery operations, P39 million for CACI and P35 million for RBC.

5. The company is not aware of any known trend, events or uncertainties that will have material impact on sales.

6. The company is not aware of causes for any material changes from period to period in the financial statements.

Plan of Operation- Sugar Group

In line with the continuing efforts of the sugar operations, ensure continuing viability of its business and address the adverse effects of the volatility of the sugar and alcohol strategies, among others:

- Carrying out marketing programs to generate additional revenues from sales of alcohol, sugar and allied products and services

- Increasing mill share to minimize sourcing of raw sugar from third parties; and

- Implementing cost reduction program in its, such as but not limited to the reduction of personnel, fuel cost by reducing downtime, improving plant facilities to enable efficient plant utilization and maximizing the use of cheaper fuel alternatives, etc.

- Maximizing the use of cheaper fuel alternatives, etc.

Plan of Operation – Property Group

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

- Complete the land development of the two (2) current Batangas residential projects, Landing Townhomes and Orchards Ph2.

- Complete the development of phase one (open lot phase) of Anya Resort and Residences and turn over to the homeowners' association.
- Formally launch Anya Resort and Residences phase two and break ground for the construction of the resort core.

- Aggressively pursue acquisition of new properties within greater Metro Manila for potential low-to-medium-density residential development.

- Form Joint Venture with Vanguard Hotels for the construction and operation of five Go Hotel properties within Metro Manila.

PART III – MANAGEMENT AND SECURITY HOLDERS

1. Incumbent Directors and Officers of the Issuer

Pedro E. Roxas is 58 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and the President and Chief Executive Officer of the Company. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and Roxas Foundation and he is a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

Antonio J. **Roxas** is 72 years old and is a Filipino. Mr. Roxas is a member of the Nomination, Election and Governance Committee. He has been a Director of the Company since 18 October 1995. Mr. Antonio J. Roxas is also the Chairman Emeritus of Roxas Holdings, Inc., and a director of Central Azucarera Don Pedro, Inc. Mr. Roxas was educated at the University of Notre Dame in Indiana, USA where he obtained his diploma in Bachelor of Science in Commerce and was trained at the Standard Chartered Bank of London, the Shell Company in Paris and the Olavarria & Co. and Lowry & Co., Inc. of New York, USA.

Corazon S. De la Paz-Bernardo is Honorary President of the International Social Security Association (ISSA), an affiliate of the International Labor Organization and based in Geneva, Switzerland. She had served as President of the ISSA from 2004 to 2010, the first woman and first non-European to be elected as such, since its founding in 1927, and as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman, anywhere in the world, to be elected in 1973 partner of Price Waterhouse International in its over 100-year history. She was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) for twenty years from 1981 to 2001 and was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. de la Paz-Bernardo was Chairperson of Equitable PCI Bank from 2006 until its merger with Banco de Oro in 2007. She had served as a member of the board of several listed Philippine corporations such as San Miguel Corp., PLDT, Ayala Land and Philex Mining. She is Chairman of NAMFREL, (the National Citizen's Movement for Free Elections) and Vice-Chairperson of Jaime V. Ongpin Foundation. She is also a member of the Cornell University Council, the Board of Trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, the Makati Business Club and other non-governmental organizations. Mrs. de la Paz-Bernardo, a Certified Public Accountant, graduated from the University of the East with a Bachelor of Business Administration degree in 1960, Magna Cum Laude, and obtained first place in the same year's CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fullbright grantee and UE scholar.

Carlos R. Elizalde is 46 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

Francisco Jose R. Elizalde is 48 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

Guillermo D. Luchangco is 74 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Investment & Capital Corporation of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Remec Broadband Wireless, Inc. and Science Park of the Philippines, Inc. Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

Renato C. Valencia is 72 years old and is a Filipino. He was elected as a member of the Board of Directors on 07 October 2010. A former Director of RCI prior to its merger with CADP Group Corporation, he is presently the President & CEO of Roxas Holdings, Inc., Director of Metropolitan Bank & Trust Company, Member of the Phil. Coca-Cola System Council, Chairman of i-People, Inc., Director of Anglo-Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, Chairman of Hypercash Payment Systems, Inc., Chairman of Bastion Payment Systems, Inc. and Vice-Chairman of Asia Pacific Network Holdings, Inc.

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

Corporate Officers

Armando B. Escobar is 54 years old and is a Filipino. He is the Vice President - Chief Finance Officer, Treasurer & Risk Management Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation. He was formerly Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications, Director of Bancnet, Inc. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University, MBA units in University of the

Philippines, Executive Business Program in Harvard Business School and Post-Graduate course in Strategic Business Economics Program in University of Asia and Pacific.

Peter D. A. Barot is 52 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

Alezandro S. Casabar is 34 years old and is a Filipino. He is the Assistant Corporate Secretary and Compliance Officer of the Company. He is also the Legal Services Manager of Roxaco Land Corporation, the real property arm of the Company. He obtained his Bachelor of Laws degree from San Beda College and his Bachelor of Arts degree from the University of the Philippines – College Baguio.

Significant Employees

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

Family Relationships

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

Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, who are brothers, are nephews of Mr. Antonio J. Roxas.

Legal Proceedings

The Company is not aware, and none of the directors/independent directors, officers and persons nominated for election as director/independent director has informed the Company, of their involvement in any material pending legal proceedings in any court or administrative government agency, or of any of the following events:

(a) any bankruptcy petition filed by or against any business of which a director/independent director, officer or person nominated for election as director/independent director was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;

(b) any conviction by final judgment in a criminal proceeding, domestic or foreign;

(c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director, officer or persons nominated for election as director/independent director in any type of business, securities, commodities or banking activities; and

(d) any final finding by a domestic or foreign court, the Securities and Exchange Commission or comparable foreign body, or any quasi-judicial or regulatory body, that any director / independent director, officer or any person nominated for election as director / independent director, has violated a securities or commodities law or regulation.

Certain Relationships and Related Transactions

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

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

Messrs. Pedro E. Roxas and Antonio J. Roxas, incumbent directors of the Company, are also directors of RHI. As of 30 September 2014, the Company owns 35% of the total issued and outstanding capital of RHI.

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

Parent Company

As of 30 September 2014, the Company directly owns 35% of the total issued and outstanding shares of Roxas Holdings. Inc. (RHI), and 100% of the issued and outstanding shares of Roxaco Land Corporation (Roxaco), Nasugbu Feeds Corporation and United Ventures Corporation.

RHI, a publicly-listed company, owns 100% of the issued and outstanding shares of Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation. It also has interests in Hawaiian-Philippine Company (45.09%), Najalin Agri-Ventures, Inc. (77.27%) and Roxas Power Corporation (50%).

Roxaco owns 100% of the total and outstanding shares of Roxaco Commercial Philippines. It has interests in Fuego Development Corporation (30%), Fuego Land Corporation (30%), Roxaco-ACM Development Corporation (50%), Club Punta Fuego, Inc. (26.36%), Fuego Hotels Properties and Management Corporation (75.33%) and Brightnote Assets Corporation (10%).

Disagreement with the Company

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

2. Executive Compensation

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

a) Section 7 of Art. 3 of the Amended By-Laws of the Company provides that the members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two (2%) of the net income of the Company before tax. Presently, the members of the Board of Directors receive ₱25,000 for every meeting attended. A director of the Company who attends all regular quarterly meetings receives a total of ₱100,000.00 annually. Each of the members of the three committees--(i) Audit and Risk; (ii) Nomination, Election and Governance; and (iii) Compensation--also receive a per diem of ₱20,000.00 per meeting. No warrants and options have been granted to the directors and officers within the past three (3) years.

b) Compensation of Executive Officers

	Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation*
		2011-12			
A	Pedro E. Roxas – Executive Chairman, President and CEO[9]		₱ -	₱ -	₱50,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer [12]		-	-	-
C	Fritzie P. Tangkia-Fabricante – AVP for Legal Affairs / Compliance Officer[13]		-	-	-
D	CEO and Top Four Executives		2,890,625	-	540,000
E	All officers & directors as group unnamed		₱2,890,625	₱ -	₱590,000
		2012-13			
A	Pedro E. Roxas – Executive Chairman, President and CEO		₱ -	₱ -	₱95,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Alezandro S. Casabar – Legal Manager / Compliance Officer		-	-	-
D	CEO and Top Four Executives		3,772,947	-	695,000
E	All officers & directors as group unnamed		₱3,772,947	₱ -	₱790,000
		2013-14			

[9] With the resignation of Mr. Francisco F. Del Rosario, Jr.,Mr. Pedro E. Roxas was designated as Acting President and Chief Executive Officer on 07 October 2010 and was subsequently elected as President and CEO on 17 November 2010

[12] Mr. Sumagang resigned effective April 15, 2012. Mr. Armando Escobar was appointed VP-CFO effective May 2, 2012.

[13] Atty. Fritzie Fabricante resigned effective February 6, 2012.

Name and Principal Position		Year	Salary	Bonus	Other Annual Compensation*
A	Pedro E. Roxas – Executive Chairman, President and CEO		₽ -	₽ -	₽150,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer		-	-	-
C	Alezandro S. Casabar – Legal Manager / Compliance Officer		-	-	-
D	CEO and Top Four Executives		1,526,880	-	679,730
E	All officers & directors as group unnamed		₽1,526,880	₽ -	₽829,730

*Director's fees

There are no employment contracts executed by the Company with the above-named executive officers. Neither is there any other arrangement or compensatory plan between the Company and the above-named executive officers.

c) Estimated Compensation and Bonus for FY 2014-2015

The estimated compensation and bonus of the directors and present officers of the Company for fiscal year 2014-2015 are as follows:

		Salary	Bonus	Other Annual Compensation
A	Pedro E. Roxas – Executive Chairman, President & CEO	₽ -	₽ -	₽350,000
B	Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer	-	-	-
C	Alezandro S. Casabar – Legal Services Manager / Compliance Officer	-	-	-
CEO AND top 4 executives		710,600	2,380,000	460,000
All Officers and directors as group		₽ 710,600	₽2,380,000	₽810,000

The fiscal year of the Company begins on 01 October of every year and ends on 30 September of the following year.

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

(a) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of 30 September 2014:

Title of Class	*Name and Address of Owner/Relationship with Issuer*	*Name of Beneficial Ownership and Relationship with Record Owner*	*Citizenship*	*Number and Nature of Ownership*	*Percent of Class*[17]
Common	SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	SPCI Holdings, Inc.[18]	Philippine National	642,779,593 (direct)	33.45%
Common	Antonio J. Roxas 7/F CG Building 101 Aguirre Street, Legaspi Village, Makati City Director	Antonio J. Roxas	Filipino	500,000,000 (direct)	26.02%
Common	Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman President & CEO	Pedro E. Roxas/ Pesan Holdings, Inc.	Filipino/ Philippine National	341,532,301 (direct & indirect)	17.73%
Common	PCD Nominee Corporation	PCD Nominee Corporation	Non-Filipino	273,437,529	14.23%
Common	Beatriz Olgado Roxas Unit 3201 Regent Parkway Condominium, 21st Drive Bonifacio Global City Taguig, City	Beatriz Olgado Roxas	Spanish	125,210,092	6.52%
TOTAL				**1,882,959,515**	**97.99%**

[17] The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 2,911,885,870 common shares, the total outstanding shares as of 30 September 2014.

[18] Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, directors of the Company, each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). Collectively, the Board of Directors of SPCI consisting of its 6 shareholders has the power to decide on how the shareholdings of SPCI in the Company shall be voted.

Except as stated above and in the related footnotes, the Board of Directors and the Management of the Company have no knowledge of any person who, as of 30 September 2014, was directly or indirectly the beneficial owner of, or who has voting power or investment power with respect to, shares comprising more than five percent (5%) of the Company's outstanding common stock.

(2) Security Ownership of Management as of 30 September 2014.

The following table sets forth the number of shares, listed and not listed, owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of 20 September 2014:

Title of Class	*Name of Beneficial Owner*	*Citizenship*	*Number and Nature Of Ownership*	*Percent of Class*
Common	Pedro E. Roxas Executive Chairman President / CEO	Filipino	343,500,327 (direct & indirect)	11.80 %
Common	Antonio J. Roxas Director	Filipino	643,945,909 (direct)	22.11%
Common	Beatriz O. Roxas[19] Director	Spanish	257,579,335 (direct)	8.85%
Common	Carlos Antonio R. Elizalde[20] Director	Filipino	1,200,320 (direct)	0.04%
Common	Francisco Jose R. Elizalde[22] Director	Filipino	1,203,013 (direct)	0.04%
Common	Corazon S. Dela Paz-Bernardo Independent Director	Filipino	1,000 (direct)	0.00%

---

[19] Resigned from the Board of Directors on 11 December 2013.

[20] Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). SPCI, in turn, owns 642,779,593 or 22.07% of the Company's shares.

22 Please see footnote no. 4.

22 Resigned from the Board of Directors on 11 December 2013

Common	Guillermo D. Luchangco Independent Director	Filipino	1,000 (direct)	0.00%
Common	Renato C. Valencia Director	Filipino	1,000 (direct)	0.00%
Common	Eduardo R. Areilza[24] Director	Spanish	1,000 (direct)	0.00%
Common	Armando B. Escobar Vice-President / Chief Finance and Risk Management Officer/Treasurer	Filipino	0	0.00%
Common	Peter D. A. Barot Corporate Secretary	Filipino	0	0.00%
Common	Alezandro S. Casabar Asst. Corp. Secretary	Filipino	0	0.00%
Common	**Directors and Officers As a Group**		**1,247,432,904**	**42.84%**

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

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

d) Change in Control

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

24 Resigned from the Board of Directors on 11 December 2013

PART IV - EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits

Certified Consolidated Financial Statements for 2013-2014

(b) Reports on SEC Form 17-C.

CORPORATE GOVERNANCE

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

On 07 August 2014, upon the directives of the SEC through Memorandum Circular No. 9, Series of 2014, the Board approved the revised Manual on Corporate Governance. The Company has not deviated from or violated the provisions of the Manual. The Company undertakes to improve its corporate governance practices as may be required by law or the exigency of the business.

OTHER MATTERS

The following reports/minutes of meetings will be submitted for ratification/approval by the stockholders in the Annual Stockholders' Meeting scheduled on 25 February 2015:

a) Chairman's Report and the Consolidated Audited Financial Statements for the fiscal year ending 30 September 2014;

b) Minutes of the Annual Meeting of Stockholders held on 26 February 2014.

The minutes of meeting of the 26 February 2014 annual meeting of shareholders will be made available to all shareholders on the day of the annual meeting. Essentially, the minutes of the annual meeting contains the following:

(i) reading and approval of the minutes of the 26 February 2014 annual meeting of shareholders;

(ii) presentation and approval of the 30 September 2013 annual report to shareholders;

(iii) approval and ratification of all acts and resolution of the Board of Directors since the annual meeting of shareholders on 26 February 2014;

(iv) the elected members of the Board of Directors for fiscal year 2013-2014; and

(v) the external auditor for fiscal year 2013-2014.

c) Acts/Resolutions of the Board of Directors since the 26 February 2014 annual meeting of shareholders, which include the following:

(i) Acts/resolutions approved during the 26 February 2014 Organizational Meeting of the Board of Directors. At the Organizational Meeting, the Board of Directors elected Ms. Corazon S. De La Paz-Bernardo to be an independent director of the Company. The Board also elected the following as officers of the Company:

Pedro E. Roxas	-	Chairman/President & CEO
Armando B. Escobar	-	Vice President & CFO/Treasurer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Alezandro S. Casabar	-	Assistant Corporate Secretary Compliance Officer Corporate Information Officer
Virginia R. Alcaide	-	Alternate Corporate Information Officer

The following Directors were elected to the Audit, Compensation and Nomination Committees:

Audit & Risk Committee

Corazon S. De La Paz-Bernardo	-	Chairman (Independent Director)
Renato C. Valencia	-	Member
Francisco Jose R. Elizalde	-	Member

Executive Compensation Committee

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

Nomination, Election & Governance Committee

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

(ii) Acts/resolutions approved during the 15 May 2014 regular meeting of the Board: (a) approval of the consolidated financial reports of the Company for the quarter ending 31 March 2014.

(iii) Acts/resolutions approved during the 07 August 201 regular meeting of the Board: (a) approval of the financial reports for the quarter ending 30 June 2014; (b) Revised Manual on Corporate Governance; and (c) Executive Compensation Committee Charter;

(iv) Acts/resolutions approved during the 24 September 2014 special meeting approving the proposed budget of the Company for fiscal year 2014-2015;

(v) Acts and resolutions approved during the 12 December 2014 regular meeting of the Board: (a) amending Article III of the Company's Articles of Incorporation specifying the Company's principal place of business at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City; (c) declaration and payment of cash dividend in the sum of P0.02 per share to all shareholders of record as of 15 January 2015. The cash dividend shall be paid on 30 January 2015; (d) Setting 25 February 2015 as the date of the annual stockholders' meeting; and (e) Fixing 06 January 2015 as the record date for stockholders entitled to notice of, and to vote at, the annual stockholders' meeting;

(vi) Acts and resolutions approved during the 13 January 2015 special meeting of the Board: (a) approval of the Audited Consolidated Financial Statements for the Fiscal Year ending 30 September 2014.

VOTING PROCEDURES

(a) The vote required for the:-

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

(7) Approval of the amendment to the Articles of Incorporation specifying the address and principal office of the Company to 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City– two-thirds (2/3) of the outstanding capital stock

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

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

SIGNATURE

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

ROXAS AND COMPANY, INC.
(formerly **CADP GROUP CORPORATION)**

By: ____________________

ALEZANDRO S. CASABAR
Assistant Corporate Secretary

13 January 2015

ANNEX A

REPORT OF INDEPENDENT AUDITORS
CONSOLIDATED BALANCE SHEETS
CONSOLIDATED STATEMENTS OF INCOME
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Roxas and Company, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the financial statements for the year ended September 30, 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. 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.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders for the year ended September 30, 2014, respectively, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Issued in Makati on January 14, 2015.

