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## SECURITIES AND EXCHANGE COMMISSION

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### Company Information

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SEC Registration No. PW0000015A  
Company Name ROXAS HOLDINGS, INC DOING BUSINESS UNDER THE NAME AND STYLE OF CADP GROUP  
Industry Classification  
Company Type Stock Corporation

### Document Information

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Document ID 101272012001630  
Document Type 17-A (FORM 11-A:AANU)  
Document Code 17-A  
Period Covered September 30, 2011  
No. of Days Late 0  
Department CFD  
Remarks

**ROXAS HOLDINGS, INC.**

\_\_\_\_\_  
(Company's Full Name)

**6/F CG Building, 101 Aguirre St., Legaspi Village, Makati City**

\_\_\_\_\_  
(Company's Address)

**(632) 810-8901**

\_\_\_\_\_  
(Telephone Number)

**30 September**

\_\_\_\_\_  
(Fiscal Year Ending)  
(Month & day)

\_\_\_\_\_  
(Annual Meeting)

**SEC Form 17 - A**

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(Form Type)

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Amendment Designation (if applicable)

**30 September 2011**

\_\_\_\_\_  
Period Ended Date

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(Secondary License Type, If any)

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Cashier

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LCU

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Central Receiving Unit

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DTU

**15-A**  
S.E.C. Reg. No.

\_\_\_\_\_  
File Number

\_\_\_\_\_  
Document I.D.

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

1. For the fiscal year ended : 30 September 2011
2. SEC Identification Number : 15-A.
3. BIR Tax Identification No. : 000-290-538.
4. Exact name of issuer as specified in its charter : **ROXAS HOLDINGS, INC.**
5. Province/Country of Incorporation/Organization : Philippines.
6. Industry Classification Code : \_\_\_\_\_
7. Cacho-Gonzales Building, 101 Aguirre St.,  
Legaspi Village, Makati City  
Address of principal office  
Postal Code 1200
8. (632) 810-8901 to 06  
Registrant's telephone number, including area code
9. **CENTRAL AZUCARERA DON PEDRO**  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Authorized Capital Stock (Common Shares)	1,500,000,000
No. of shares of common stock outstanding	909,552,236
Amount of debt outstanding as of 30 June 2011	None registered

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

Yes  No

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 shares held by non-affiliates as of 30 September 2011 is 182,072,174 and assuming further that the closing market bid price on said date is P2.34 then the aggregate value of voting shares held by non-affiliates as of the said date is P426,048,887.16.

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

(a) Incorporated by reference in Part III on Financial Information is the annual report to security holders as of the fiscal year ended 30 September 2011.

## PART I - BUSINESS

### 1. Business Development

Since 2007, the company has implemented strategies to prepare itself for a more competitive environment that will take place beginning 2015 with the reduction of sugar tariffs from the current thirty-five (35) percent to near zero levels under the ASEAN Free Trade Agreement (AFTA).

In 2010, the company completed the massive expansion of its sugar milling subsidiaries, Central Azucarera Don Pedro, Inc. (CADPI) in Batangas and Central Azucarera de la Carlota, Inc. (CACI) in Negros Occidental. The expansion boosted CACI's milling capacity from 11,000 tons cane per day (TCD) to 18,000 TCD while CADPI increased milling capacity from 10,000 TCD to 13,000 TCD.

In a move to veer away from its product being a mere commodity, the company has come up with measures to create an added value to its customers by customizing its products to fit the requirements of its industrial clients such as food and pharmaceutical companies.

In order to diversify its portfolio, the company ventured into allied businesses including bioethanol. Roxol Bioenergy Corporation (Roxol), the company set up for this purpose, has commenced the commissioning and testing of its plant in preparation for its eventual full commercial operation. Roxol's plant, located in Negros Occidental, was strategically designed to produce both bioethanol fuel and potable or industrial alcohol. The company is looking to produce bioethanol fuel to cater to the country's requirements for biofuel, at the same time, supply the potable alcohol requirements of the beverage and industrial markets.

For the first time in five years, the company, through CADPI, entered into the export market outside the US to address its oversupply of sugar generated from the crop year. As mandated by the Sugar Regulatory Administration (SRA), the company exported raw sugar to Japan and South Korea in August 2011. The surplus in sugar production came on the heels of the US announcement that it will not purchase more than its annual sugar export quota from the Philippines. A slowdown in demand from some local industrial users who shifted to high fructose corn syrup and premixes for blending in their own products also contributed to the oversupply.



## Business Units and Operations

The company wholly-owns sugar manufacturers CADPI, CACI and bioethanol producer Roxol. It also has a 45 percent stake in Hawaiian-Philippine Company (HPCo), another milling company in Negros Occidental.

In addition, the company manages CADP Farm Services, Inc. (CFSI), a firm that provides modern farming technology and services as well as nursery facilities to CADPI and CACI planters.

The company's other subsidiaries are CADP Consultancy Services, Inc., CADP Insurance Agency, Inc., Najalin Agri-Ventures, Inc. (NAVI), Jade Orient Management Services, Inc. (JOMSI), Roxas Power Corporation (RPC) and CADP Port Services, Inc. (CPSI).

## Principal Products and Services

### Sugar

The Group produces raw and refined sugar in different grades. Its premium refined sugar is preferred by big industrial users including food and beverage and pharmaceutical companies for blending in their own products. The Group provides customized sugar solutions to cater to the unique specifications of these customers, including packaging, delivery and receiving solutions.

The Group, through CADPI, offers tolling or refining services to raw sugar owners.

### Bioethanol

The Group, through Roxol, will start commercial production of fuel ethanol targeting the oil companies, which, under the Biofuels Act of 2006, are mandated to blend 10 percent ethanol in their gasoline.

At the same time, Roxol is designed to produce potable and industrial alcohol to serve the demands of the alcoholic beverage and personal care markets.

### Farm Services

The Group, through CFSI, provides mechanized farming solutions to its CADPI and CACI planters.

## 2. Business

### a. Description of the company

The company owns and operates one of the largest sugar milling and refining operations in the Philippines, whose complementary locations enable it to serve customers throughout the country. It also has a bioethanol business and is one of the few which serves the demands of the local alcohol and oil companies for bioethanol products.

CADPI, located in Batangas, provides the refined sugar requirements of traders and industrial customers such as multinational food and beverage and pharmaceutical companies in Luzon.

On the other hand, CACI, based in Negros Occidental where there is substantial sugar activity and near the port for export, supplies the raw sugar requirements of traders who deal with local and export consumers.

The company was established in Nasugbu, Batangas in 1927 as a sugar milling company and was then known as Central Azucarera Don Pedro. Due to rising competition, the company embarked on an expansion and modernization program which enabled the company to become an integrated sugar manufacturing company with a refinery in 1994. In 1995, it acquired majority ownership in CACI.

In 2002, the company underwent a corporate reorganization to transform itself into a holding and investment corporation. This resulted in the integration of its sugar business under a single subsidiary known as CADP Group Corporation (CADPGC). With this, RHI became a holding and investment company with an 89% investment in CADPGC. RHI and CADPGC are both listed in the Philippine Stock Exchange (PSE).

In 2008, the Group underwent a corporate reorganization. The goal of the reorganization is to eliminate the extra layer between RHI and the operating subsidiaries to remove the redundancies and allow a more efficient, more transparent and more cost-effective corporate structure. With the reorganization, shareholders now have a closer link to the operating subsidiaries CADPI, CACI, CFSI and Roxol.

i) Principal products, markets, relative contribution to sales and revenues of CADPI, CACI and Roxol:

CADPI		CACI		Roxol		
a.	Raw sugar	29%	a. Raw sugar	88%	a. Anhydrous alcohol	100%
b.	Refined sugar	68%	b. Refined sugar	12%		
c.	Molasses	2%	c. Molasses	1%		
d.	Tolling	3%				

ii) Distribution methods.

CADPI and CACI sell sugar and molasses to local or domestic markets. Distribution is through direct selling to various traders and industrial users. They are not dependent on one or few major customers and/or related parties in the distribution of their products.

Roxol sells bioethanol fuel to local or domestic markets through direct selling to oil companies. Also, it is capable of producing and selling potable and industrial alcohol to local or domestic markets through direct selling to pharmaceutical and alcohol companies. It is not dependent on one or few major customers and/or related parties in the distribution of its products.

iii) Competition.

CADPI and CACI supply sugar to entities engaged in pharmaceutical, food and beverage businesses, among others. Both are top raw sugar producers in the industry and have the most modern sugar equipment/facilities in the country. Entities engaged in the same line of business are Batangas Sugar Central in Batangas and Victorias Milling Co., Binalbagan-Isabela Sugar Company and Hawaiian-Philippine Company in Negros. CADPI and CACI do not have records indicative of the relative sizes and financial and market strengths of the said companies.