PEDRO E. ROXAS
Chairman & President

ARMANDO B. ESCOBAR
VP-Chief Finance Officer

SUBSCRIBED AND SWORN to me this JAN 1 4 2015 day of January 2015; affiants exhibited to me their respective Community Tax Certificates , as follows;

Armando B. Escobar	02280909	February 27, 2014	Makati City	SSS 03-6432908-7
Pedro E. Roxas	02271830	February 17, 2014	Makati City	SSS 02-6432908-7

Doc No. 100
Page No. 20
Book No 91
Series of 2014

ATTY. DWIGHT M. GALARRITA
NOTARY PUBLIC
APPOINTMENT NO. M-234 / MAKATI CITY
UNTIL DECEMBER 31, 2015
PTR NO. 4754217/ 01-07-2015/ MAKATI CITY
IBP NO. 0983807/ 01-06-2015 / QUEZON CITY
MCLE COMPLIANCE No. IV-0021190 / 07-09-2013

Roxas and Company, Inc. and Subsidiaries

Consolidated Financial Statements
September 30, 2014 and 2013
(With Comparative Figures for 2012)

With independent auditor's report provided by

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	8	3	4					

Company Name

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	**Not Applicable**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
boy.mamauag@cadp.com.ph	**(02) 810-8901**	**Not Applicable**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
3,402	**4th Wednesday of February**	**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
Atty. Alezandro S. Casabar	**asc@roxaco.com**	**(632) 751-9536**	**Not applicable**

Contact Person's Address

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City 1200 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2014 and 2013, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Roxas and Company, Inc. and Subsidiaries as at September 30, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated financial statements of Roxas and Company, Inc. and Subsidiaries as at and for the year ended September 30, 2012 were audited by another auditor whose report dated December 12, 2012, expressed an unmodified opinion on those statements. The opinion of such other auditor, however, did not include the restatement as discussed in Note 3 to consolidated financial statements.

REYES TACANDONG & CO.

PROTACIO T. TACANDONG
Partner
CPA Certificate No. 25006
Tax Identification No. 105-309-124-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 1024-AR-1 Group A
Valid until September 23, 2016
BIR Accreditation No. 08-005144-2-2013
Valid until November 26, 2016
PTR No. 4748319
Issued January 5, 2015, Makati City

January 13, 2015
Makati City, Metro Manila

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2014 and 2013

(With Comparative Figures for 2012)

(Amounts in Thousands)

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
ASSETS				
Current Assets				
Cash and cash equivalents	7	**₱139,791**	₱198,626	₱199,473
Trade and other receivables	8	**194,142**	1,455,687	895,218
Real estate for sale and development	9	**441,012**	387,943	340,533
Inventories	10	**–**	1,550,894	779,336
Other current assets	11	**70,008**	538,482	479,120
Total Current Assets		**844,953**	4,131,632	2,693,680
Noncurrent Assets				
Receivables - net of current portion	8	**2,387**	17,089	18,180
Investments in associates and a joint venture	12	**2,167,404**	757,559	712,490
Property, plant and equipment:	13			
At cost		**4,444**	7,896,575	8,383,935
At appraised values		**–**	2,758,312	2,757,810
Investment properties	14	**4,448,544**	4,624,331	4,624,562
Net deferred tax assets	27	**4,792**	38,120	153,828
Retirement assets	18	**–**	–	82,868
Other noncurrent assets		**–**	17,180	37,639
Total Noncurrent Assets		**6,627,571**	16,109,166	16,771,312
		₱7,472,524	₱20,240,798	₱19,464,992
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term borrowings	15	**₱92,386**	₱1,064,027	₱1,638,000
Current portion of long-term borrowings	16	**22,500**	158,277	165,940
Trade and other payables	17	**176,173**	781,361	840,232
Dividends payable	19	**5,298**	4,444	39,230
Income tax payable		**–**	51,513	–
Total Current Liabilities		**296,357**	2,059,622	2,683,402

(Forward)

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
Noncurrent Liabilities				
Long-term borrowings - net of current portion	16	**₱236,475**	₱7,211,340	₱6,056,044
Retirement liability	18	**6,729**	231,832	134,824
Net deferred tax liabilities	27	**–**	697,710	768,112
Total Noncurrent Liabilities		**243,204**	8,140,882	6,958,980
Total Liabilities		**539,561**	10,200,504	9,642,382
Equity attributable to the Equity Holders of the Parent Company				
Capital stock	19	**2,911,886**	2,911,886	2,911,886
Additional paid-in capital	19	**1,611,393**	1,611,393	1,611,393
Treasury stock	19	**(1,683,654)**	–	–
Other equity reserves		**289,263**	1,326,346	1,447,914
Retained earnings		**3,809,706**	2,328,190	2,062,907
		6,938,594	8,177,815	8,034,100
Noncontrolling Interests		**(5,631)**	1,862,479	1,788,510
Total Equity		**6,932,963**	10,040,294	9,822,610
		₱7,472,524	₱20,240,798	₱19,464,992

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013
(With Comparative Figures for 2012)
[Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share Data]

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
REVENUE	22	**₱217,559**	₱107,758	₱95,106
COST OF SALES	23	**(105,579)**	(34,446)	(40,864)
GROSS INCOME		**111,980**	73,312	54,242
GAIN ON DISPOSAL OF A SUBSIDIARY	6	**2,036,038**	–	–
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND A JOINT VENTURE	12	**196,953**	392	(1,927)
GENERAL AND ADMINISTRATIVE EXPENSES	24	**(80,625)**	(89,097)	(71,030)
SELLING EXPENSES	24	**(20,106)**	(19,184)	(3,523)
UNREALIZED FAIR VALUE GAIN ON INVESTMENT PROPERTIES	14	**16,050**	(231)	(375)
INTEREST EXPENSE	16	**(15,472)**	(25,756)	(28,499)
INTEREST INCOME	7	**9,271**	5,491	8,381
OTHER INCOME (CHARGES) - Net	26	**2,303**	2,389	(174,596)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**2,256,392**	(52,684)	(217,327)
INCOME TAX EXPENSE (BENEFIT)	27			
Current		**7,539**	1,285	8,490
Deferred		**1,436**	(240)	(1,253)
		8,975	1,045	7,237
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		**2,247,417**	(53,729)	(224,564)
NET INCOME FROM DISCONTINUED OPERATIONS	6	**41,816**	485,482	699,495
NET INCOME		**₱2,289,233**	₱431,753	₱474,931
Net Income Attributable to:				
Equity holders of the Parent Company		**₱2,274,885**	₱265,283	₱234,693
Noncontrolling interests		**14,348**	166,470	240,238
		₱2,289,233	₱431,753	₱474,931
BASIC/DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	28	**₱1.18**	₱0.09	₱0.08
Continuing Operations		**1.16**	(0.08)	(0.16)
Discontinued Operations		**0.02**	0.17	0.24

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013
(With Comparative Figures for 2012)
(Amounts in Thousands)

	Note	**2014**	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
NET INCOME		**₱2,289,233**	₱431,753	₱474,931
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on retirement liability, net of tax	18	**1,046**	(321)	(6,662)
Share in remeasurement gain on retirement liability of associate	12	**917**	–	–
Item that will be reclassified to profit or loss when realized				
Share in unrealized loss on available-for-sale financial assets of an associate	12	**(50)**	–	–
OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS		**1,913**	(321)	(6,662)
OTHER COMPREHENSIVE INCOME (LOSS) FROM DISCONTINUED OPERATIONS	6	**458**	(184,547)	148,358
TOTAL COMPREHENSIVE INCOME		**₱2,291,604**	₱246,885	₱616,627
Total Comprehensive Income Attributable to:				
Equity holders of the Parent Company		**₱2,277,099**	₱143,714	₱380,770
Noncontrolling interests		**14,505**	103,171	235,857
		₱2,291,604	₱246,885	₱616,627

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013
(With Comparative Figures for 2012)
(Amounts in Thousands)

		Equity Attributable to the Equity Holders of the Parent Company													
					Other Equity Reserves										
	Note	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Treasury Stock (Note 19)	Revaluation Increment on Land (Note 19)	Cumulative Remeasurement Gain (Loss) on Retirement Liability (Note 18)	Share in Fair Value Reserve of an Associate (Note 12)	Share in Revaluation Increment on Land of an Associate (Note 12)	Effect of Change in Equity Interest in Subsidiaries	Cumulative Remeasurement Gain on Retirement Liability of Associates	Retained Earnings Unappropriated	Retained Earnings Appropriated	Total	Noncontrolling Interests	Total Equity
Balances as at October 1, 2013:															
As previously reported		₱2,911,886	₱1,611,393	₱–	₱1,496,206	₱–	₱5,179	₱136,322	(₱81,066)	₱–	₱2,291,152	₱–	₱8,371,072	₱1,910,187	₱10,281,259
Prior period adjustments	3	–	–	–	–	(230,295)	–	–	–	–	37,038	–	(193,257)	(47,708)	(240,965)
As restated		2,911,886	1,611,393	–	1,496,206	(230,295)	5,179	136,322	(81,066)	–	2,328,190	–	8,177,815	1,862,479	10,040,294
Net income		–	–	–	–	–	–	–	–	–	2,274,885	–	2,274,885	14,348	2,289,233
Acquisition of treasury stock	19	–	–	(1,683,654)	–	–	–	–	–	–	(1,683,654)	1,683,654	(1,683,654)	–	(1,683,654)
Effect of deconsolidation	6	–	–	–	(1,216,115)	232,075	–	(136,322)	81,066	–	(754,939)	–	(1,794,236)	(1,863,435)	(3,657,670)
Cash dividends	19	–	–	–	–	–	–	–	–	–	(38,430)	–	(38,430)	(19,180)	(57,610)
Remeasurement gain on retirement liability	18	–	–	–	–	1,347	–	–	–	–	–	–	1,347	157	1,504
Share in remeasurement gain on retirement liability of an associate	12	–	–	–	–	–	–	–	–	916	–	–	916	–	916
Share in unrealized loss on available-for-sale financial assets of an associate	12	–	–	–	–	–	(50)	–	–	–	–	–	(50)	–	(50)
Balances as at September 30, 2014		₱2,911,886	₱1,611,393	(₱1,683,654)	₱280,091	₱3,127	₱5,129	₱–	₱–	₱916	₱2,126,052	₱1,683,654	₱6,938,593	(₱5,631)	₱6,932,963
Balances as at October 1, 2012:															
As previously reported		₱2,911,886	₱1,611,393	₱–	₱1,496,206	₱–	₱5,179	₱136,322	(₱81,066)	₱–	₱2,032,835	₱–	₱8,112,755	₱1,777,878	₱9,890,633
Prior period adjustments	3	–	–	–	–	(108,727)	–	–	–	–	30,072	–	(78,655)	10,632	(68,023)
As restated		2,911,886	1,611,393	–	1,496,206	(108,727)	5,179	136,322	(81,066)	–	2,062,907	–	8,034,100	1,788,510	9,822,610
Net income		–	–	–	–	–	–	–	–	–	265,283	–	265,283	166,470	431,753
Remeasurement loss on retirement liability		–	–	–	–	(121,568)	–	–	–	–	–	–	(121,568)	(63,299)	(184,867)
Cash dividends of a subsidiary	19	–	–	–	–	–	–	–	–	–	–	–	–	(31,194)	(31,194)
Employee stock option	21	–	–	–	–	–	–	–	–	–	–	–	–	1,992	1,992
Balances as at September 30, 2013		₱2,911,886	₱1,611,393	₱–	₱1,496,206	(₱230,295)	₱5,179	₱136,322	(₱81,066)	₱–	₱2,328,190	₱–	₱8,177,815	₱1,862,479	₱10,040,294
Balances as at October 1, 2011:															
As previously reported		₱2,911,886	₱1,611,393	₱–	₱1,335,075	₱–	₱5,179	₱136,322	(₱81,066)	₱–	₱1,820,012	₱–	₱7,738,801	₱1,567,087	₱9,305,888
Prior period adjustments	3	–	–	–	–	(93,673)	–	–	–	–	8,202	–	(85,471)	4,283	(81,188)
As restated		2,911,886	1,611,393	–	1,335,075	(93,673)	5,179	136,322	(81,066)	–	1,828,214	–	7,653,330	1,571,370	9,224,700
Net income		–	–	–	–	–	–	–	–	–	234,693	–	234,693	240,238	474,931
Appraisal increase on revaluation increment on land	12	–	–	–	161,131	–	–	–	–	–	–	–	161,131	–	161,131
Cash dividends of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(18,717)	(18,717)
Remeasurement loss on retirement liability	18	–	–	–	–	(15,054)	–	–	–	–	–	–	(15,054)	(4,381)	(19,435)
Balances as at September 30, 2012		₱2,911,886	₱1,611,393	₱–	₱1,496,206	(₱108,727)	₱5,179	₱136,322	(₱81,066)	₱–	₱2,062,907	₱–	₱8,034,100	₱1,788,510	₱9,822,610

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013
(With Comparative Figures for 2012)
(Amounts in Thousands)

	Note	2014	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax:				
Continuing operations		**₱2,256,392**	(₱52,687)	(₱217,327)
Discontinued operations	6	**54,027**	735,697	552,203
Income before income tax		**2,310,419**	683,010	334,876
Adjustments for:				
Gain on disposal of a subsidiary	6	**(2,036,038)**	–	–
Equity in net earnings of associates	12	**(196,953)**	(68,027)	(47,188)
Depreciation and amortization	13	**114,164**	684,740	692,382
Interest expense	16	**79,236**	416,418	502,745
Unrealized fair value losses (gains) on investment properties	14	**(16,050)**	231	(4,976)
Retirement benefits	18	**10,910**	41,231	132,378
Interest income	7	**(9,315)**	(7,878)	(14,649)
Provision for impairment loss on real estate for sale and development	9	**2,323**	–	–
Provision for lease-back guarantee	29	**1,085**	–	–
Loss on real estate for sale and development	9	**715**	–	–
Provision for impairment loss on available-for-sale financial assets	11	**688**	–	–
Income from performance bank guarantee		–	(62,834)	–
Loss on property and equipment due to fire	26	–	22,305	–
Provision for inventory losses and obsolescence	10	–	13,544	59,727
Provision for impairment losses on receivables	8	–	6,236	99,444
Employee stock option	21	–	1,991	–
Loss on disposal of property and equipment and investment properties	26	**–**	–	190,324
Recovery from insurance claims	26	–	–	(20,676)
Operating income before working capital changes		**261,184**	1,730,967	1,924,387
Decrease (increase) in:				
Trade and other receivables		**(290,955)**	(502,780)	(354,490)
Real estate for sale and development		**(54,891)**	(47,410)	(12,052)
Inventories		**310,874**	(785,102)	800,014
Other current assets		**(266,784)**	(59,358)	(28,670)
Increase in trade and other payables		**880,521**	14,106	36,022
Net cash generated from operations		**839,949**	350,423	2,365,211
Income taxes paid, including creditable withholding and final taxes		**(24,196)**	(75,212)	(114,751)
Interest received		**8,625**	7,878	13,086
Retirement contributions paid	18	**(1,074)**	(124,403)	(92,966)
Net cash provided by operating activities		**823,304**	158,686	2,170,580

(Forward)

	Note	**2014**	2013 (As Restated - Note 3)	2012 (As Restated - Note 3)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Disposal of a subsidiary	6	**₱2,220,388**	₱–	₱–
Disposal of property and equipment and investment properties		**–**	164	5,523
Recovery from insurance claims		**–**	–	20,676
Cash and cash equivalents of the disposed subsidiary as at the date of disposal	6	**(170,472)**	–	–
Additions to:				
Investments in associates and a joint venture	12	**(155,000)**	–	(50)
Property, plant and equipment	13	**(42,443)**	(217,749)	(129,450)
Dividends received	12	**38,201**	22,958	165,587
Decrease (increase) in other noncurrent assets		**2,261**	20,456	(4,280)
Net cash provided by (used in) investing activities		**1,892,935**	(174,171)	58,006
CASH FLOWS FROM FINANCING ACTIVITIES				
Acquisition of treasury stock		**(1,683,654)**	–	–
Net payments of short-term borrowings		**(712,323)**	(173,973)	(1,206,845)
Payments of:				
Long-term borrowings		**(271,112)**	(182,368)	(1,170,597)
Interest		**(70,409)**	(418,571)	(553,769)
Dividends		**(37,576)**	(140,451)	(4)
Proceeds from long-term borrowings		**–**	930,001	542,920
Net cash provided by (used in) financing activities		**(2,775,074)**	14,638	(2,388,295)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(58,835)**	(847)	(159,709)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**198,626**	199,473	359,182
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**₱139,791**	₱198,626	₱199,473

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(With Comparative Information for 2012)

1. **Corporate Information**

Roxas and Company, Inc. (the Parent Company), then CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 7, 1918, primarily to acquire, own, develop, sell and hold investment in real estate and sugar business. The corporate life of the Parent Company was extended for another 50 years from October 7, 1968.

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

The Parent Company is owned by various individual shareholders and domestic corporations, namely: Pesan Holdings, Inc. and SPCI Holdings, Inc. As at September 30, 2014 and 2013, the Company has 3,402 and 3,459 equity holders, respectively.

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

		Percentage of Ownership	
	Line of Business	September 30, 2014	September 30, 2013
Roxaco Land Corporation (RLC)	Real estate	100.00	100.00
United Ventures Corporation (UVC)	Warehouse leasing	100.00	100.00
Nasugbu Feeds Corporation (NAFECOR)	Manufacturing	100.00	100.00
Roxas Holdings, Inc. and Subsidiaries (RHI)	Sugar	–	65.70

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

On November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. The Parent Company remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of the RHI from other stockholders (see Note 6).