Roxol supplies bioethanol fuel to oil companies. Also, it is capable of producing and selling potable and industrial alcohol to pharmaceutical and alcohol companies. Roxol is one of the few bioethanol fuel and alcohol producers in the country today. The other entities engaged in the same line of business are San Carlos Bioenergy, Inc. and Leyte Agri Corp.

iv) Sources of raw materials and names of principal suppliers of CADPI and CACI.

CADPI secures its sugarcane principally from planters in Batangas. Its principal suppliers of other materials are: Allied Specialty Chemicals, DM Trading & Industrial Services, Inc., Fabcon Philippines, Inc., Guanzon Lime Development Corp., Philbless, Inc., Pilipinas Shell Petroleum Corp., Jimgem Mineral Resources, Goldhill Industrial Corp., Ingasco, Inc., Artemis Salt Corp., Arvin International Marketing, Falcon Yarn Mfg., GCH International Mercantile, Inc., Philko Peroxide, Prosperity Manufacturing Corp., Regan Industrial Sales, Remington Industrial Sales, Sanvil Industrial Supply, Severo Sy Ling, and Uptown Industrial Sales.

CACI secures its sugarcane from various planters/traders in Negros Occidental. Its affiliate, Najalin Agri-

Ventures, Inc., supplies a small percentage of the sugarcane requirements of the company. Its major suppliers of materials are: Petron Corporation, HPCo, Fabcon Philippines, Inc., Atom Chemical Company, Inc., J & P Asia Enterprises, E & E Mktg. & Lumber Dealer, DM Trading and Industrial Services, Inc., Venus Trucking Services, Inc., Regan Industrial Sales, Inc., Falcon Yarn Manufacturing Corp., D'Sure Marketing, MMC Engineering Works Dealer, Mabini Limers and Farmers Multipurpose Cooperative, Nalco Philippines, Inc., Bacolod Welding Mfg. Corp., Negros Integrated Ind. Corp., Agro Ind'l. & Mill Supp. Corp., Allied Specialty Chemical Corporation, G & S Trading, Up-town Industrial Sales, Inc., Negros A-1 Gas Corporation and Pryce Gases, Inc.

Roxol secures its molasses from CACI and from the planters and traders in Negros Occidental. Its principal suppliers of other materials are Jarwood Biomass Enterprises Corporation, Venus Trucking Services, Inc., Negros Biomass Feedstock Corporation, Negros Occidental Electric Cooperative, E and E Mktg. and Lumber Dealer, J & P Asia Enterprises, Dynamic Metals, La Carlota Mill District Multi-Purpose Coop. Inc., Via Trading, Gamboa Hermanos Inc., Lolalyn Coconut Shell Product, Atom Chemical Company, Inc., JRD General Merchandising, Regan Industrial Sales Inc., Nalco Philippines Inc, Negros Integrated Ind. Corp., Yana Commodities, Inc., Milco Malcolm Marketing, Chem. Research Prod. Industrial and Prosperity Manufacturing Co. Inc.,

v) Transactions with and/or dependence on related parties.

CADPI and CACI are not dependent on few customers or related parties in the distribution or sale of their products. They supply various industrial users and traders. Demands from these customers are evenly distributed.

Roxol's principal customer for its bioethanol fuel product is Seoail Philippines, Inc.

vi) Patents, Trademarks and Copyrights.

The company, CADPI, CACI, Roxol and CFSI have the following registered trademarks:

Company	Trademarks
Roxas Holdings, Inc.	<ul style="list-style-type: none"> <li>RHI doing business as CADP Group and Device</li> </ul>
Central Azucarera Don Pedro, Inc.	<ul style="list-style-type: none"> <li>Central Azucarera Don Pedro, Inc. and Device</li> <li>Nature Sweet (Stylized)</li> <li>Don Pedro Emblem</li> <li>G Special Raw Sugar</li> </ul>
Central Azucarera de la Carlota, Inc.	<ul style="list-style-type: none"> <li>Central Azucarera de la Carlota, Inc.</li> <li>Cane Best</li> <li>Primeraw Special Raw Sugar</li> </ul>
Roxol Bioenergy Corporation	<ul style="list-style-type: none"> <li>Roxol Bioenergy Corporation and Device</li> </ul>
CADP Farm Services, Inc.	<ul style="list-style-type: none"> <li>CADP Farm Services, Inc. and Device</li> </ul>

vii) Need for government approvals of principal products.

The sugar businesses of CADPI and CACI are principally regulated by the policies and the rules and regulations of the Sugar Regulatory Administration (SRA).

The business of Roxol is principally regulated by Republic Act No. 9367, otherwise known as the Biofuels Act of 2006, and the rules and regulations issued by the Department of Energy (DOE).

viii) Effect of existing or probable governmental regulations on the business of CADPI, CACI and Roxol.

A. The sugar industry in the Philippines is governed by the policies and rules and regulations issued by the government through the SRA. They are:

1. The U. S. Quota System

The main goal of the US sugar policy is to support and stabilize the incomes of its own sugar farmers who grow cane and beet sugar. One major policy instrument employed to achieve this end is the import quota.

From 1934 until the early 1980's, quota limitation governed Philippine sugar consumption. In 1946, the Philippine Trade Act fixed the sugar quota which could be exported to the US. This quota amounted to about 15% of the total US sugar requirements until 1974 when the quota was suspended. It was reinstated in 1982 and since then, the prices paid for sugar exported to the US have always been higher than the price at which sugar could otherwise be exported.

2. The SRA Quota System.

The major regulating influence in the Philippine sugar industry is SRA Sugar Order Number 1 which was issued in August 1987. The order deals specifically with the allocation of Philippine sugar.

Among others, the Order allocated the country's total domestic sugar into the following categories: "A" for export to the US, "B" for domestic sugar, "C" for reserve sugar, and "D" for export to other foreign markets. These allocations are determined by the SRA Board at the beginning of every crop year and these ultimately affect the total amount of raw sugar available for domestic refineries.

3. Value Added Tax System

The present value-added tax (VAT) system imposes a 12% tax on refined sugar. The manufacturer of refined sugar is allowed a presumptive input VAT of 3% on raw sugar purchases in addition to the 12% input tax on the value of materials and supplies used in the manufacture of refined sugar. These are creditable against the 12% output VAT. The tax consequence does not adversely affect the company's business because the tax is passed on to the buyer or consumer.

4. Executive Order 313.

Executive Order No. 313 issued on 29 March 1996 modified the nomenclature and the rates of Import Duty on certain imported articles under Section 104 of the Tariff and Customs Code of 1978, as amended. For certain articles, two rates of import duties are provided. For these articles, a Minimum Access Volume (MAV) is provided. The MAV refers to the volume of a specific agricultural product that is allowed to be imported with a lower rate of duty. The In-Quota rate of duty applies to importation that is within the MAV provided for an agricultural product while the Out-Quota rate of duty applies when the importation is in excess of the MAV specified for an agricultural product.

5. Executive Order 420.

Executive Order No. 420 issued on 17 June 1997 modified the rates of duty on sugar as provided under the Tariff and Customs Code of 1978, as amended, in order to implement the ASEAN preferential rates of duty on cane sugar and beet sugar, among others. Under the Order, the tariff on these products was placed at 65% from 1997 up to 1998; after which, sugar could be placed under the sensitive list allowing the gradual phase-down of tariffs. Additionally, it provided that the margins of preference (MOP) accorded under the ASEAN Preferential Trading Arrangements (PTA) will no longer be extended to any of the products covered under the same Order.

Executive Order No. 313 was issued to modify the rates of duty on certain agricultural products, including sugar, while Executive Order No. 420 was issued to modify the rates of duty on sugar alone. Both orders are geared towards helping the Philippine sugar industry to be efficient and globally competitive.

6. Executive Order No. 431.

Executive Order No. 431 issued on 05 August 1997 provides for the creation of the National Coordinating Council for the Philippine sugar industry. The Council is tasked to promote effective government and private sector coordination in pursuing the national efforts to enhance the development and global competitiveness of the local sugar industry.

7. Executive Order 268.

Executive Order No. 268 issued on 09 January 2004 modified the rates of duty on other sugars (Heading 17.02) under Section 104 of the Tariff and Customs Code of 1978, as amended, in order to implement the commitment to reduce the tariff rates on sixty percent (60%) of the products in the inclusion list to zero percent (0%) under the Common Effective Preferential Tariff (CEPT) scheme for the Asean Free Trade Area (AFTA).

8. Executive Order 295.

Executive Order No. 295 issued on 03 March 2004 modified the nomenclature and rates of import duty on sugar (Heading 17.01) under Section 104 of the Tariff and Customs Code of 1978, as amended. Under the Order, sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be levied the MFN (Most Favored Nation) rates of duty therein prescribed. Moreover, the Order provides that sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be imposed the ASEAN CEPT rates of duty therein prescribed subject to qualification under the Rules of Origin as provided for in the Agreement on the CEPT Scheme for the ASEAN Free Trade Area signed on 28 January 1992.