The Group undertook various Reorganization/Restructuring Programs as approved by the SEC (see Note 19). As a result of the programs:

- RHI acquired on December 16, 2008 all the sugar-related operating subsidiaries of CADPGC (Central Azucarera Don Pedro, Inc. - CADPI, Central Azucarera de La Carlota, Inc. - CACI, CADPI Farm Services, Inc. - CFSI, CADPI Consultancy Services, Inc. - CCSI, Jade Orient Management Services, Inc. - JOMSI, Najalin Agri Ventures, Inc. - NAVI) and an associate (Hawaiian-Philippine Company - HPCo).

- RHI sold on June 23, 2009 its investment in CADPGC to Roxas & Company, Inc. (RCI), an entity incorporated on December 16, 1981 and as domiciled in the Philippines.

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

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

Approval of the Consolidated Financial Statements
The accompanying consolidated financial statements of the Group as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012) have been approved and authorized for issue by the BOD on January 13, 2015, as reviewed and recommended for approval by the Audit and Risk Committee on January 12, 2015.

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 and investment properties, which are stated at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company and its subsidiaries. All amounts are rounded to the nearest thousands, 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 SEC, including the SEC provisions.

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

3. Summary of Changes in Accounting Policies

Adoption of New and Revised PFRS
The Group adopted the following new and revised PFRS effective October 1, 2013 as summarized below.

- PAS 19, *Employee Benefits* (Amendment) - There were numerous changes ranging from the fundamental such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording.

- PAS 28*, Investments in Associates and Joint Ventures* (as revised in 2011) - This standard prescribes the application of the equity method to investments in associates and joint ventures.

- PFRS 7, *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

- PFRS 10, *Consolidated Financial Statements* - The standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements,* that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. Management will have to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 12, *Disclosure of Interests with Other Entities* - The standard includes all of the disclosures that were previously in PAS 27, related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31, *Interests in Joint Ventures* and PAS 28, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- Amendments to PFRS 10, PFRS 11 and PFRS 12*: Transition Guidance* - The amendments provide additional transition relief in PFRS 10, PFRS 11, *Joint Arrangements,* and PFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before PFRS 12 is first applied.

- PFRS 13*, Fair Value Measurement* - The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

- Improvements to PFRS

  The omnibus amendments to PFRS issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

  - PAS 1, *Presentation of Financial Statements*
  - PAS 16, *Property, Plant and Equipment*
  - PAS 32, *Financial Instruments: Presentation*

The foregoing new and revised PFRS, except for the amended PAS 19, have no significant impact on the amounts and disclosures in the financial statements of the Group.

The following is the summary of the financial impact of the adoption of amended PAS 19:

	September 30, 2013		
	As Previously Reported	**Prior Period Adjustments**	**As Restated**
Retirement liability	**₱14,742**	**₱217,090**	**₱231,832**
Net deferred tax liabilities	**798,491**	**(100,781)**	**697,710**
Cumulative remeasurement loss on retirement liability, beginning	**–**	**(108,727)**	**(108,727)**
Remeasurement loss on retirement liability, net of deferred tax	**–**	**(121,568)**	**(121,568)**
Retained earnings, beginning	**2,032,835**	**30,072**	**2,062,907**
Noncontrolling interests	**1,910,187**	**(47,708)**	**1,862,479**
Net income	**419,827**	**11,926**	**431,753**

	October 1, 2012		
	As Previously Reported	Prior Period Adjustments	As Restated
Retirement assets	₱132,007	(₱49,139)	₱82,868
Net deferred tax assets	151,388	2,440	153,828
Retirement liability	86,787	48,037	134,824
Net deferred tax liabilities	794,825	(26,713)	768,112
Cumulative remeasurement loss on retirement liability, beginning	–	(93,673)	(93,673)
Retained earnings, beginning	1,820,012	8,202	1,828,214
Noncontrolling interests	1,777,878	10,632	1,788,510
Net income	442,333	32,598	474,931
Remeasurement loss on retirement liability, net of deferred tax	–	(15,054)	(15,054)

New and Revised PFRS not yet Adopted

Relevant new and revised PFRS, which are not yet effective for the year ended September 30, 2013 and have not been applied in preparing the consolidated financial statements, are summarized below.

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

- Amendments to PFRS 10, PFRS 12 and PAS 27*: Investment Entities* - The amendments provide an exception from the requirements of consolidation to investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

- Amendments to PAS 32*: Offsetting Financial Assets and Financial Liabilities* - The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32, *Financial Instruments: Presentation*. The amendments clarify (a) the meaning of "currently has a legally enforceable right of set-off"; and (2) that some gross settlement systems may be considered equivalent to net settlement.

Effective for annual periods beginning on or after January 1, 2015 –

- PFRS 9, *Financial Instruments: Classification and Measurement* - This standard is the first phase in replacing PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39.

Effectivity date to be determined –

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate,* covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts,* or involves rendering of services in which case revenue is recognized based on stage of completion.

  The Group is in the process of quantifying the impact of the adoption of IFRIC 15 on the Group's financial position and performance.

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

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The 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.

The following is the list of the subsidiaries:

	Percentage of Ownership			
	2014	2013	Line of Business	Year End
RLC	100.00	100.00	Real estate	September 30
UVC	100.00	100.00	Warehouse leasing	December 31
NAFECOR*	100.00	100.00	Manufacturing	December 31
RHI and Subsidiaries**	–	65.70	Sugar	September 30

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

** *The Parent Company sold 31% equity ownership in RHI to First Pacific (see Note 1). The remaining 35% interest of the Parent Company in RHI is now accounted for as an investment in associate (see Note 12).*

The following are the subsidiaries of RLC:

	Percentage of Ownership		
	2014	2013	Line of Business
Roxaco Commercial Properties Corporation (RCPC)*	100.00	100.00	Real estate
SAMG Memorial and Management Services, Inc. (SMMSI)	100.00	100.00	Funeral and related services
Fuego Hotels and Properties Management Corporation (FHPMC)	75.33	63.00	Hotel and resort management

* *RCPC has not yet started commercial operations.*

The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company and its subsidiaries. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the consolidated 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, except for UVC and NAFECOR, using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group. All significant intercompany balances and transactions including inter-group unrealized profits and losses, are eliminated in preparing the 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 period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

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

Noncontrolling interests represent the portion of profit or loss and net assets of FHMPC in 2014 and FHPMC and RHI in 2013, not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of income and within the equity section of the consolidated statement of financial position and consolidated statement of changes in equity, separately from Parent Company's equity. Total comprehensive income (loss) is attributed to the portion held by the Group and noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Business Combination and Goodwill

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

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

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

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

Comparatives balances are restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest year presented and as if the entities have always been combined.

*Goodwill. G*oodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

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

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

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

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

Financial Instruments

Date of Recognition. The Group recognizes a financial asset or a financial liability in the 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 and HTM investments as at September 30, 2014 and 2013.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in profit or loss using effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the cash in banks, cash equivalents, receivables and restricted cash included in "Other current assets" account (see Notes 7, 8, 11 and 20).

Cash equivalents include short-term highly liquid interest-bearing fund placements with original maturities of three months or less from the date of acquisition and subject to insignificant risk in fluctuations in value.

Trade receivables with average credit terms of 30 days are recognized and carried at original invoice amount less any allowance for impairment.

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include equity investments, money market papers and other debt instruments. The unrealized gains and losses arising from the fair valuation of AFS financial assets, except for the foreign exchange fluctuations on AFS debt securities and the related effective interest, are excluded, from reported earnings, and are reported in the consolidated statement of comprehensive income and in the equity section of the consolidated statement of financial position. These changes in fair values are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned or paid on the investments is recognized as interest income or expense using the effective interest rate method. Dividends earned on investments are recognized in profit or loss when the right of payment has been established. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the end of reporting year.

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

Classified as AFS financial assets are the unquoted equity investments as at September 30, 2014 and 2013 (see Note 11).

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting 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), dividends payable and short-term and long-term borrowings as at September 30, 2014 and 2013 (see Notes 15, 16, 17, 19 and 20).

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

a. Financial assets carried at amortized cost

   If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognized in profit or loss.

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

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

b. Financial assets carried at cost

If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

c. AFS financial assets

For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through income. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the consolidated statement of changes in equity.

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

- the rights to receive cash flows from the asset expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control of the asset.

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

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

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

Offsetting Financial Instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related financial assets and liabilities are presented gross in the consolidated statement of financial position.

Fair Value Measurement

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

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

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

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

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

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

- Note 5, Significant Judgments, Accounting Estimates and Assumptions, Valuation of Land under Revaluation Basis and Determination of Fair Value of Investment Properties
- Note 13, Property, Plant and Equipment
- Note 14, Investment Properties
- Note 30, Financial Instruments

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

Raw and Refined Sugar, Molasses and Alcohol Inventories. Cost is being determined using the weighted average method. Production cost is allocated using the relative sales value of each of the joint products, i.e., raw 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 of completion of production and the estimated costs necessary to make the sale.

Materials and Supplies Inventory. Cost is being 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 evaluation.

Real Estate for Sale and Development
Real estate for sale and development consists of developed real estate properties for sale, raw land and land improvements.

Developed real estate properties for sale, raw land and land improvements are carried at the lower of aggregate cost and NRV, and include those costs incurred for the development and improvement of the properties and certain related capitalized borrowing costs. NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

Other Current Assets
This account consists of creditable withholding taxes, input value-added tax (VAT) and prepayments. Creditable withholding taxes are deducted from income tax payable on the same year the revenue is recognized. Prepayments that are expected to be realized for no more than 12 months after the reporting year are classified as current assets. Otherwise, these are classified as other noncurrent assets.

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

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

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

The Group's share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

The Group determines at the end of each reporting year whether there is any evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount.

Investment in a Joint Venture

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

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

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

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

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. Land is measured initially at cost and subsequently stated at revalued amount less any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

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

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

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

The Group used the carrying amount of CADPI's depreciable assets as at July 1, 2004, which is the revalued amount, less accumulated depreciation from the Group's perspective, as the deemed costs at that date when the Group adopted PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. An annual transfer from the asset revaluation reserve to retained earnings is made until 2010 for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. The asset revaluation reserve was fully transferred to retained earnings as at June 30, 2010.

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

Depreciation and amortization on depreciable property, plant and equipment are calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Asset Category	Number of Years
Buildings and improvements	5 to 40
Machinery and equipment:	
Factory machinery and installations	17 to 25
Safety equipment	5
Transportation equipment	3 to 6
Office furniture, fixtures and equipment	3 to 10

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

Major renovations that qualified for capitalization are depreciated and amortized over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' estimated useful lives and depreciation 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.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

Investment Properties

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

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

Other Noncurrent Assets
Other noncurrent assets include goodwill, software cost and deposits. Goodwill represents excess of purchase price over fair values of net assets at ₱9.8 million.

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 intangible asset may be impaired. The amortization commences when the software cost is available for use. The amortization period and the amortization method for the software cost are reviewed at each reporting year.

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 when the asset is derecognized.

Impairment of Nonfinancial Assets
The carrying values of investments in associates and a joint venture, 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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit of loss under the expense category consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or an investment, either an equity instrument or a financial asset carried at cost, should not be reversed at year end.

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

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds.

Additional Paid-in Capital. Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

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

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments. Restricted retained earnings represent that portion, which has been restricted and are not available for any dividend declaration. Unrestricted retained earnings represent that portion, which can be declared as dividends to stockholders.

Dividend Distribution. Dividend distribution to the Parent Company's stockholders is recognized as a liability and deducted from equity in the period in which the dividends are approved by the Parent Company's BOD. Dividends that are approved after the reporting year are dealt with as event after the reporting year.

<u>Other Comprehensive Income (Loss)</u>
Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

<u>Revenue Recognition</u>
Revenue comprises the fair value of the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of VAT, returns and discounts.

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

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

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

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

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

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

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.

Rent income. Rent income from operating lease is recognized using the straight-line method over the term of the lease.

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

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

<u>Costs and Expenses Recognition</u>
Cost and expenses are recognized in profit or loss upon receipts of goods, utilization of services, or as the date the cost and expenses are incurred.

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

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

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

Employee Benefits

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

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

Retirement Benefits. The Parent Company and RLC have individual and separate defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

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

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

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

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

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

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

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

Employee Stock Option

Under the Employee Stock Option Plans (ESOP) of RHI, all regular employees (including directors) of RHI, CADPI, CACI and RBC 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 is determined using an option-pricing model, further details of which are presented in Note 21 - *Employee Stock Option Plan of RHI*. 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.

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

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

Debt arrangement fees relating to the drawn loan amount are amortized using the effective interest rate method and are presented as reduction in the principal loan balance. Debt arrangement fees relating to the undrawn loans are recorded as deferred charges and are amortized using the straight-line method. Amortization of debt arrangement fees is recognized as interest expense.

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

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

Leases where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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

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

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

Deferred tax assets are recognized for all deductible temporary differences, 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 re-assessed at the end of each reporting year and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

VAT. Revenue, expenses and assets are recognized, net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

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

Related Parties Relationship and Transactions

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

Earnings (Loss) per Share attributable to the Equity Holders of the Parent Company

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Parent Company has no dilutive potential common shares.

Segment Reporting

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

For purposes of management reporting, the Group’s operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 1), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 31).

Provisions

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

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

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

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 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.

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

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

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI (see Note 1), reportable operating segments primarily consist of the real estate business and other segments, which are not reported separately (see Note 31).

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

The Group, as a lessor, has existing property leases where it has determined that it retains all the significant risks and benefits of ownership of those properties. Accordingly, the lease agreements are accounted for as operating leases.

Rent income amounted to ₱1.6 million and ₱7.4 million in 2014 and 2013, respectively (₱7.1 million in 2012) (see Note 26).

The Group, as a lessee, has various property leases where it has determined that the significant risks and benefits related to those properties are retained with the lessors. Accordingly, the lease agreements are accounted for as operating leases.

Rent expense amounted to ₱16.2 million and ₱83.2 million in 2014 and 2013, respectively (₱73.7 million in 2012) (see Notes 23 and 24).

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

The Group classified and accounted for the land of RHI and of the Parent Company, which are held for rental and/or capital appreciation, as investment properties. As at September 30, 2014 and 2013, the carrying value of investment properties amounted to ₱4,448.5 million and ₱4,624.3 million, respectively (see Note 14).

Revenue Recognition. Management exercises judgment in determining whether income from sale of real estate properties is recognized in full. Management believes that revenue should be recognized in full when the collectability of the sales price is reasonably assured and when the risk and benefits over the assets have been transferred, which is usually when the Group collects at least 25% or more of the total contract price. During the fiscal year ended September 30, 2014, the Group reviewed the collectability of the sales price based on historical trends. Management, then, assessed that collectability of the sales price is reasonably assured when the Group collects at least 10% or more of the total contract price. The change in accounting estimate was accounted prospectively and resulted to an increase in net income amounting to ₱25.6 million.

Estimates and Assumptions

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

Estimation of Provision for Impairment losses of Receivables. Allowance for impairment losses on trade and other receivables and due from related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The allowance is established by charging against income in the form of provision for impairment losses on trade and other receivables. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

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

As at September 30, 2014 and 2013, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables and receivable from LBP) amounted to ₱196.5 million and ₱1,472.8 million, respectively (see Note 8). Allowance for impairment losses of receivables amounted to ₱13.4 million and ₱95.5 million as at September 30, 2014 and 2013, respectively (see Note 8).

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

The real estate for sale and development that are carried at cost amounted to ₱441.0 million and ₱387.9 million as at September 30, 2014 and 2013, respectively (see Note 9). Allowance for impairment loss amounted to ₱2.3 million as at September 30, 2014 (see Note 9).

Inventories and related allowance for inventory losses and obsolescence were derecognized as a result of deconsolidation of RHI in 2014 (see Note 6). As at September 30, 2013, the inventories carried at lower of cost or NRV amounted to ₱1,550.9 million (see Note 10). Allowance for inventory losses and obsolescence amounted to ₱18.0 million as at September 30, 2013 (see Note 10).

Allocation of Cost to Molasses inventory. Management uses judgment to measure and allocate value to the molasses inventory. When the costs of conversion of each product are not separately identifiable, they are allocated among the products on a rational and consistent basis. The allocation is based on relative sales value of cane product at the completion of production. When the cost of molasses is deemed immaterial, this is measured at NRV and the value is deducted from the cost of the raw and refined sugar.

No allocated cost to molasses inventory as at September 30, 2014 was recognized as a result of deconsolidation of RHI in 2014 (see Note 6). As at September 30, 2013, portion of molasses inventory amounting to ₱20.2 million, pertains to allocated cost from the total production costs of milled raw and refined sugar (see Note 10).

Determination of 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 losses. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made.

Creditable withholding taxes and related allowance for impairment loss were derecognized as a result of deconsolidation of RHI in 2014 (see Note 6). As at September 30, 2014 and 2013, the creditable withholding taxes amounted to ₱49.8 million and ₱254.6 million (see Note 11). Allowance for impairment losses on creditable withholding taxes amounted to ₱13.6 million as at September 30, 2013 (see Note 11).

Valuation of Land under Revaluation Basis. The land is carried at revalued amount, which approximates its fair value at the date of the revaluation, less any accumulated impairment losses. The valuation of the land is performed by professionally qualified independent appraisers. The fair value was arrived at using the Market Data Approach for land using gathered available market evidences. Revaluations are made on a regular basis to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting year.

Land carried at revalued amounts as at September 30, 2013 amounted to ₱2,758.3 million (see Note 13). The land at revalued amount was derecognized as a result of deconsolidation of RHI in 2014 (see Note 6).

The resulting increase in the valuation of these assets based on the valuations made by an independent appraiser is presented under "Revaluation increment on land", net of the related deferred tax, and "Share in revaluation increment on land of an associate", net of the related deferred tax, in the equity section of the consolidated statements of financial position and in the consolidated statements of changes in equity.