B. On the other hand, the Bioethanol industry in the Philippines is principally governed by Republic Act No. 9367, otherwise known as the Biofuels Act of 2006, and the rules and regulations that are issued by the government through the DOE to implement the law.

1. Republic Act No. 9367.

R.A. 9367 was enacted to direct the use of biofuels and to reduce the country's dependence on imported fuels with due regard to the protection of public health, the environment and natural ecosystems consistent with the country's sustainable economic growth that would expand opportunities for livelihood by mandating the use of biofuels as a measure to develop and utilize indigenous and sustainably-sourced clean energy sources to reduce dependence on imported oil; mitigate toxic and greenhouse gas (GHG) emissions; increase rural employment and income; and ensure the availability of alternative and renewable clean energy without detriment to the natural ecosystem, biodiversity and food reserves of the country.

The use of biofuels is mandated under Section 5 of R.A. 9367. It provides that all liquid fuels for motors and engines sold in the Philippines shall contain locally-sourced biofuels components. It further provides that within two (2) years from the effectivity of the law, at least five percent (5%) bioethanol shall comprise the annual total volume of gasoline fuel actually sold and distributed by each and every oil company in the country, subject to the requirement that all bioethanol blended gasoline shall contain a minimum of five percent (5%) bioethanol fuel by volume. Further, the law also directs that within four (4) years from its effectivity, the National Biofuels Board (NBB) which was created under it shall have the power to determine the feasibility and thereafter recommend to DOE to mandate a minimum ten percent (10%) blend of bioethanol by volume into all gasoline fuel distributed and sold by each and every oil company in the country.

2. DOE Department Order No. DC 2007-05-006.

Department Circular No. DC 2007-05-006 was issued by the DOE on 17 May 2007 to implement R.A. 9367. It covers the production, blending, storage, handling, transportation, distribution, use and sale of

biofuels, biofuel-blends and biofuel feedstock in the Philippines. It also clarifies specific provisions of the law and the roles and functions of the different government agencies and their relationship with the NBB.

3. Joint Administrative Order No. 2008-1, Series of 2008.

Joint Administrative Order (JAO) No. 2008-1, Series of 2008 was issued by the Department of Agriculture (DA), Department of Agrarian Reform (DAR), DOE, Department of Environment and Natural Resources (DENR), Department of Finance (DOF), Department of Labor and Employment (DOLE), Department of Science and Technology (DOST), Department of Trade and Industry (DTI), Department of Transportation and Communications (DOTC), NBB, National Commission on Indigenous Peoples (NCIP), Philippine Coconut Authority (PCA) and SRA on 8 October 2008. The JAO was issued to provide the guidelines governing the biofuel feedstock production and biofuels and biofuel blends production, distribution and sale of biofuels. The objectives of the guidelines are to develop and utilize indigenous renewable and sustainably-sourced clean green energy sources to reduce dependence on imported oil, to mitigate toxic and greenhouse gas (GHG) emissions, to increase rural employment and income, to promote the development of the biofuel industry in the country and to encourage private sector participation and to institute mechanisms which will fast track investments in the biofuel industry and to promote biofuel workers' welfare and protection, among others.

ix) Estimated amount spent on research and development for the past four fiscal years; extent to which these costs are borne by customers, if applicable.

CADPI contributes P2.00 per Lkg. of sugar produced to the Philippine Sugar Research Institute Foundation, Inc. (PHILSURIN) in compliance with SRA Sugar Order No. 2, series of 1995. During the last five (5) years, CADPI contributed about P26.33 million to research and development and this amount constitutes 0.03% of its revenue. For the last crop year, the company contributed P1.94 million or about 0.04% of its revenue.

Likewise, CACI contributes P2.00 per Lkg. to PHILSURIN. For the last crop year, CACI allocated P2.33 million or about 0.06% of its total revenue. During the last five (5) years, CACI contributed about P17.93 million to research and development and this amount constitutes 0.10% of its revenue.

x) Costs and effects of compliance with environmental laws.

CADPI was the first sugar factory in the country which volunteered in the Industrial Environmental Management Project (IEMP) funded by the United States Agency for Industrial Development (US-AID) under the supervision of the DENR. IEMP advocates waste minimization through Pollution Management Appraisals (PMA).