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

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

The carrying value of the depreciable property, plant and equipment as at September 30, 2014 and 2013 amounted to ₱4.4 million and ₱7,896.6 million, respectively (see Note 13).

Determination of Fair Value of the Investment Properties. The fair value of the investment properties was determined by professionally qualified independent appraisers using generally acceptable valuation techniques and methods and estimates based on local market conditions existing at the end of the reporting period. The fair value was based on market value. In arriving at the market value, it is assumed that any transaction is based on cash or its equivalent consideration.

Investment properties, including land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of 2,300.6 hectares and total value of ₱4,046.0 million and ₱4,021.5 million as at September 30, 2014 and 2013, respectively, are stated at fair value amounting to ₱4,448.5 million and ₱4,624.3 million as at September 30, 2014 and 2013, respectively (see Note 14).

The Parent Company filed a Petition for Certiorari with the Court of Appeals (CA) regarding the denial by the Department of Agrarian Reform (DAR) of its protest against the wrongful coverage of its land properties. As at the date of report, the protest is still pending before the CA (see Note 29).

Assessment of Impairment of Nonfinancial Assets. The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

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

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes under PFRS.

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 revenues or other external indicators) are as follows:

	Note	**2014**	2013
Investments in associates and a joint venture	12	**₱2,167,405**	₱757,559
Property, plant and equipment	13	**4,444**	10,654,887

There were no impairment indicators for the foregoing nonfinancial assets in 2014 and 2013. Accordingly, the Group has not recognized any impairment loss.

Estimation of Retirement Benefits. The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts. Those assumptions are described in Note 18 and include, among others, discount rates, expected rates of return on plan assets and rates of future salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over future years and therefore, generally affect the recognized expense and recorded obligation in such future years.

Retirement liability as at September 30, 2014 and 2013 amounted to ₱6.7 million and ₱231.8 million, respectively (see Note 18). Retirement benefits expense amounted to ₱10.9 million and ₱41.2 million in 2014 and 2013, respectively (₱132.4 million in 2012) (see Note 18).

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

The Group 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, no additional provision is deemed necessary in 2014 and 2013 (₱85.0 million in 2012) (see Note 24). The Group has outstanding provision for probable losses amounting to ₱48.4 million as at September 30, 2013 (see Notes 17 and 29).

The Group shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the Court (see Note 29).

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

The Group recognized deferred tax assets on a portion of deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to ₱4.8 million and ₱38.1 million as at September 30, 2014 and 2013, respectively (see Note 27).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱50.5 million and ₱151.8 million as at September 30, 2014 and 2013, respectively (see Note 27). 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.

6. Disposal of a Subsidiary

As discussed in Note 1, on November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific for a total consideration of ₱2,220.4 million. The Parent Company remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders. The sale resulted to a gain amounting to ₱2,016.1 million. Subsequent to the sale, the remaining investment in RHI with fair value of ₱1,709.5 million is classified as investment in an associate (see Note 12).

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

The related accounts of RHI as at November 29, 2013 (the date control is lost) have been excluded in the 2014 consolidated statement of financial position. The carrying amounts of the assets and liabilities of RHI as at November 29, 2013 are as follows:

	Note	Amount
Cash and cash equivalents		₱170,472
Trade and other receivables		1,426,161
Inventories		1,240,020
Other current assets	11	785,267
Investment in an associate	12	614,268
Property, plant and equipment	13	10,577,770
Investment properties	14	191,837
Net deferred tax assets		30,082
Other noncurrent assets		15,818
Borrowings		(7,098,848)
Trade and other payables		(1,514,006)
Retirement liabilities		(196,676)
Net deferred tax liabilities		(690,654)
Revaluation increment on land		(1,216,115)
Share in revaluation increment on land of an associate		(136,322)
Effect of change in equity interest in subsidiaries		81,066
Other comprehensive loss	18	232,075
Retained earnings		(754,939)
Noncontrolling interests		(1,863,431)
Net assets		1,893,845
Total consideration		(2,220,388)
Remaining investment		(1,709,495)
Gain on disposal	12	₱2,036,038

The 2014 consolidated statement of comprehensive income include the results of operations of RHI up to November 29, 2013.

The results of operations of RHI for the two-month period ended November 29, 2013 and years ended September 30, 2013 and 2012 included under "Net income from discontinued operations" account are summarized below:

	Note	**2014 (Two Months)**	2013 (One Year)	2012 (One Year)
Revenue	22	**₱1,194,430**	₱6,064,728	₱7,674,493
Cost of sales	23	**(954,041)**	(4,450,154)	(5,956,519)
Gross income		**240,389**	1,614,574	1,717,974
General and administrative expenses	24	**(128,708)**	(623,164)	(784,555)
Interest expense	16	**(63,623)**	(390,662)	(474,245)
Equity in net earnings of an associate	12	**–**	67,635	49,115
Selling expenses	24	**(5,687)**	(40,361)	(74,990)
Interest income	7	**44**	2,386	6,269
Other income - net	26	**11,612**	105,289	112,635
Income before income tax		**54,027**	735,697	552,203
Income tax expense (benefit)	27	**12,211**	250,215	(147,292)
Net income		**41,816**	485,482	699,495
Remeasurement gain (loss) on retirement liability, net of deferred tax		**458**	(184,547)	(12,773)
Revaluation increment on land		**–**	–	161,131
Total comprehensive income		**₱42,274**	₱300,935	₱847,853
Net income attributable to:				
Parent Company		**₱41,866**	₱485,032	₱698,799
Noncontrolling Interest		**(50)**	450	696
		₱41,816	₱485,482	₱699,495
Total comprehensive income attributable to:				
Parent Company		**₱42,324**	₱300,485	₱847,157
Noncontrolling Interest		**(50)**	450	696
		₱42,274	₱300,935	₱847,853

The net cash provided by (used in) discontinued operations for the two-month period ended November 29, 2013 and year ended September 30, 2013 are as follows:

	2014 (Two Months)	2013 (One Year)	2012 (One Year)
Net cash provided by (used in) operating activities	**(₱51,784)**	₱80,431	₱2,188,171
Net cash provided by (used in) investing activities	**217,295**	(95,498)	59,325
Net cash provided by (used in) financing activities	**(160,992)**	16,612	(2,401,844)
Net increase (decrease) in cash and cash equivalents	**4,519**	1,545	(154,348)
Cash and cash equivalents at beginning of year	**165,953**	164,408	318,756
Cash and cash equivalents at end of period	**₱170,472**	₱165,953	₱164,408

7. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**₱256**	₱1,317
Cash in banks	**36,972**	161,624
Cash equivalents	**102,563**	35,685
	₱139,791	₱198,626

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn interest ranging from 0.4% to 1% in 2014 and 0.3% to 1.25% in 2013 (1.0% to 3.5% in 2012).

Interest income recognized in the consolidated statements of income follows:

	Note	2014	2013	2012
Continuing operations:				
Trade and other receivables	8	**₱4,759**	₱5,182	₱6,004
Due from related parties	20	**3,841**	–	–
Cash in banks and cash equivalents		**671**	309	2,377
		9,271	5,491	8,381
Discontinued operations:				
Cash in banks and cash equivalents		**₱44**	₱986	₱2,433
Trade and other receivables	8	**–**	1,400	3,836
		44	2,386	6,269
		₱9,315	₱7,877	₱14,650

8. Trade and Other Receivables

This account consists of:

	Note	2014	2013
Trade		**₱133,410**	₱1,347,239
Due from:			
Related parties	20	**61,246**	83,610
Dividends	20	**4,624**	19,484
Employees		**1,225**	35,853
Planters and cane haulers		**–**	45,955
Advances for raw sugar purchases		**–**	18,222
Receivable from Land Bank of the Philippines (LBP)		**–**	6,228
Others		**9,427**	11,695
		209,932	1,568,286
Allowance for impairment losses		**(13,403)**	(95,510)
		₱196,529	₱1,472,776

Breakdown as to current and noncurrent portion follows:

	2014	2013
Current	**₱194,142**	₱1,455,687
Noncurrent	**2,387**	17,089
	₱196,529	₱1,472,776

Trade receivables as at September 30, 2014 include customers' accounts arising from the sale of real estate properties and residential properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 8% to 20% depending on the terms of the sales contract. Trade receivables as at September 30, 2013 include receivables from real estate business as well as receivables from sugar business of RHI and its subsidiaries.

Cash received from the sale of real estate properties and residential properties, which did not meet the revenue recognition criteria as set out in Note 4 are recognized as "Customers' deposits", which is presented as under "Trade and other payables" account in the consolidated statements of financial position. Interest income amounted to ₱4.8 million and ₱5.2 million in 2014 and 2013, respectively (₱6.0 million in 2012) (see Note 7).

The aggregate future installment receivables under the sales contracts for real estate business are as follows:

	2014	2013
Current	**₱128,064**	₱59,510
Noncurrent	**2,387**	11,897
	₱130,451	₱71,407

Due from planters and cane haulers pertains to cash advances, which are settled in the form of raw sugar from the planters and services rendered by the cane haulers (see Note 29). Interest income earned on due from planters and cane haulers amounted to ₱1.0 million in 2013 (₱2.5 million in 2012) (see Note 7).

Due from employees pertains to the salary, housing and educational loans that are collected from the employees through salary deduction, and advances for business purposes subject to liquidation. The loans to employees are noninterest-bearing, except for certain housing loans extended in 2008, which bear interest of 8.0% and are payable in 10 years. Interest income earned amounted to ₱0.3 million in 2013 (₱1.3 million in 2012) (see Note 7).

Receivable from LBP amounting to ₱6.2 million represents the unquoted debt security issued by LBP and received by the Parent Company as a consideration for the investment property expropriated by the Philippine government in 2012 (see Note 14). The unquoted debt security, which is receivable in 10 equal annual installments until 2019, earns interest ranging from 0.1% to 1.0% in 2013 (1.6% to 2.3% in 2012) based on 91-day Treasury Bills. Interest earned amounted to ₱0.1 million in 2013(₱1.2 million in 2012) (see Note 7).

In 2014, the Parent Company rediscounted the said security for a total consideration of ₱5.3 million. Interest expense incurred from discounting amounted to ₱0.9 million, which is included as part of "Interest expense".

Details of receivable from LBP as at September 30, 2013 are as follows:

Current	₱1,038
Noncurrent	5,190
	₱6,228

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

Movements of allowance for impairment losses of receivables, determined using specific assessment, follow:

	2014					
	Trade	**Due from Related Parties**	**Due from Planters and Cane Haulers**	**Due from Employees**	**Others**	**Total**
Balance at beginning of year	**₱52,925**	**₱15,596**	**₱14,130**	**₱1,342**	**₱11,517**	**₱95,510**
Effect of deconsolidation	**(52,163)**	**(3,110)**	**(14,130)**	**(1,342)**	**(11,362)**	**(82,107)**
Balance at end of year	**₱762**	**₱12,486**	**₱–**	**₱–**	**₱155**	**₱13,403**

	2013					
	Trade	Due from Related Parties	Due from Planters and Cane Haulers	Due from Employees	Others	Total
Balance at beginning of year	₱86,661	₱15,596	₱11,882	₱1,342	₱9,816	₱125,297
Provisions	1,800	–	2,728	–	1,708	6,236
Write-offs	(35,536)	–	(480)	–	(7)	(36,023)
Balance at end of year	₱52,925	₱15,596	₱14,130	₱1,342	₱11,517	₱95,510

9. Real Estate for Sale and Development

This account consists of:

	2014	2013
Raw land and land improvements	**₱402,603**	₱345,142
Real estate properties for sale	**40,732**	42,801
	443,335	387,943
Allowance for impairment loss	**(2,323)**	–
	₱441,012	₱387,943

Capitalized borrowing costs incurred to finance the development of the Group’s real estate projects amounted to ₱3.4 million and ₱2.0 million in 2014 and 2013, respectively (see Note 16).

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

Cost of real estate sales amounted to ₱105.6 million and ₱34.4 million in 2014 and 2013, respectively (₱40.9 million in 2012) (see Note 23).

In 2014, certain properties with carrying amount of ₱20.2 million were damaged due to typhoon for which a loss on real estate for sale and development amounting to ₱0.7 million was recognized (see Note 17).

Aggregate cash price values and related aggregate carrying costs of real estate properties held for sale follow:

	2014	2013
Aggregate cash price values	**₱71,088**	₱74,699
Aggregate carrying costs	**(40,732)**	(42,801)
Excess of aggregate cash price values over aggregate carrying costs	**₱30,356**	₱31,898

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

10. Inventories

This account represents inventories of RHI and its subsidiaries that were deconsolidated in 2014 (see Note 6). As at September 30, 2013, this account consisted of:

At cost:	
Refined sugar	₱523,636
Alcohol	326,560
Molasses	161,019
At NRV:	
Materials and supplies	295,013
Raw sugar	244,666
	₱1,550,894

Cost of inventories valued at NRV as at September 30, 2013 is shown below:

Materials and supplies	₱311,873
Raw sugar	245,807
	₱557,680

Details and movements of allowance for product inventory losses and obsolescence as at and for the year ended September 30, 2013 follow:

	Note	Raw and Refined Sugar, Alcohol and Molasses	Materials and Supplies	Total
Balance at beginning of year		₱5,729	₱41,768	₱47,497
Write-offs		(16,132)	(26,908)	(43,040)
Provisions	23	11,544	2,000	13,544
Balance at end of year		₱1,141	₱16,860	₱18,001

Cost of inventories recognized as expense and included as "Direct materials used" under "Cost of goods sold" amounted to ₱396.1 million and ₱1,604.6 million in 2014 and 2013, respectively (₱2,786.0 million in 2012) (see Note 23).

11. **Other Current Assets**

This account consists of:

	2014	2013
Creditable withholding taxes - net	**₱49,838**	₱254,561
Input VAT	**6,154**	217,654
Restricted cash	**–**	32,839
Deposit to suppliers	**–**	8,372
Prepaid insurance	**–**	5,463
Others	**14,016**	19,593
	₱70,008	₱538,482

Certain other current assets amounting to ₱785.3 million including creditable withholding taxes and the related allowance for impairment loss were derecognized as a result of deconsolidation of RHI (see Note 6).

No provision for impairment loss on creditable withholding taxes was recognized in 2014.

Input VAT mainly arises from construction relating to the Ethanol Plant of RBC and purchases of goods and services for operations.

Restricted cash represents savings from the reduction of the interest on long-term borrowings, deposited to the escrow account as required under the provision of the loan agreement with Banco de Oro Unibank, Inc. (BDO) (see Note 16). The restricted cash has been applied as payments for long-term borrowings in 2014.

Deposit to suppliers pertains to purchases of goods and services.

Other current assets consist of fully impaired AFS financial assets amounting to ₱0.7 million, prepaid rent and other prepayments.

12. **Investments in Associates and a Joint Venture**

Movements in this account follow:

	Note	**2014**	2013
Associates			
Acquisition cost			
Balance at beginning of year		**₱308,162**	₱308,162
Remaining investment in RHI	6	**1,709,495**	–
Effect of deconsolidation of RHI*	6	**(127,933)**	–
Balance at end of year		**1,889,724**	308,162

(Forward)

	Note	2014	2013
Cumulative equity in net earnings -			
Balance at beginning of year		**₱310,989**	₱265,920
Equity in net earnings:			
Continuing operations		**196,941**	392
Discontinued operations		**–**	67,635
Effect of deconsolidation of RHI*	6	**(278,843)**	₱–
Dividends received		**(38,201)**	(22,958)
Balance at end of year		**190,886**	310,989
Unrealized loss on transfer of land		**(59,030)**	(59,030)
Share in:			
Fair value reserve		**5,129**	5,179
Remeasurement gains	3	**916**	–
Revaluation increment on land		**–**	207,492
		2,027,625	772,792
Allowance for impairment losses		**(15,233)**	(15,233)
		2,012,392	757,559
Joint Venture			
Acquisition cost		**155,000**	–
Equity in net earnings		**12**	–
Balance at end of year		**155,012**	–
		₱2,167,404	₱757,559

**Relate to HPCo.*

The following are the associates of the Group:

	Percentage of Ownership		
	2014	2013	Principal Activity
RADC	**50.00**(1)	50.00	Real estate developer
RHI and subsidiaries	**35.00**(2)	–	Production and selling of sugar and related products
FLC	**30.00**(1)	30.00	Real estate developer
FDC	**30.00**(1)	30.00	Real estate developer
CPFI	**25.20**(1)	25.20	Social recreational and athletic activities
HPCo	**–**	29.62(3)	Production and selling of sugar and related products

(1) Effective ownership through RLC.
(2) Effective December 2013 (see Note 1).
(3) Effective ownership through RHI.

Details of this account follow:

	2014	2013
Associates		
RHI and subsidiaries	**₱1,872,760**	₱–
Fuego Land Corporation (FLC))	**97,804**	98,790
Fuego Development Corporation (FDC)	**14,942**	19,211
Club Punta Fuego, Inc. (CPFI)	**18,460**	16,863
Roxaco ACM Development Corporation (RADC)	**8,427**	8,427
Hawaiian-Philippine Company (HPCo)	**–**	614,268
Joint Venture		
Roxaco Vanguard Hotel Corporation (RVHC)	**155,012**	–
	₱2,167,405	₱757,559

The following are the effective ownership of the Group in the subsidiaries of RHI as at September 30, 2014.

	Effective Ownership	Line of Business
CADPI	**35.00**	Production and selling of raw and refined sugar, molasses and related products
CACI	**35.00**	Production and selling of raw sugar and molasses
CADP Insurance Agency, Inc. (CIAI)[(1)]	**35.00**	Insurance agency
NAVI	**27.08**	Agricultural and industrial development
Roxol Bioenergy Corp. (RBC)	**35.00**	Production and selling of bioethanol fuel
CADP Port Services, Inc. (CPSI)[(1)]	**35.00**	Providing ancillary services
Roxas Power Corporation (RPC)[(1)]	**17.50**	Sale of electricity

(1) Has not yet started commercial operations.

All the associates and a joint venture are incorporated in the Philippines.

<u>Associates</u>
On November 29, 2013, the Parent Company sold its 31% equity ownership in RHI to First Pacific, a Hong Kong-based company. The Parent Company remains the major shareholder at 35% of RHI while First Pacific has 34% equity ownership as it acquired additional shares of stock of RHI from other stockholders (see Notes 1 and 6). As a result, the remaining 35% interest in RHI is now accounted for as an investment in associate.

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 (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.

Investment in RADC amounting to ₱3.7 million was provided with allowance for impairment loss as at September 30, 2014 and 2013.

Shares of stock of RHI totaling 99.6 million are used as security for long-term loan of the Parent Company amounting to ₱150.0 million and ₱400.0 million as at September 30, 2014 and 2013, respectively (see Note 16).

Summarized financial information of associates are as follows:

	2014	2013
Current assets	**₱4,235,197**	₱1,545,612
Noncurrent assets	**11,555,940**	1,533,054
Current liabilities	**2,273,464**	792,552
Noncurrent liabilities	**7,633,865**	470,950
Net assets	**5,883,809**	1,815,164
Revenue	**(1,136,139)**	399,242
Net income	**21,667**	483,641

Joint Venture

On December 3, 2013, RLC entered into a 50%-50% Agreement with Singapore's Vanguard Hotels Group to form a joint venture company namely Roxaco-Vanguard Hotel Corporation (RVHC) [formerly Vanguard Hospitality Assets (Phils.), Inc.] duly registered and incorporated with the SEC on December 8, 2010, primarily to build and own a minimum of five "Go Hotels" (the Projects) in Metro Manila and in selected provincial destinations over the next two to three years.

On May 15, 2014, the SEC approved RVHC's increase in authorized capital stock from 40,000 shares with ₱100.0 par value to 800.0 million common shares at ₱1.0 par value and 200.0 million preferred shares at ₱0.01 par value. As at September 30, 2014, RLC paid capital contributions for common shares subscription amounting to ₱155.0 million.

In 2014, RVHC started the predevelopment and/or construction of the Projects. Total cost to complete the Projects amounted to ₱1,519.0 million. As at September 30, 2014, total costs incurred on the Projects amounted to ₱373.3 million.

Summarized financial information of RVHC as at September 30, 2014 are as follows:

Current assets	₱131,820
Noncurrent assets	385,766
Current liabilities	207,500
Noncurrent liabilities	2,564
Net assets	307,521
Revenue	25
Net income	24

The accumulated equity in net earnings of associates and a joint venture amounting to ₱190.9 million and ₱311.0 million as at September 30, 2014 and 2013, respectively, is not available yet for dividend distribution to shareholders, unless received as cash dividends from the associates.

13. **Property, Plant and Equipment**

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

		2014						
	Note	**Land**	**Buildings and Improvements**	**Machinery and Equipment**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction in Progress**	**Total**
Cost								
Balance at beginning of year		**₱12**	**₱2,786,167**	**₱12,065,825**	**₱34,587**	**₱85,047**	**₱101,929**	**₱15,073,567**
Effect of deconsolidation of RHI	6	**–**	**(2,774,870)**	**(12,063,402)**	**(27,389)**	**(71,837)**	**(141,606)**	**(15,079,104)**
Additions		**–**	**–**	**–**	**2,060**	**706**	**39,677**	**42,443**
Reclassifications		**–**	**(952)**	**–**	**–**	**–**	**–**	**(952)**
Balance at end of year		**12**	**10,345**	**2,423**	**9,258**	**13,916**	**–**	**35,954**
Accumulated Depreciation and Amortization								
Balance at beginning of year		**–**	**1,087,762**	**5,985,281**	**29,591**	**74,358**	**–**	**7,176,992**
Effect of deconsolidation of RHI	6	**–**	**(1,184,235)**	**(5,982,858)**	**(29,458)**	**(63,095)**	**–**	**(7,259,646)**
Depreciation and amortization		**–**	**105,380**	**–**	**7,082**	**1,702**	**–**	**114,164**
Balance at end of year		**–**	**8,907**	**2,423**	**7,215**	**12,965**	**–**	**31,510**
Net Book Value		**₱12**	**₱1,438**	**₱–**	**₱2,043**	**₱951**	**₱–**	**₱4,444**

	2013						
	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
Cost							
Balance at beginning of year	₱12	₱2,769,756	₱11,935,543	₱34,587	₱81,046	₱63,506	₱14,884,450
Additions	–	5,344	46,887	–	2,962	162,556	217,749
Disposals	–	–	(28,564)	–	(68)	–	(28,632)
Reclassifications	–	11,067	111,959	–	1,107	(124,133)	–
Balance at end of year	12	2,786,167	12,065,825	34,587	85,047	101,929	15,073,567
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	974,802	5,433,890	23,668	68,657	–	6,501,017
Depreciation and amortization	–	112,960	557,492	5,923	5,765	–	682,140
Disposal	–	–	(6,101)	–	(64)	–	(6,165)
Balance at end of year	–	1,087,762	5,985,281	29,591	74,358	–	7,176,992
Net Book Value	₱12	₱1,698,405	₱6,080,544	₱4,996	₱10,689	₱101,929	₱7,896,575

Construction in progress pertaining mainly to regular plant improvements and rehabilitation of milling equipment of RHI's subsidiaries was deconsolidated in 2014.

No capitalized borrowing cost was recognized on property and equipment in 2014 and 2013. Unamortized capitalized borrowing cost of RHI's subsidiaries as at September 30, 2013 amounting to ₱483.8 million with corresponding deferred tax liability of ₱145.1 million (see Note 27) were deconsolidated in 2014.

The amount of depreciation and amortization is allocated as follows:

	Note	**2014**	2013	2012
Cost of goods sold	23	**₱105,102**	₱627,555	₱625,648
General and administrative expenses	24	**9,062**	57,185	66,734
		₱114,164	₱684,740	₱692,382

Depreciation and amortization in 2013 includes amortization of software cost of ₱2.6 million (see Note 24).

In June 2013, certain property and equipment with a carrying value of ₱22.3 million were damaged due to fire (see Note 26). An insurance claim amounting to ₱40.9 million was received and recognized as other income in 2014.

As at September 30, 2014 and 2013, fully depreciated property, plant and equipment with an aggregate cost of ₱19.2 million and ₱2,316.8 million, respectively, are still being used in the operations.

As at September 30, 2014 and 2013, certain property, plant and equipment were mortgaged and used as collateral to secure the loan obligations with the local banks (see Note 16).

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

	Note	**2014**	2013
At appraised values:			
Balance at beginning of year		**₱2,758,312**	₱2,758,312
Effect of deconsolidation of RHI	6	**(2,758,312)**	–
Balance at end of year		**₱–**	₱2,758,312
At cost		**₱–**	₱384,503

14. Investment Properties

This account consists of:

	Note	**2014**	2013
Land properties	19	**₱4,440,125**	₱4,615,912
Building		**8,419**	8,419
		₱4,448,544	₱4,624,331

Movements on investment properties are as follows:

	Note	**2014**	2013
Balance at beginning of year		**₱4,624,331**	₱4,624,562
Effect of deconsolidation of RHI	6	**(191,837)**	–
Unrealized fair value gains (losses)		**16,050**	(231)
Balance at end of year		**₱4,448,544**	₱4,624,331

<u>The Parent Company</u>

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the CARL with total land area of 2,300.6 hectares and total value of ₱4,046.0 million and ₱4,021.5 million as at September 30, 2014 and 2013, respectively (see Note 29).

As at September 30, 2014 and 2013, the fair value of investment properties, including those land properties subjected to the CARL, are based on the appraised values of the properties as at October 27, 2014 and October 25, 2012, respectively, as determined by a professionally qualified independent appraiser.

The SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve" to restricted retained earnings. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulting from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc. (see Note 19). The SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

On September 28, 2012, the Parent Company executed a Deed of Assignment, Warranties and Undertaking covering the Parent Company's 75.12 hectares of land in Hacienda Palico located at Brgy. Cogonan, Nasugbu, Batangas with a carrying value of ₱202.6 million, by way of expropriation by the Philippine Government for a total consideration of ₱12.5 million, transferring the ownership to the farmer beneficiaries. The expropriation by the Philippine Government resulted to a loss amounting to ₱190.1 million in 2012. Moreover, the related net unrealized fair value gain on expropriated land properties amounting to ₱13.4 million included in the restricted retained earnings were reclassified to unrestricted retained earnings (see Note 19).

On June 6, 2013, the Parent Company received the compensation from LBP consisting of cash and unquoted debt security amounting to ₱1.2 million and ₱10.7 million, respectively, which was subsequently rediscounted (see Note 8).

On December 20, 2013, the Parent Company leased certain investment properties to a third party for a period of three cropyears. Rent income recognized amounted to ₱0.9 million in 2014 (see Notes 26 and 29).

As at September 30, 2014 and 2013, investment properties with carrying value of ₱6.8 million and ₱6.2 million, respectively, are used as collateral for the long-term borrowings (see Note 16).

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

RLC recognized unrealized loss on fair value adjustment amounting to ₱0.2 million in 2013 (₱0.4 million in 2012) (see Note 26).

Rental income from this investment property amounted to ₱0.7 million and ₱0.8 million in 2014 and 2013, respectively (₱1.4 million in 2012) (see Note 26).

Bases of Valuation. The value of the properties was arrived at by using the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

15. **Short-term Borrowings**

Short-term borrowings consist of unsecured short-term loans obtained from various local banks to meet its working capital requirements. These short-term borrowings are payable within 30 days to 180 days in 2014 and 30 days to 120 days in 2013 and bear annual interest ranging from 3.0% to 6.5% in 2014 and 3.0% to 7.0% in 2013.

Total interest expense arising from short-term borrowings amounted to ₱11.6 million and ₱61.2 million in 2014 and 2013, respectively (₱129.6 million in 2012) (see Note 16).

16. **Long-term Borrowings**

Long-term borrowings consist of loans from:

	2014	2013
Bank of the Philippine Islands (BPI)	**₱150,000**	₱900,000
BDO	**108,975**	5,120,694
Syndicated Loans:		
BPI	**–**	896,552
Rizal Commercial Banking Corporation (RCBC)	**–**	448,276
BPI Family Savings Bank	**–**	4,095
	258,975	7,369,617
Current portion	**(22,500)**	(158,277)
Noncurrent portion	**₱236,475**	₱7,211,340

Outstanding balance of long-term loans of the Group follows:

	2014	2013
Parent Company	**₱150,000**	₱400,000
RLC	**108,975**	134,095
RHI and subsidiaries	**–**	6,835,522
	₱258,975	₱7,369,617

Loans of the Parent Company

BPI Loan
On January 21, 2013, BPI approved the modified principal repayment schedule of short-term loan amounting to ₱400.0 million into a long-term loan, which bears interest ranging from 4.50% to 5.50%. Interest is payable quarterly in arrears. Principal is payable in 20 equal amortizations commencing on January 2015 until 2019. Advance payment of ₱250.0 million was made in 2014.

Long-term borrowings of the Parent Company with BPI amounted to ₱150.0 million and ₱400.0 million as at September 30, 2014 and 2013, respectively.

The bank loan with BPI is classified as follows:

	2014	2013
Current portion	**₱22,500**	₱–
Noncurrent portion	**127,500**	400,000
	₱150,000	₱400,000

As at September 30, 2014 and 2013, the said loan is secured by real estate mortgages and pledge over shares of stock owned by the Parent Company as follows:

	Note	2014	2013
Shares of stock of RHI (99.6 million shares as at September 30, 2014 and 2013)		**₱322,265**	₱322,265
Real estate for sale and development of RLC	9	**178,821**	178,821
Investment property	14	**6,838**	6,216
Property, plant and equipment	13	**224**	370
		₱508,148	₱507,672

Loans of RLC

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

The loan facility is secured by RLC's real estate for sale and development amounting to ₱2.7 million as at September 30, 2014 and 2013 (see Note 9).

Loans of RHI

The outstanding loans of RHI as at September 30, 2013 are as follows:

BDO:	
Loan I	₱3,265,694
Loan II	925,000
Loan III	800,000
	4,990,694
Bank of the Philippine Islands (BPI)	500,000
Syndicated Loans:	
BPI	896,552
RCBC	448,276
	1,344,828
	6,835,522
Current portion	(158,277)
Noncurrent portion	₱6,677,245

The loan balance of RHI were deconsolidated in 2014 (see Note 6).

BDO Loan Facilities
On February 8, 2008, RHI signed the long-term loan facility (Loan I) with BDO for an aggregate amount of ₱4,619.0 million to finance the Expansion Project of RHI and its subsidiaries, by purchasing second-hand mills and related equipment, and Share Buyback Program of RHI. The loan facility is shared by RHI and CADPI/CACI amounting to ₱1,570.0 million and ₱4,619.0 million, respectively. Loan I is payable in a seven-year amortization period with equal quarterly payment commencing on November 5, 2014 until May 5, 2018 as amended in 2012, and bears interest subject to quarterly re-pricing, as amended in 2010, 2011 and 2012.

The 2011 amendment provided a reduced interest of 6.5% with a requirement to RHI and CADPI/CACI to deposit as restricted cash the amount of savings from the reduction of interest in an escrow account. The restricted cash was applied as additional payments to the loans in 2014 (see Note 11).

On June 17, 2011, RBC availed of a 10-year long-term loan (Loan II) with BDO amounting to ₱925.0 million to finance its working capital requirements. Loan II is payable quarterly until June 2021 with grace period of 36 months as amended on May 9, 2013. The loan bears floating interest, which is being re-priced quarterly. Interest ranged from 5.00% to 5.25% in 2013.

On February 1, 2013, RHI, CADPI and CACI entered into a new loan agreement (Loan III) with BDO amounting to ₱800.0 million. Loan III is secured by the shares of HPCo owned by RHI. The loan as availed of by CADPI alone is payable on February 15, 2016 and bears interest at prevailing market rate being re-priced quarterly.

BPI Loan Facility
On June 14, 2012, CADPI entered a separate loan agreement with BPI amounting to ₱500.0 million to pay-off CADPI's then existing long-term loan with BPI - Asset Management and Trust Group. The loan bears interest equivalent to the higher of: (a) the sum of the base rate plus 1.50%, or (b) the BSP reverse repurchase overnight rate plus 1.50%. Gross receipts tax is for the account of CADPI. The loan is payable in 15 equal quarterly installments on each scheduled repayment date, with the first installment commencing not later than November 5, 2014 until May 5, 2018.

Syndicated Loans
On February 14, 2008, CADPI and CACI entered into a Syndicated Loan Agreement with BPI (as the lead bank) and RCBC for a total credit facility of ₱1,500.0 million as amended to clarify certain provisions on March 12, 2008. The balance of the loans is payable in 15 equal consecutive quarterly installments beginning November 5, 2014 until May 5, 2018 as amended on February 6, 2012.

The loans bear floating interest with a one-time option to convert into a fixed interest equivalent to: (a) benchmark rate plus 1.36% for BPI loans, and; (b) benchmark rate plus 1.50% for RCBC loans, as amended also on February 6, 2012.

Suretyship Agreements and Mortgage Trust Indenture
In relation to the BDO loan facility, the Parent Company, RHI and RLC entered in a Continuing Suretyship Agreement with BDO. Under the Agreement, BDO shall have the right to proceed against the surety for the payment of the secured obligations. The suretyship shall remain in full force and effect to secure any future indebtedness until released by the bank at the request of the surety.

Interest Expense
Total interest expense incurred, net of capitalized borrowing costs related to real estate projects of RLC amounting to ₱3.4 million and ₱2.0 million in 2014 and 2013, are as follows:

	2014	2013	2012
Continuing Operations:			
Long-term loans	**₱14,262**	₱24,872	₱21,543
Receivable from LBP	**900**	–	–
Short-term loans	**310**	884	6,956
	15,472	25,756	28,499
Discontinued Operations:			
Long-term loans	**52,324**	330,346	351,600
Short-term loans	**11,299**	60,316	122,645
	63,623	390,662	474,245
	₱79,095	₱416,418	₱502,744

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

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

As at September 30, 2014 and 2013, the Group is in compliance with these loan covenants, particularly on the required financial ratio.

In November 2013, the Group obtained from creditor banks a letter consenting on the disposal of the Parent Company's 31% equity interest in RHI in favor of First Pacific (see Note 1).

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

	2014	2013
Less than one year	**₱22,500**	₱158,277
Between one and two years	**172,725**	1,278,994
Between two and five years	**63,750**	2,589,478
Over five years	**–**	3,342,868
	₱258,975	₱7,369,617

17. **Trade and Other Payables**

This account consists of:

	Note	2014	2013
Trade		**₱61,689**	₱245,609
Due to:			
Related parties	20	**54,479**	59,465
Contractors		**–**	21,385
Planters		**–**	11,158
Accrued expenses:			
Payroll and other benefits		**22,266**	40,209
Interest		**1,515**	51,132
Outside services		**864**	318
Others		**3,654**	31,810
Customers' deposits		**12,898**	47,430
Payable to government agencies for taxes and statutory contributions		**₱982**	₱130,561
Provision for probable losses	29	**–**	48,438
Retention payable		**–**	7,285
Others		**17,826**	86,561
		₱176,173	₱781,361

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

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

Details of customers' deposits follow:

	2014	2013
Real estate properties	**₱12,799**	₱17,036
Sugar and molasses	**–**	30,394
Others	**99**	–
	₱12,898	₱47,430

Customers' deposits represent noninterest-bearing cash deposits from buyers of the sugar and molasses, and cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from buyers of sugar and molasses of RHI's subsidiaries were deconsolidated in 2014 (see Note 6).

Payable to government agencies and other payables are noninterest-bearing and are normally settled throughout the year.Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue.