Waste minimization implementation in CADPI began in 1993 with the activation of an Interior Pollution Management Appraisal Team. A significant reduction in wastewater needing treatment was achieved through segregation, characterization, and good housekeeping. An active PMA Team tasked to address the environmental concerns of the sugar factory complemented the expansion and modernization program of the company. It received the following recognition/awards for its pioneering efforts in waste management:

1. Zero Basura Olympics Master Award and Championship in Composting Award – awarded by the Philippine Business for Social Progress (PBSP) ZBO for Business 2010 "A Race to Conquer Garbage in 300 Days" competition during the Earth Day celebration on April 22, 2010.
2. Plaque of Recognition – awarded by Nestle Philippines on 23 November 2006 for having exemplified its commitment to sustainable development by its well-balanced approach in achieving excellence in its business, social and environmental responsibility.
3. Award of Recognition – awarded by the DENR on 29 June 1994 for its pioneering initiative in waste minimization in an industrial plant.

4. Most Environmental Friendly Sugar Mill Award – awarded by the Philippine Sugar Millers Association, Inc. (PSMA) and the Association of Integrated Millers (AIM) on 17-19 August 1994.

5. Plaque of Appreciation – for its pioneering efforts in Waste Minimization by the Pollution Control Association of the Philippines, Inc. (PCAPI) during the PCAPI Convention on 27 April 1995.

6. Mr. Jeffrey G. Mijares, a Pollution Control Officer III of the Company was adjudged as one of the recipients of the Ten Outstanding Pollution Control Officers (PCO) Award (TOPCO) for the year 1998.

CADPI has also made substantial investments in the following pollution control facilities:

1. Totally close-loop cooling system for the sugar mill and refinery where 100% of cooling water is recycled.

2. Activated sludge wastewater treatment system with sessil trickling filter.

3. Wet scrubbers for the steam boilers.

For the short period ending 30 September 2011, CADPI spent about P4.06 million in its pollution management program.

On the other hand, CACI has a Pollution Control Department tasked to handle its pollution control activities. The total involvement and concern of CACI in its pollution control has earned it the following awards:

1. Likas Yaman Award for Environmental Excellence, as Best Partner in the Industry (National Winner) – awarded by the DENR on 10 June 1996.

2. Likas Yaman Award, Best Partner in the Industry in Western Visayas (Regional Winner) – awarded by the DENR on 28 June 1996.

3. Most Environment Friendly Company in Western Visayas, Region VI – awarded by the DENR on 30 June 1995.

4. Recipient of a Resolution of Appreciation from the Sanggunian Bayan of Pontevedra, Negros Occidental for a Zero-Pollution of Pontevedra River located at the downstream portion of CACI's premises.

For the short period ending 30 September 2011, CACI spent about P4.219 million for the maintenance and improvement of its pollution control program.

Roxol shall implement a zero-discharge system through the wastewater methane capture component of its ethanol plant which is covered by Environmental Compliance Certificate No. ECC-R6-0809-254-9999 issued by the DENR. Roxol has spent about P222.5M for its waste treatment facility consisting of the following components: (i) Upflow anaerobic sludge blanket (UASB); (ii) Degasser; (iii) Lamella clarifier; (iv) Covered lagoons; (v) Evaporator and dryer; (vi) Boiler wet scrubber; (vii) Cooling tower; and (viii) Condensate polishing unit.

Moreover, Roxol is in the process of registering its wastewater treatment and methane gas recovery project with the Clean Development Mechanism (CDM) Executive Board of the United Nations Framework Convention on Climate Change (UNFCCC). With the registration of its CDM project, Roxol can earn certified emission reduction credits which it can sell pursuant to the Kyoto Protocol.

xi) Total number of employees and number of full-time employees.

As of 30 September 2011, RHI had nine (9) executive officers and sixty three (63) regular employees.

CADPI had 613 regular employees as of 30 September 2011. The company has a standing Collective Bargaining Agreement (CBA) with the Batangas Labor Union (BLU) for a period of five (5) years from 01 July 2011 to 30 June 2016.

CACI, on the other hand, had 536 regular employees as of September 2011. The company has a Collective Bargaining Agreement (CBA) with the Mag-Isa Mag-Ugyon Asosasyon Sang Mamumugon Sa Central Azucarera de la Carlota (MAMCAC) for a period of five (5) years from June 2010 to May 2015. For the past three (3) years, the labor unions of CADPI and CACI have not staged a strike.

Roxol had 46 regular employees as of 30 September 2011. Roxol is not unionized.

CFSI had 15 regular employees as of 30 September 2011. CFSI is not unionized.

xii) Property.

The company is the owner of a parcel of land located in Nasugbu, Batangas valued at Two Billion One Hundred Thirty Million Two Hundred Eighty Three Thousand Four Hundred Fifty Pesos (P2,130,283,450.00), Philippine currency. The land is now currently leased to CADPI for a period of one (1) year from January 2011 to December 2011 subject to renewal on terms that are mutually agreeable to both parties. The land is also presently mortgaged to secure certain loan obligations.