Other payables mainly pertain to reimbursements to employees and to third parties for sugar liens and other related fees.

18. **Retirement Benefits**

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

Retirement Benefits

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

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Current service cost	**₱8,882**	₱32,142	34,075
Interest cost	**2,028**	2,871	9,865
Adjustment due to curtailment	**–**	6,218	88,438
	₱10,910	₱41,231	₱132,378

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

		2014		
	Note	**Cumulative Loss**	**Deferred Tax**	**Net**
Balance at beginning of year		**(₱328,993)**	**₱98,698**	**(₱230,295)**
Remeasurement gains		**1,924**	**(577)**	**1,347**
Effect of deconsolidation	6	**331,535**	**(99,460)**	**232,075**
Balance at end of year		**₱4,466**	**(₱1,339)**	**₱3,127**

	2013 (As restated - see Note 3)		
	Cumulative Loss	Deferred Tax	Net
Balance at beginning of year	(₱155,324)	₱46,597	(₱108,727)
Remeasurement loss	(173,669)	52,101	(121,568)
Balance at end of year	(₱328,993)	₱98,698	(₱230,295)

Retirement Liability

The retirement liability recognized in the consolidated statements of financial position follows:

	2014	2013 (As restated - see Note 3)
Present value of obligation	**₱16,967**	₱529,865
Fair value of plan assets	**(10,238)**	(298,033)
Retirement liability	**₱6,729**	₱231,832

Movements in the defined benefit obligation are as follows:

	Note	2014	2013 (As restated - see Note 3)
Balance at beginning of year		**₱529,865**	₱513,912
Current service cost		**8,882**	32,142
Interest cost		**4,642**	29,719
Benefits paid		**(2,950)**	(132,530)
Actuarial loss (gain)		**(4,749)**	86,622
Effect of deconsolidation of RHI	6	**(518,723)**	–
Balance at end of year		**₱16,967**	₱529,865

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

	Note	2014	2013 (As restated - see Note 3)
Balance at beginning of year		**₱298,033**	₱463,005
Actual return on plan assets		**758**	26,293
Benefits paid		**(2,950)**	(132,530)
Contributions		**1,074**	124,403
Actuarial gain (loss)		**35,370**	(183,138)
Effect of deconsolidation	6	**(322,047)**	–
Balance at end of year		**₱10,238**	₱298,033

Plan assets of the Parent Company, RLC and RHI as at September 30, 2014 and 2013 consist of:

	2014	2013
Cash and cash equivalents	**100%**	6%
Government securities	**–**	69%
Stock and other securities	**–**	23%
Receivables	**–**	2%
	100%	100%

The Parent Company and RLC are expected to contribute a total of ₱10.0 million to their respective retirement funds for fiscal year ending September 30, 2015. The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of each year follows:

	2014	2013
Discount rate	**3.84% to 3.89%**	5.03% to 5.35%
Future salary increases	**5% to 6%**	5% to 6%

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

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

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

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

The expected return of plan assets were determined based on a reputable fund trustee's yield rate for risk portfolio similar to that of the fund with consideration to the fund's past performance.

19. **Equity**

a. Capital Stock

Details of capital stock follows:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Common stock "Class A" - ₱1 par value				
Authorized	**3,375,000,000**	**₱3,375,000**	3,375,000,000	₱3,375,000
Issued stock	**2,911,885,869**	**₱2,911,886**	2,911,885,869	₱2,911,886
Treasury stock	**(990,384,775)**	**(1,683,654)**	–	–
Issued and outstanding	**1,921,501,094**	**₱1,228,232**	2,911,885,869	₱2,911,886

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

b. Track Record of Registration

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

** Par Value was subsequently reduced to ₱1.00*

c. Additional Paid-in Capital and Revaluation Increment on Land

In 2002, RHI undertook the Reorganization Program. As part of the Reorganization Program, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI. The assets and liabilities, excluding the land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI (see Note 4).

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CCSI and CFSI for ₱1.3 billion of CADPGC's common shares with a par value of ₱1 a share for ₱2.0 billion, the cost of investments of RHI immediately before transfer. CADPGC recognized a premium of ₱596.8 million and share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's ownership interest in CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC.

On July 1, 2004, CADPGC's Negros sugar milling business was spun-off, which was the last phase of the Reorganization Program. The said spin-off, as approved by the SEC on February 10, 2004, involved the transfer of CADPGC's net assets aggregating to ₱1.4 billion in exchange for CACI's 200 million common shares at ₱1 per share. The basis of valuation of the CACI shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised values.

d. Restructuring on Equity

CADPGC and Roxas & Company, Inc. have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. The transaction was accounted for under pooling of interests and as such, comparative balances were presented as if the combining entities have always been combined. As a result, the investment of Roxas & Company, Inc. in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock and revaluation increment on land of CADPGC increased to ₱280.0 million. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under "Other equity reserve", which amounted to ₱4.0 billion in 2009.

In fiscal year ended June 30, 2011, the Group opted to transfer the balance of the "Other equity reserve" arising from the merger between Roxas & Company, Inc. and CADPGC as discussed in the preceding paragraph to restricted retained earnings as management believes that such transfer of the "Other equity reserve" arising from the merger will result to a more useful and relevant financial statements. In January 2011, the SEC had concurred with the adjustments made by the Parent Company (see Note 14).

e. Retained Earnings

Restricted and/or appropriated retained earnings
Retained earnings that are not available for dividend declaration are as follows:

	Note	**2014**	2013
Appropriation for treasury stock		**₱1,683,654**	₱–
Net unrealized fair value gains on investment properties included in the retained earnings	14	**283,545**	283,545
Application of revaluation increment against deficit		**203,075**	203,075
		₱2,170,274	₱486,620

On November 13, 2013, the Company appropriated a portion of its retained earnings amounting to ₱1,684.0 million for the cost of treasury shares acquired.

On October 14, 1999, the SEC approved the Parent Company's quasi-reorganization, which involved the elimination of deficit amounting to ₱203.1 million as at July 31, 1999 by offsetting the entire amount against the revaluation increment on land.

For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out by the appraisal increment and the gain on changes in fair value on investment properties that was closed to retained earnings, net of the debit balance of "Other equity reserve" account (see Note 14).

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

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

Outstanding dividends payable amounted to ₱5.3 million and ₱4.4 million as at September 30, 2014 and 2013, respectively.

f. Share Prices

The principal market for the Parent Company's share of stock is the PSE. The high and low trading prices of the Parent Company's share for each quarter within the last three fiscal years are as follows:

Quarter	High	Low
October 2013 through September 2014		
First	₱4.44	₱3.50
Second	3.38	3.37
Third	3.08	2.79
Fourth	2.96	2.85
October 2012 through September 2013		
First	3.50	1.68
Second	2.39	2.25
Third	3.00	2.27
Fourth	2.25	1.51
October 2011 through September 2012		
First	2.10	1.10
Second	3.20	1.26
Third	2.85	1.51
Fourth	2.25	1.51

20. **Related Party Transactions**

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

Related Party	Nature of Transaction	Year	Transactions during the Year	Net Amount Due from Related Parties (see Note 8)	Net Amount Due to Related Parties (see Note 17)
Associates					
FDC	Noninterest-bearing advances	**2014**	**₱2,238**	**₱40,362**	**₱2,388**
		2013	–	27,302	2,388
	Dividends receivable*	**2014**	**–**	**–**	**–**
		2013	–	4,500	–
	Interest-bearing advances	**2014**	**–**	**–**	**10,822**
		2013	–	10,822	10,822
FLC	Noninterest-bearing advances	**2014**	**–**	**–**	**–**
		2013	–	–	8,816
	Dividends receivable*	**2014**	**–**	**4,624**	**–**
		2013	–	14,984	–
RADC	Noninterest-bearing advances	**2014**	**–**	**–**	**10,966**
		2013	–	–	10,966
CACI	Interest income on advances	**2014**	**3,841**	**–**	**–**
		2013	–	–	–
Joint Venture Partner					
VJ Properties, Inc.(VJPI)	Noninterest-bearing advances	**2014**	–	**7,552**	**1,906**
		2013	–	8,742	–
Marilo Realty Development Corporation	Noninterest-bearing advances	**2014**	**2,102**	**581**	**3,000**
		2013	–	–	318

(Forward)

Related Party	Nature of Transaction	Year	Transactions during the Year	Net Amount Due from Related Parties (see Note 8)	Net Amount Due to Related Parties (see Note 17)
LPC	Defrayment of cost and expenses for restructuring	**2014**	**₱–**	**₱3,112**	**₱23,850**
		2013	7,023	3,112	24,061
Retirement Fund					
CADP Retirement Fund, Inc. (CADPRFI)	Lease of office space	**2014**	**–**	**–**	**–**
		2013	1,543	–	1,997
	Noninterest-bearing advances	**2014**	**–**	**–**	**–**
		2013	–	4,758	–
RHI Retirement Fund, Inc. (RHIRFI)	Noninterest-bearing advances	**2014**	**–**	**–**	**–**
		2013	–	28,546	–
Others	Noninterest-bearing advances	**2014**	**19,088**	**9,639**	**1,547**
		2013	129	328	97
		2014		**₱65,870**	**₱54,479**
		2013		103,094	59,465

**Includes dividends receivable amounting to ₱4.6 million and ₱19.5 million as at September 30, 2014 and 2013, respectively.*

In the normal course of business, the Company extends/avails of advances to/from its related parties, with no definite repayment terms. The advances to and from related parties are non-interest bearing, except for short-term loan to CACI, which bears interest at 3% and interest-bearing advances to FDC, which bear interest at 10%. Interest income recognized amounted to ₱3.8 million and ₱238 in 2014 and 2013, respectively (₱0.5 million in 2012) (see Note 7).

In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC were computed in proportion to the number of club shares they have each assigned. In 2005, PFHC and FDC merged with FDC, as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As at September 30, 2014, RLC is still in negotiation with FDC for the allocation of the actual number of shares assigned. RLC did not recognize assignment fee in 2014 and 2013.

As at September 30, 2013, the Company's outstanding receivables from CADPRFI represent advance payments made by the Parent Company to its redundated employees.

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

Compensation of key management is as follows:

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Continuing Operations			
Salaries and short-term benefits	**₱12,720**	₱4,412	₱3,414
Retirement benefits	**1,413**	490	379
	14,133	4,902	3,793
Discontinued Operations			
Salaries and short-term benefits	**45,175**	55,484	54,481
Retirement benefits	**5,019**	5,943	6,053
	50,194	61,427	60,534
	₱64,327	₱66,329	₱64,327

On May 14, 2013, the BOD of the Parent Company approved the increase in the directors' remuneration payable in cash and shares of stock of the Parent Company. On March 6, 2014, RCI applied with the SEC for the approval of share-based compensation as an exempt transaction. As at the date of the report, the application for the issuance of the share component as director's remuneration is pending before the SEC. Consequently, no shares have been issued.

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

Date of Meeting	Number of shares	Market Value per Share	Amount
August 13, 2013	60,000	₱2.5	₱150,000
December 13, 2013	44,118	3.4	150,000
February 13, 2014	42,858	3.5	150,000
May 13, 2014	52,710	3.3	175,000
August 7, 2014	58,333	3.0	175,000

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

21. **Employee Stock Option Plans (ESOP) of RHI**

The BOD of RHI approved the establishment of an ESOP of RHI on May 8, 2013. The ESOP covers all employees of RHI 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, 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 30.0 million common shares of RHI's unissued shares have been initially reserved under the ESOP.

RHI has granted 24.6 million shares of common stock under the ESOP. As at September 30, 2013, stock option granted remains outstanding and has not vested.

The fair value of the ESOP plan was estimated at the date of grant using Black Sholes-Merton model with the following inputs:

	Options Vesting After				
	Year One	Year Two	Year Three	Year Four	Year Five
Spot price	₱2.80	₱2.80	₱2.80	₱2.80	₱2.80
Strike price	₱2.49	₱2.49	₱2.49	₱2.49	₱2.49
Expected volatility	38.83%	39.10%	36.59%	39.61%	42.46%
Risk-free rate	2.71%	2.98%	3.29%	3.28%	3.90%
Dividend rate as a percentage of spot price	1.97%	1.97%	1.97%	1.97%	1.97%

It also considered the exercise share price of ₱0.7 and a weighted average share price of ₱0.9 as at valuation date. 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 employee stock option expense recognized for employee services received amounted to ₱2.0 million in 2013 presented under “Salaries, wages and other employee benefits” account.

22. **Revenue**

Revenue from continuing operations consists of the following:

	2014	2013	2012
Sale of real estate	**₱199,809**	₱83,161	₱94,987
Others	**17,750**	24,597	119
	₱217,559	₱107,758	₱95,106

Revenue from discontinued operations (see Note 6) consists of:

	2014	2013	2012
Sale of:			
Refined sugar	**₱587,102**	₱3,728,423	₱3,648,085
Raw sugar	**432,770**	1,577,317	3,008,261
Alcohol	**121,881**	375,104	672,166
Molasses	**52,677**	363,763	196,267
Tolling fees	**–**	19,246	125,927
Others	**–**	875	23,787
	₱1,194,430	₱6,064,728	₱7,674,493

23. **Cost of Sales**

Cost of sales from continuing operations pertain to cost of real estate sales amounting to ₱105.6 million and ₱34.4 million in 2014 and 2013, respectively (₱40.9 million in 2012).
Cost of sales from discontinued operations (see Note 6) consists of:

	Note	**2014**	2013	2012
Cost of goods sold:				
Direct materials used	10	**₱396,137**	₱1,604,554	₱2,786,006
Cost of transporting cane to mill		**138,361**	848,113	888,670
Materials and consumables		**106,653**	233,984	276,778
Depreciation and amortization	13	**105,102**	627,555	625,648
Salaries, wages and other employee benefits	25	**66,426**	301,663	399,912
Repairs and maintenance		**54,810**	156,435	244,355
Fuel and oil		**26,351**	290,320	250,690
Taxes and licenses		**19,818**	77,827	150,942
Rent	29	**13,417**	60,713	51,224
Communication, light and water		**8,767**	77,875	72,364
Insurance		**7,790**	25,780	31,732
Outside services		**–**	120,833	89,016
Provision for inventory losses and obsolescence	10	**–**	12,114	59,727
Others		**10,409**	12,388	29,455
		₱954,041	₱4,450,154	₱5,956,519

24. **Operating Expenses**

General and administrative expenses from continuing operations consist of:

	Note	**2014**	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Salaries, wages and other employee benefits	25	**₱34,056**	₱40,866	₱33,900
Outside services		**16,369**	13,157	13,346
Repairs and maintenance		**3,314**	1,773	1,343
Taxes and licenses		**3,263**	9,615	3,321
Communication, light and water		**3,163**	3,842	2,959
Representation and entertainment		**2,907**	3,762	5,084
Depreciation and amortization	13	**2,365**	2,491	2,583
Provision for impairment of pre-development cost	9	**2,323**	–	–
Travel and transportation		**1,597**	1,716	1,566
Provision for yield guarantee	29	**1,085**	–	–
Loss on insurance claims		**715**	–	–
Provision for impairment loss on AFS financial asset	12	**688**	–	–

(Forward)

	Note	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Materials and consumables		**₱607**	₱3,066	₱655
Provision for impairment losses on receivables	8	**288**	–	560
Corporate social responsibility		**179**	60	119
Insurance		**151**	202	415
Rent	29	**–**	–	1,038
Others		**7,555**	8,547	4,141
		₱80,625	₱89,097	₱71,030

Others include professional fees, training and development and other miscellaneous charges.

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

	Note	2014	2013	2012
Salaries, wages and other employee benefits	25	**₱54,524**	₱193,762	₱249,738
Taxes and licenses		**23,522**	95,529	63,423
Depreciation and amortization	13	**6,697**	54,694	64,151
Transfer Cost		**4,651**	–	–
Outside services		**4,272**	109,261	78,465
Materials and consumables		**3,572**	25,356	21,367
Training		**2,947**	–	–
Corporate social responsibility		**2,836**	11,043	2,354
Rent	29	**2,737**	22,511	22,453
Insurance		**2,303**	27,774	29,505
Communication, light and water		**1,787**	10,373	9,817
Research and Development		**1,190**	–	–
Travel and transportation		**885**	6,517	19,367
Repairs and maintenance		**768**	8,079	11,357
Provision for impairment losses on receivables	8	**–**	6,236	100,319
Representation and entertainment		**–**	1,953	1,390
Provision for inventory losses and obsolescence	10	**–**	1,430	–
Provision for probable losses	29	**–**	–	85,003
Provision for impairment losses on creditable withholding taxes		**–**	–	1,187
Others		**16,017**	48,646	24,659
		₱128,708	₱623,164	₱784,555

Selling Expenses
Selling expense from continuing and discontinued operations follow:

	2014	2013	2012
Continuing operations	**₱20,106**	₱19,184	₱3,523
Discontinued operations (see Note 6):			
Sugar liens and monitoring fees	**₱5,662**	₱35,800	₱74,990
Advertising and shipping cost	**25**	4,561	–
	₱5,687	₱40,361	₱74,990

25. **Personnel Costs**

The components of employee benefits from continuing operations presented under "General and administrative expenses" account in the consolidated statements of income are as follows:

	Note	**2014**	2013	2012
Salaries and wages	23, 24	**₱13,817**	₱32,711	₱25,928
Allowances and other employee benefits	23, 24	**16,828**	4,882	6,106
Retirement benefits	18	**3,411**	3,273	1,866
		₱34,056	₱40,866	₱33,900

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

	Note	**2014**	2013	2012
Salaries and wages	23, 24	**₱76,407**	₱412,096	₱404,550
Allowances and other employee benefits	23, 24	**37,044**	45,371	114,588
Retirement benefits	18	**7,499**	37,958	130,512
		₱120,950	₱495,425	₱649,650

Employee benefits from discontinued operations are allocated as follows:

	Note	**2014**	2013	2012
Cost of sales	23	**₱66,426**	₱301,663	₱399,912
General and administrative expenses	24	**54,524**	193,762	249,738
		₱120,950	₱495,425	₱649,650

26. **Other Income (Charges)**

Other income (charges) from continuing operations consists of:

	Note	**2014**	2013	2012
Rent income	14	**₱1,602**	₱835	₱1,356
Net foreign exchange gains (losses)		**3**	6	(6)
Income from performance bank guarantee		**–**	65,837	–
Loss on disposal of property and equipment and investment properties	14	**–**	–	(190,651)
Others		**698**	(64,289)	14,705
		₱2,303	₱2,389	(₱174,596)

Other income (charges) from discontinued operations (see Note 6) consists of:

	Note	**2014**	2013	2012
Net foreign exchange gains (losses)		**₱50**	(₱607)	(₱7,767)
Sugar and molasses handling fees		**–**	22,940	11,335
Loss on property and equipment due to fire	13	**–**	(22,305)	–
Rent income	29	**–**	6,625	5,756
Recovery from insurance claims		**–**	5,340	20,676
Income from performance bank guarantee		**–**	(3,003)	–
Sale of scrap		**–**	1,998	10,393
Unrealized fair value gains (losses) on investment property	14	**–**	–	5,351
Gain (loss) on sale of property and equipment	14	**–**	–	327
Others		**11,562**	94,301	66,564
		₱11,612	₱105,289	₱112,635

Recovery from insurance claims pertains to the amount collected from the insurer which represents recovery from loss of irreparable equipment. Others pertain mainly to replenishment fees in 2014 and 2013.