The company likewise invested in properties in Bacolod, Negros Occidental and in Barrio Remanente, Nasugbu, Batangas with aggregate value of Nineteen Million Three Hundred Thirty-three Thousand Seven Hundred Fifty (P19,333,750.00).

CADPI is the owner of sugar milling and refining facilities, machineries and furniture and fixtures, transportation equipment and tools located in Nasugbu, Batangas. As of 30 September 2011, these properties are valued, net of depreciation, at P4.111 billion. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

CACI is the owner of sugar milling facilities including parcels land located in Barangay Consuelo, La Carlota City and in the Municipalities of La Castellana and Pontevedra in Negros Occidental as well as improvements, machineries, furniture and fixtures, transportation equipment and tools. As of 30 September 2011, these properties are valued, net of depreciation, at P3.791 billion. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

Roxol is the owner of a bioethanol plant, parcels of land located in Brgys. Nagasi, La Granja, Esperanza and Cubay, La Carlota City, Negros Occidental and improvements, machineries, fixtures and transportation equipment. As of 30 September 2011, these properties, including construction-in-progress are valued, net of depreciation, at P1.5 billion. These properties are presently mortgaged to banking institutions to secure certain loan obligations.

CFSI is the owner of a parcel of land in Brgy. Cubay, La Carlota City, Negros Occidental including various farm implements and transportation equipment. As of 30 September 2011 these properties are valued, net of depreciation, at P26.0 million.

NAVI is the owner of a parcel of land in Brgy. Nagasi, La Carlota City, Negros Occidental including various buildings, improvements, machinery and other equipment. As of 30 September 2011, the properties are valued, net of depreciation, at P170.7 million.

CCSI is the owner of parcel of land in Brgy. Cubay, La Carlota City, Negros Occidental valued at P2.51 million.



xiii) Legal Proceedings.

In the ordinary course of its business, RHI and its subsidiaries are engaged in litigation cases either as complainant or defendant. In the opinion of RHI, these cases do not have material adverse effects on their financial condition.

xiv) 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 short period covered by this report.

## PART II – SECURITIES OF THE REGISTRANT

### (A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters.

#### 1. Market information.

RHI's shares are listed and traded in the Philippine Stock Exchange.

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

July 2009 through June 2010

Quarter	High	Low
1 <sup>st</sup>	3.00	2.30
2 <sup>nd</sup>	3.50	2.80
3 <sup>rd</sup>	3.50	2.55
4 <sup>th</sup>	2.70	2.55

July 2010 through June 2011

Quarter	High	Low
1 <sup>st</sup>	3.10	2.95
2 <sup>nd</sup>	4.50	2.70
3 <sup>rd</sup>	3.20	2.70
4 <sup>th</sup>	2.94	2.70

July 2011 to September 2011

3.49	2.38
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The company's shares were trading at ₱2.88 per share as of 28 October 2011.

(2) Holders. There were about 2,090 holders of the company's common shares as of 30 November 2011. The top twenty (20) holders of the common shares as of such date were:

STOCKHOLDERS	NATIONALITY	TOTAL NO. OF SHARES	%
1. Roxas & Company, Inc.	Filipino	597,606,670	65.70%
2. PCD Nominee Corp.	Filipino	116,465,032	12.80%
3. Pesa Holdings, Inc.	Filipino	47,393,142	5.21%
4. Roxas Holdings, Inc. Retirement Trust Fund	Filipino	35,136,996	3.86%
5. Rizal Commercial Banking Corp.	Filipino	34,476,000	3.79%
6. PCD Nominee Corporation	Other Alien	15,652,840	1.72%
7. Marta Roxas Olgado	Spanish	6,759,212	0.74%
8. Pan Malayan Mgmt. & Investment Corp.	Filipino	3,947,724	0.43%
9. Maricarmen R. de Elizalde	Filipino	2,204,688	0.24%
10. Anthony U. Que	Filipino	2,194,850	0.24%
11. Pedro E. Roxas	Filipino	2,014,603	0.22%