In September 2013, RBC received the proceeds from performance bank guarantee issued by a local bank in behalf of the plant contractor amounting to USD$2.1 million (₱90.4 million). Of the total amount, ₱27.1 million was used to settle receivable from the plant contractor, while the remaining ₱65.8 million was recognized as other income.

27. **Income Taxes**

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

	2014	2013 (As restated - see Note 3)	
	Net Deferred Tax Assets[(1)]	Net Deferred Tax Assets[(1)]	Net Deferred Tax Liabilities[(2)]
Deferred tax assets on:			
Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting	**(₱2,564)**	₱–	₱–
Retirement liabilities	**2,140**	6,914	–
Cash advances from customers	**1,801**		
Unrealized gross profit on inventory	**634**	4,390	50
Allowance for:			
Impairment losses on investments in associates	**1,213**	1,384	–
Inventory losses and obsolescence	**697**	4,275	–
Impairment losses of receivables	**933**	34,942	–
Impairment losses on creditable withholding taxes	**–**	3,663	–
Various accruals	**600**	23,418	–
Net unrealized foreign exchange loss	**8**	1,626	–
Preoperating expenses	–	–	27,711
Unamortized past service cost	**–**	71,490	398
Excess MCIT	**–**	9,521	–
Employee stock option	**–**	155	427
	5,462	161,778	28,586
Deferred tax liabilities on:			
Retirement assets	**(381)**	(724)	63,362
Revaluation increment on land	**(171)**	(4,995)	(743,289)
Prepaid commission	**(118)**		
Unamortized capitalized interest	**–**	(117,386)	(27,760)
Unrealized gain on fair value adjustment on investment property	**–**	(381)	(1,605)
Share in noncontrolling interest on revaluation increment on land	**–**	–	(17,004)
Unrealized foreign exchange loss	**–**	(1)	–
Unrealized share in fair value reserve of an associate	**–**	(171)	–
	(670)	(123,658)	(726,296)
Net deferred tax assets (liabilities)	**₱4,792**	₱38,120	(₱697,710)

(1) The recognized net deferred tax assets pertain to the Parent Company, RHI, RLC, CADPI and CACI.
(2) The recognized net deferred tax liabilities pertain to the Parent Company, RHI, RLC RBC and NAVI.

Presentation of net deferred tax assets (liabilities) is as follows:

	Note	2014	2013 (As restated - see Note 3)
Through profit or loss		**₱6,131**	(₱758,288)
Through other comprehensive income	18	**(1,339)**	98,698
		₱4,792	(₱659,590)

b. Details of NOLCO, excess MCIT and other deductible differences for which no deferred tax assets were recognized are as follows:

	2014	2013 (As restated - see Note 3)
NOLCO	**₱33,017**	₱120,317
Allowance for impairment losses on:		
Investments in associates	**14,262**	15,312
Receivables	**2,813**	8,886
AFS financial assets	**206**	–
Allowance for inventory losses and obsolescence	**–**	3,751
Excess MCIT	**199**	3,576
	₱50,497	₱151,842

Management believes that it may not be probable that sufficient future taxable profits will be available against which the NOLCO, excess MCIT and other deductible temporary differences can be utilized.

c. Details of benefits arising from NOLCO and MCIT and the corresponding analysis of the tax effect are as follow:

NOLCO

Incurred for the Period Ended	Balance as at Beginning of Year	Applied	Expired	Balances as at the End of the Year	Tax Effect	Available Until
September 30, 2011	₱ 10,943	₱–	₱10,943	₱–	₱–	September 30, 2014
September 30, 2012	45,122	–	–	45,122	13,537	September 30, 2015
September 30, 2013	43,787	3,190	–	40,597	12,179	September 30, 2016
September 30, 2014	24,338	–	–	24,338	7,301	September 30, 2017
	₱124,190	₱3,190	₱10,943	₱110,057	₱33,017	

MCIT

Incurred for the Period Ended	Balance as at Beginning of Year	Applied	Balances as at the End of the Year	Available Until
September 30, 2013	₱ 1,172	₱1,157	₱15	September 30, 2016
September 30, 2014	184	–	184	September 30, 2017
	₱1,356	₱1,157	₱199	

d. The reconciliation between the income tax expense (benefit) from continuing operations computed at the applicable statutory tax rate and income tax expense presented in the consolidated statements of income follows:

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Income tax expense (benefit) at statutory rate	**₱676,909**	(₱15,806)	(₱65,198)
Adjustments resulting from:			
Changes in unrecognized deferred tax assets	**1,270**	17,463	(5,416)
Expired MCIT	**–**	–	14
Expired NOLCO	**3,283**	–	–
Tax effects of:			
Gain on disposal of a subsidiary	**(610,811)**	–	–
Equity in net losses (earnings) of associates	**(59,078)**	(20,408)	(14,734)
Interest income already subjected to final tax and dividend income exempt from tax	**(80)**	(621)	(284)
Nondeductible interest expense	**63**	216	227
Deficiency taxes	**–**	13,177	25,501
Nontaxable gain on change in fair value of investment properties	**(4,815)**	–	–
Nondeductible loss on expropriation of land	**–**	–	57,249
Others	**2,234**	7,024	9,878
Income tax expense	**₱8,975**	₱1,045	₱7,237

The reconciliation between the income tax expense from discontinued operations (see Note 6) computed at the applicable statutory tax rate and income tax expense (benefit) presented in the consolidated statement of income follows:

	2014	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Income tax expense at statutory tax rate	**₱16,208**	₱220,596	₱165,521
Tax effects of:			
Equity in net earnings of an associate	**(2,502)**	(20,291)	(14,734)
Interest subjected to final tax and dividend income exempt from tax	**(13)**	(460)	(249)
Nondeductible deficiency taxes	**–**	13,208	25,501
Nondeductible unrealized gross profit on inventories	**–**	12,957	–
Nondeductible expenses	**–**	11,699	36,323
Nondeductible interest expense	**5**	167	191
Adjustments resulting from:			
Application of MCIT	**–**	20,571	–
Changes in unrecognized deferred tax assets	**–**	(6,890)	(367,896)
Expiration of excess MCIT	**–**	–	14
Others	**(1,487)**	(1,342)	8,037
Income tax expense (benefit)	**₱12,211**	₱250,215	(₱147,292)

28. **Earnings (Loss) Per Share**

Basic/diluted earnings (loss) per share are computed as follows:

	Note	**2014**	2013 (As restated - see Note 3)	2012 (As restated - see Note 3)
Net income (loss) attributable to the equity holders of the Parent Company:		**₱2,274,885**	₱265,283	₱234,693
Continuing operations		**2,233,018**	(214,792)	(453,376)
Discontinued operations	6	**41,866**	485,032	698,799
Weighted average number of shares issued and outstanding		**1,921,501**	2,911,886	2,911,886
Basic/diluted earnings (loss) per share:		**₱1.18**	₱0.09	₱0.08
Continuing operations		**1.16**	(0.08)	(0.16)
Discontinued operations		**0.02**	0.17	0.24

There are no potential dilutive common shares as at September 30, 2014 and 2013.

29. **Commitments and Contingencies**

<u>Contingencies</u>

Land Properties Subjected to the CARL. The Comprehensive Agrarian Reform Law (CARL) provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Parent Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOAs) covering 2,676 hectares of the Parent Company's three *haciendas*, namely: Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Parent Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOAs. On December 17, 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three haciendas. The High Tribunal ruled that the Parent Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Parent Company filed with the DAR an application for the CARL exemption of its three haciendas in Nasugbu, Batangas. This exemption application was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu as a Tourist Zone. The Parent Company likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural land in Nasugbu, Batangas to non-agricultural land. However, the Supreme Court noted that the Parent Company "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption."

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

In February 2012, the Supreme Court affirmed the exemption of the 21.1236-hectare property from the coverage of the Comprehensive Agrarian Reform Program (CARP).

In October 2012, the Parent Company disclosed that the DAR published the Notice of Coverage (NOC) on several RCI properties aggregating 2,514.76 hectares. The Parent Company filed a protest in the office of the DAR against the wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage and the applicable law (RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

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

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

In total, there are about 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of the CARL, including the 21 hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GRN 169331.

On May 14, 2013, the BOD approved the authority of management to begin negotiations with the DAR for possible voluntary offer to sell (VOS) of 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP. As at the date of the report, there is no agreement yet with the DAR on the properties approved for VOS.

On December 13, 2013, the BOD of the Parent Company approved management's request for reconfirmation of management's plan to explore the government's VOS program using 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway under certain conditions. This supersedes all previous proposals relating to the government's VOS program.

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

Outstanding provision for losses for disputed claims and assessments amounted to ₱48.4 million as at September 30, 2013 presented under “Trade and other payables” account (see Note 17).

Joint Operations

On December 2, 2009, RLC entered into a joint arrangement with VJ Properties, Inc. (VJPI) for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate between them the developed saleable lots and villas.

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

Lease-back Guarantee

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

As at September 30, 2014, the provision for lease-back guarantee amounted to ₱1.1 million.

Lease Commitments

The Group, as a lessee, has an existing one-year lease agreement with CADPRFI for the lease of office space, which is renewable annually at the option of the Parent Company, CADPI and CACI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted to ₱4.0 million in 2013 (₱4.0 million in 2012).

On December 20, 2013, the Group leased a portion of its investment property to a third party, which runs for a period of three cropyears and is renewable for another three cropyears. Rent income recognized amounted to ₱0.9 million in 2014 (see Note 14).

Unused Credit Lines

As at September 30, 2014 and 2013, the Group has unused lines of credit with local banks amounting to ₱678.64 million and ₱2,922.5 million, respectively (see Notes 15 and 16).

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30. **Financial Instruments**

Risk Management, Objectives and Polices

The Group’s principal financial instruments comprise of cash in banks and cash equivalents, receivables and payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as restricted cash and dividends payable.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk and foreign currency risk. The Group monitors the market price risk arising from all financial instruments. The Group is also exposed to commodity price risk. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

Liquidity risk. Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Notes 15 and 16).

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 as at September 30, 2014 and 2013:

	2014					
	On demand	**Less than One Year**	**One to Two Years**	**Two to Four Years**	**Over Five Years**	**Total**
Short-term borrowings*	**₱93,150**	**₱–**	**₱–**	**₱–**	**₱–**	**₱93,150**
Accounts payable and accrued expenses**	**107,814**	**12,898**	**–**	**–**	**–**	**120,712**
Due to related parties	**54,479**	**–**	**–**	**–**	**–**	**54,479**
Dividends payable	**5,298**	**–**	**–**	**–**	**–**	**5,298**
Long-term borrowings	**–**	**36,330**	**172,918**	**74,708**	**–**	**283,956**
	₱260,741	**₱49,228**	**₱172,918**	**₱74,708**	**₱–**	**₱557,595**
Cash in bank and short-term placements	**₱139,535**	**₱–**	**₱–**	**₱–**	**₱–**	**₱139,535**
Trade receivables***	**26,377**	**99,671**	**8,317**	**3,269**	**2,787**	**140,421**
Due from related parties	**10,946**	**50,300**	**–**	**–**	**–**	**61,246**
Due from employees****	**124**	**929**	**172**	**–**	**–**	**1,225**
Other receivables	**9,427**	**–**	**–**	**–**	**–**	**9,427**
	₱186,409	**₱150,900**	**₱8,489**	**₱3,269**	**₱2,787**	**₱351,854**

* *Includes expected interest payments for short-term and long-term borrowings amounting to ₱0.8 million and ₱25.0 million, respectively.*
** *Excludes payable to government agencies amounting to ₱1.0 million.*
*** *Includes noncurrent portion of installment contract receivables amounting to ₱2.4 million.*

	2013					
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Short-term borrowings*	₱114,161	₱909,466	₱–	₱–	₱–	₱1,023,627
Accounts payable and accrued expenses**	539,195	6,444	–	–	–	545,639
Due to related parties	59,465	–	–	–	–	59,465
Dividends payable	4,444	–	–	–	–	4,444
Current portion of long-term borrowings	201,777	–	–	–	–	201,777
Long-term borrowings, net of current portion*	–	1,831	653,639	5,166,811	–	5,822,281
	₱919,042	₱917,741	₱653,639	₱5,166,811	₱–	₱7,657,233

	2013					
	On demand	Less than One Year	One to Two Years	Two to Four Years	Over Five Years	Total
Cash in bank and short-term placements	₱162,941	₱–	₱–	₱–	₱–	₱162,941
Trade receivables***	211,399	965,155	80,540	8,537	4,269	1,269,900
Due from related parties	29,999	137,861	–	–	–	167,860
Due from employees****	6,759	50,740	9,404	–	–	66,903
Other receivables	174,833	662	–	–	–	175,495
AFS financial asset	8,223	–	–	–	–	8,223
	₱594,154	₱1,154,418	₱89,944	₱8,537	₱4,269	₱1,851,322

* *Includes expected interest payments for short-term and long-term borrowings amounting to ₱3.1 million and ₱1,189.5 million, respectively.*

** *Excludes payable to government agencies amounting to ₱130.6 million.*

*** *Includes noncurrent portion of installment contract receivables amounting to ₱11.9 million.*

**** *Net of related allowances for impairment losses amounting to ₱14.9 million*

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

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. There is no concentration of credit risk with respect to receivables relating to real estate sales.

Credit risks for contract receivables is mitigated as the Group has the right to cancel the sales contract without risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because of the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price. The financial effect of this arrangement is equivalent to the total contracts receivables which amounts to ₱71.4 million as at September 30, 2013.

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

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

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.

	2014	2013
Cash in banks and cash equivalents	**₱139,535**	₱197,309
Trade receivables*	**132,648**	1,294,314
Due from related parties*	**48,760**	68,014
Due from employees*	**1,225**	34,511
Dividend receivable	**4,624**	19,484
Other receivables*	**9,272**	178
AFS financial assets*	–	8,223
	₱336,064	₱1,678,304

** Net of allowance for impairment losses totaling ₱14.1 million and ₱95.5 million in 2014 and 2013, 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.

Credit quality per class of financial assets. The credit quality of receivables is managed by the Group through its Marketing Department.

High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts:

	2014						
	Neither past due nor impaired			**Past due but not impaired**		**Impaired Financial Assets**	
	High Grade	**Standard Grade**	**Substandard Grade**	**Over 30 Days**	**Over 90 Days**		**Total**
Cash in banks and cash equivalents	**₱138,317**	**₱ 1,218**	**₱–**	**₱–**	**₱–**	**₱–**	**₱139,535**
Trade receivables	**97,498**	**8,122**	**–**	**18,710**	**8,318**	**762**	**133,410**
Due from related parties	**48,760**	**–**	**–**	**–**	**–**	**12,486**	**61,246**
Due from employees	**980**	**245**	**–**	**–**	**–**	**–**	**1,225**
Dividend receivables	**4,624**	**–**	**–**	**–**	**–**	**–**	**4,624**
Other receivables	**7,536**	**1,604**	**–**	**37**	**95**	**155**	**9,427**
AFS financial assets	**–**	**–**	**–**	**–**	**–**	**688**	**688**
	₱297,715	**₱11,189**	**₱–**	**₱18,747**	**₱8,413**	**₱14,091**	**₱350,155**

	2013						
	Neither past due nor impaired			Past due but not impaired		Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days		Total
Cash in banks and cash equivalents	₱195,587	₱1,722	₱–	₱–	₱–	₱–	₱197,309
Trade receivables	971,977	74,479	–	171,577	76,281	52,925	1,281,828
Due from related parties	83,610	–	–	–	–	15,596	83,610
Due from employees	27,608	6,903	–	–	–	1,342	35,853
Dividend receivables	19,484	–	–	–	–	–	19,484
Other receivables	178	–	–	–	–	11,517	11,695
AFS financial assets	–	–	8,223	–	–	–	8,223
	₱1,344,989	₱83,104	₱8,223	₱171,577	₱76,281	₱81,380	₱1,638,002

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

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

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

The Group has recognized an impairment loss on its financial assets using specific assessment amounting to ₱0.7 million and ₱6.2 million in 2014 and 2013, respectively (see Note 8).

Commodity price risk. The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

The Group's sales commitments are contracted at fixed prices and, thus, have no impact on the consolidated cash flows in the next 12 months.

Interest rate risk. Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing loans which bear floating interest rate and expose the Group to interest rate risk.

The 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 2014 and 2013. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at September 30, 2014 and 2013.

	2014	
Increase (Decrease)	**Effect on Income Before Tax**	**Effect on Equity**
0.5%	(₱11,239)	**(₱34,723)**
(0.5%)	11,239	**34,723**

	2013	
Increase (Decrease)	Effect on Income Before Tax	Effect on Equity
0.5%	(₱34,174)	(₱23,922)
(0.5%)	34,174	23,922

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 15 and 16).

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, 2014 and 2013.

Management considers the total consolidated equity reflected in the consolidated balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, DSCR and debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following debt-to-equity ratio:

	2014	2013 (As restated - see Note 3)
Total liabilities	**₱539,561**	₱10,200,504
Total equity	**6,932,963**	10,040,294
Total liabilities and equity	**₱7,472,524**	₱20,240,798
Debt-to-equity ratio	**0.08:1.0**	1.02:1.0

Fair Values

The following is a comparison by category of the carrying amount and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash on hand	**₱256**	**₱256**	₱1,317	₱1,317
Loans and receivables:				
Cash in banks and short-term placements	**139,535**	**139,535**	197,309	197,309
Trade receivables	**132,648**	**132,648**	1,294,314	1,294,314
Due from related parties	**48,760**	**48,760**	68,014	68,014
Due from employees	**1,225**	**1,225**	34,511	34,511
Dividend receivable	**4,624**	**4,624**	19,484	19,484
Other receivables	**9,272**	**9,272**	178	178
AFS financial assets	**–**	**–**	8,223	8,223
	₱336,320	**₱336,320**	₱1,623,350	₱1,623,350

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Short-term borrowings	**₱9,386**	**₱9,386**	₱1,064,027	₱1,064,027
Accounts payable and accrued expenses	**131,102**	**131,102**	580,678	580,678
Due to related parties	**44,089**	**44,089**	59,465	59,465
Dividends payable	**5,298**	**5,298**	4,444	4,444
Long-term borrowings	**150,000**	**150,000**	7,369,617	7,369,617
	₱339,875	**₱339,875**	₱9,078,231	₱9,078,231

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash in banks and short-term placements, receivables, short-term borrowings, current portion of long-term borrowings, accounts payable and accrued expenses, dividends payable and due to related parties. The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

Long-term borrowings - Fair values of long-term borrowings as at September 30, 2014 and 2013 were determined based on Level 3 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

The Group's financial instruments recorded at fair value have the following hierarchy levels:

- Level 1 - at quoted prices in active markets;
- Level 2 - at inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - at inputs that are not based on observable market data.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at September 30, 2014 and 2013.

31. Segment Reporting

Following the deconsolidation of RHI (see Note 6), the segment information for 2013 has been restated to conform to these changes. The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. Real Estate

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

b. Others

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

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

The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statements of income.

Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments. Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies.

a. Segment revenue and expenses

The Group's main revenue stream comes from the real estate. The real estate segment's customers are mainly direct.

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale and development, prepayments and property and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

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

	2014			
	Real Estate	**Others**	**Eliminations and Adjustments**	**Consolidated Balances**
Revenue				
External customers:				
Real estate	**₱199,809**	**₱–**	**₱–**	**₱199,809**
Others	**13,354**	**85,653**	**(81,257)**	**17,750**
	213,163	**85,653**	**(81,257)**	**217,559**
Costs and Expenses	**(183,903)**	**(29,607)**	**107,932**	**(105,578)**
Interest income	**4,867**	**4,545**	**(141)**	**9,271**
Interest expense	**(4,388)**	**(11,225)**	**141**	**(15,472)**
Others	**3,277**	**1,317,968**	**832,224**	**1,953,660**
Income before income tax	**33,016**	**1,367,334**	**659,090**	**2,059,440**
Income tax expense	**8,267**	**708**	**–**	**8,975**
Segment Income	**24,749**	**1,366,626**	**659,090**	**2,050,465**
Equity in net earnings of associates and a joint venture	**–**	**16,050**	**180,875**	**196,926**
Consolidated Net Income	**₱24,749**	**₱1,382,674**	**₱839,965**	**₱2,247,390**
Other Information				
Major costs and expenses -				
Depreciation and amortization	**₱1,494**	**₱871**	**₱–**	**₱2,365**
Additions to noncurrent assets:				
Property, plant and equipment	**2,502**	**236**	**–**	**2,738**
Investments in associates and a joint venture	**155,000**	**1,709,495**	**302,883**	**2,167,378**
Assets and Liabilities				
Current assets	**718,307**	**148,646**	**(22,000)**	**844,953**
Noncurrent assets	**302,365**	**5,927,201**	**398,006**	**6,627,572**
Total Assets	**₱1,020,672**	**₱6,075,847**	**₱376,006**	**₱7,472,525**
Current liabilities	**₱543,791**	**₱35,542**	**(₱282,975)**	**₱296,358**
Noncurrent liabilities	**5,612**	**128,617**	**108,975**	**243,204**
Total Liabilities	**₱549,403**	**₱164,159**	**(₱174,000)**	**₱539,562**

	2013 (As restated)			
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
Revenue				
External customers:				
Real estate	₱83,161	₱–	₱–	₱83,161
Others	24,203	91,355	(90,961)	24,597
	107,364	91,355	(88,948)	107,758

(Forward)

	2013 (As restated)			
	Real Estate	Others	Eliminations and Adjustments	Consolidated Balances
Costs and Expenses	(₱121,641)	(₱27,968)	₱26,066	(₱123,543)
Interest income	5,300	168	23	5,491
Interest expense	(4,916)	(20,840)	–	(25,756)
Others	93,157	417	(4,445)	89,129
Income (loss) before income tax	79,264	43,131	(69,317)	53,079
Income tax expense (benefit)	61	307	(1,414)	(1,046)
Segment Income (Loss)	79,203	42,824	(67,903)	54,124
Equity in net earnings of associates	–	–	(392)	(392)
Consolidated Net Income (Loss)	₱79,203	₱42,824	(₱68,295)	₱53,732
Other Information				
Major costs and expenses - Depreciation and amortization	₱1,816	₱548	₱–	₱2,364
Additions to noncurrent assets:				
Property, plant and equipment	567	90	–	657
Investments in associates	–	–	–	–
Assets and Liabilities				
Current assets	544,389	49,452	(18,794)	575,047
Noncurrent assets	207,046	6,669,561	(2,332,086)	4,544,521
Total Assets	₱751,435	₱6,719,013	(₱2,350,880)	₱5,119,568
Current liabilities	₱138,316	₱66,735	(₱42,503)	₱162,548
Noncurrent liabilities	157,277	401,193	(80,862)	477,608
Total Liabilities	₱295,593	₱467,928	(₱123,365)	₱640,156

32. **Events After Reporting Year**

On December 12, 2014, the BOD of the Parent Company approved the declaration and payment of cash dividend of ₱0.02 a share to all stockholders of record as at January 15, 2015. The cash dividend is payable on January 30, 2015.

On December 5, 2014, the BOD of RHI approved the declaration and payment of cash dividend of ₱0.12 a share to all stockholders of record as at December 22, 2014. The dividend is payable on January 15, 2015.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULE

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

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Roxas and Company, Inc. and Subsidiaries as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012) and have issued our report thereon dated January 13, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedule of unappropriated retained earnings available for dividend declaration for the year ended September 30, 2014 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities Regulations Code Rule 68, as amended, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

PROTACIO T. TACANDONG
Partner
CPA Certificate No. 25006
Tax Identification No. 105-309-124-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 1024-AR-1 Group A
Valid until September 23, 2016
BIR Accreditation No. 08-005144-2-2013
Valid until November 26, 2016
PTR No. 4748319
Issued January 5, 2015, Makati City

January 13, 2015
Makati City, Metro Manila

ROXAS AND COMPANY, INC.

SUPPLEMENTARY SCHEDULE OF UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Unappropriated retained earnings at beginning of year as shown in the separate financial statements (as restated)	₱960,506,122
Net income during the year closed to retained earnings, net of deferred tax assets amounting to ₱918,723 at end of year	1,383,514,019
Cash dividends declared during the year	(38,430,022)
Unappropriated retained earnings available for dividend declaration at end of year	₱2,305,590,119

Reconciliation:	
Unappropriated retained earnings at end of year as shown in the separate financial statements	₱622,854,724
Appropriation for treasury stock	1,683,654,118
Deferred tax asset at end of year	(918,723)
Retained earnings at the end of year available for dividend declaration	₱2,305,590,119

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November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Roxas and Company, Inc. and Subsidiaries (the Group) as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012), and have issued our report thereon dated January 13, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary schedules listed in the Index to Consolidated Financial Statements, Supplementary Schedules on Financial Soundness Indicators and Corporate Structure are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

PROTACIO T. TACANDONG
Partner
CPA Certificate No. 25006
Tax Identification No. 105-309-124-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 1024-AR-1 Group A
Valid until September 23, 2016
BIR Accreditation No. 08-005144-2-2013
Valid until November 26, 2016
PTR No. 4748319
Issued January 5, 2015, Makati City

January 13, 2015
Makati City, Metro Manila

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements
As at and For the Year Ended September 30, 2014

Table of Contents

N/A - Not applicable

SCHEDULE A

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

FINANCIAL ASSETS
SEPTEMBER 30, 2014 AND 2013
(AMOUNTS IN THOUSANDS)

	September 30, 2014		September 30, 2013	
Description	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Cash on hand	**₱256**	**₱256**	₱1,317	₱1,317
Loans and receivables:				
Cash in banks and cash equivalents	**139,535**	**139,535**	197,309	197,309
Trade receivables	**132,648**	**132,648**	1,281,828	1,281,828
Due from related parties	**48,760**	**48,760**	80,500	80,500
Due from employees	**1,225**	**1,225**	34,511	34,511
Dividend receivable	**4,624**	**4,624**	19,484	19,484
Others	**9,613**	**9,613**	56,449	56,449
Available-for-sale financial assets	**–**	**–**	8,223	8,223
	₱336,661	**₱336,661**	₱1,679,621	₱1,679,621

SCHEDULE B

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

SEPTEMBER 30, 2014

(AMOUNTS IN THOUSANDS)

	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/advances)	₱33,695	₱–	₱33,695	₱–	₱–	₱–	₱–

SCHEDULE C

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(AMOUNTS IN THOUSANDS)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Effect of deconsolidation	Current	Noncurrent	Balance at end of year
Roxas Holdings, Inc	₱1,631	₱–	₱1,631	(₱1,631)	₱–	₱–	₱–
Roxaco Land Corporation	183	12,000	(183)	–	12,000	–	12,000
Nasugbu Feeds Corporation	345	–	–	–	345	–	345
CADP Farm Services, Inc.	14,926	–	–	(14,926)	–	–	–
Najalin Agri-Ventures, Inc.	14,750	–	–	(14,750)	–	–	–
Central Azucarera Don Pedro, Inc.	5,781	30,000	(30,000)	(5,781)	–	–	–
CADP Insurance Agency, Inc.	599	–	–	(599)	–	–	–
Roxas Power Corporation	446	–	–	(446)	–	–	–
CADP Port Services, Inc.	353	–	–	(353)	–	–	–
CADP Consultancy Services, Inc.	274	–	–	(274)	–	–	–
Jade Orient Management Services, Inc.	157	–	–	(157)	–	–	–
Central Azucarera De La Carlota, Inc.	–	220,000	(220,000)	–	–	–	–
Fuego Hotels and Properties Management Corporation	–	10,000	–	–	10,000	–	10,000
	₱39,445	₱272,000	(₱248,552)	(₱38,917)	₱22,528	₱–	₱22,345

SCHEDULE D

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

INTANGIBLE ASSETS – OTHER ASSETS

SEPTEMBER 30, 2014

(AMOUNTS IN THOUSANDS)

Description	Beginning balance	Additions at cost	Amortization	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱9,796	₱–	₱–	₱–	₱9,796	₱–
Software cost	5,123	–	–	–	5,123	–
	₱14,919	₱–	₱–	₱–	₱14,919	₱–

The intangible assets are included in the "Other noncurrent assets" account. The balances were derecognized resulting from the deconsolidation of Roxas Holdings, Inc. in 2014.

SCHEDULE E

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

LONG-TERM BORROWINGS
SEPTEMBER 30, 2014
(AMOUNTS IN THOUSANDS)

Title of issue and type of obligation	Amount shown under caption "Current portion of long-term borrowings" in related consolidated statement of financial position	Amount shown under caption "Long-term borrowings" in related consolidated statement of financial position
Loans payable to local banks:		
Bank of the Philippine Islands (BPI)	₱22,500	₱127,500
Banco de Oro Unibank, Inc.	–	108,975
	₱22,500	₱236,475

The details, interest, loan covenants and other terms and conditions, among others, are discussed in Notes 16 to consolidated financial statements.

SCHEDULE H

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CAPITAL STOCK
SEPTEMBER 30, 2014

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common shares – "Class A" at ₱1 par value	3,375,000,000	1,921,501,095	–	58	845,902,828	1,075,598,209

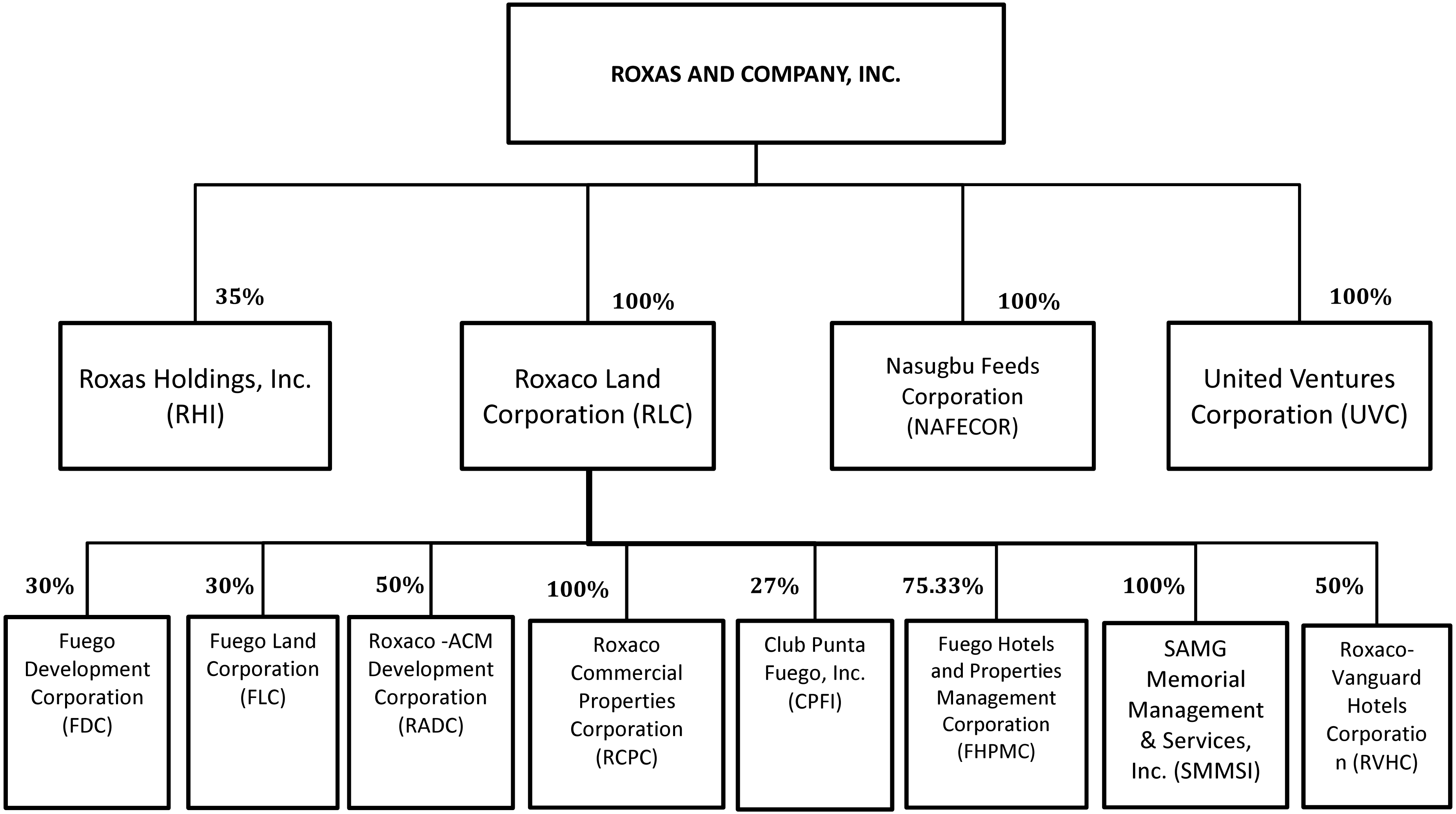
ROXAS AND COMPANY, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

SEPTEMBER 30, 2014

Liquidity ratio	
Current ratio	**3:1**
Solvency ratio	
Debt to equity ratio	**0.08:1**
Asset to Equity ratio	**1.08**
Debt Service Coverage ratio	
Interest Rate Coverage ratio	**31.15**
Probability ratios	
Return on Assets	**30.82%**
Return on Equity	**33.23%**

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
ORGANIZATIONAL STRUCTURE
September 30, 2014



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REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULE

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

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and Subsidiaries as at and for the years ended September 30, 2014 and 2013 (with comparative figures for 2012), and have issued our report thereon dated January 13, 2015. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Company's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

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ROXAS AND COMPANY, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

SEPTEMBER 30, 2014

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held-for-Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9*	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10*	Consolidated Financial Statements	✓		
PFRS 11*	Joint Arrangements	✓		
PFRS 12*	Disclosure of Interests in Other Entities	✓		
PFRS 13*	Fair Value Measurement	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)*	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)*	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE INTERPRETATIONS

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		