12.	BDO Strategic Holdings, Inc.	Filipino	1,455,480	0.16%
13.	Insular Life Assurance Co., Ltd.	Filipino	1,198,520	0.13%
14.	Peter Matuszak	New Zealander	1,050,000	0.12%
15.	Jose A. Manzano Jr.	Filipino	1,029,007	0.12%
16.	Gilbert Liu	Filipino	1,014,000	0.11%
	Magnolia W. Antonio &/or Gaudencio Antonio, Jr.	Filipino	1,014,000	0.11%
17.	East West Banking Corporation	Filipino	914,290	0.10%
18.	Willington Chua	Filipino	836,000	0.09%
19.	Emilio Pantoja	Filipino	785,078	0.09%
20.	Armando M. Medina	Filipino	770,640	0.08%
	<b>Sub – total</b>		<b>873,918,772</b>	<b>96.08%</b>
	<b>Other Stockholders</b>		<b>35,633,464</b>	<b>3.92%</b>
	<b>TOTAL OUTSTANDING SHARES</b>		<b>909,552,236</b>	<b>100.00%</b>

(3) Dividends.

(a) History of dividends paid:

<i>Declaration Date</i>	<i>Record Date</i>	<i>Type and Amount of Dividends</i>
28 June 2006	14 July 2006	Cash - ₱0.06 per share
27 September 2006	12 October 2006	Cash - ₱0.06 per share
20 June 2007	13 July 2007	Cash - ₱0.06 per share
19 September 2007	15 October 2007	Cash - ₱0.05 per share
25 June 2008	17 July 2008	Cash - ₱0.06 per share
3 October 2008	15 October 2008	Cash - ₱0.06 per share
24 June 2009	15 July 2009	Cash - ₱0.06 per share

(b) The ability of the company to declare and pay dividends on its common equity is generally restricted or limited by the pertinent provisions of the Corporation Code of the Philippines, i.e. the prohibition on capital impairment, and the limitation on the discretion of the Board of Directors to declare dividends based on their fiduciary duty, among others.

(4) Recent Sales of Unregistered Securities.

(a) Securities Sold

There were no recent sale of unregistered or exempt securities.

(b) Exemption from Registration Claimed.

No applications for exemption from the registration requirements of the Securities Regulation Code were filed by the company during the fiscal year ending 30 September 2011.

(c) Description of Registrant's Securities.

The authorized capital stock of the company is One Billion Five Hundred Million Pesos (₱1,500,000,000.00), Philippine currency, consisting of One Billion Five Hundred Million (1,500,000,000) common shares with par value of One Peso (₱1.00) per share. As of 30 September 2011, the company had repurchased a total of 259,424,189 common shares under its share buy-back program and the tender offer conducted in February-April 2008.

The shareholders do not have pre-emptive rights to subscribe to issues or disposition of the shares of stock of the company of any class unless the Board of Directors decides otherwise. There are no

provisions in its charter or by-laws which would delay, defer or prevent a change in the control of the company.

### PART III – FINANCIAL INFORMATION

#### (A) Information on Independent Accountant.

The Company's independent external auditor is the auditing firm of Sycip Gorres Velayo & Co. (SGV). The following presents the External Audit Fees required in SEC MC Circular No. 14 Series of 2004.

a) Aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by external auditor for:

	<u>2009-10</u>	<u>2010-11</u>	<u>July 2011 – Sept 2011</u>
1. Audit of registrant's annual financial statements	P700,000	P750,000	P450,000
2. Other assurance and related services	none	none	none
3. Aggregate fees billed for professional services for tax accounting, compliance ad other tax services	none	none	none
4. All other fees	none	none	none

(b) The Audit Plan, including the corresponding audit fees, is submitted by the external auditor to the Board of Director's Audit Committee for review and for approval. The committee evaluates and decides on the fees on the basis of reasonableness, the scope of work involved in the audit, inflationary increase in cost and the prevailing market price for such services in the audit industry.

#### (B) Management's Discussion and Analysis or Plan of Operation.

#### SHORT PERIOD – JULY 01, 2011 TO SEPTEMBER 30, 2011

On February 02, 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 was intended to align the fiscal year of the group with the normal crop year of the sugar business. The change in accounting period of the Company was approved by the Securities and Exchange Commission (SEC) on March 03, 2011. The change in accounting period of the Company's subsidiaries was approved by the SEC on various dates in 2011.

#### Results of Operation

The Company exported raw sugar to Japan and Korea during the period July to September 2011, ending the period with P1.403 billion in total audited consolidated revenue. Audited consolidated raw sugar sales amounted to P549 million while refined sugar sales totaled P763 million. The rest came from alcohol and molasses sales and refining services. This is almost the same with the Group's unaudited consolidated sales the same period last year of P1.393 billion as selling prices of raw and refined sugar remained high in 2010.

The high start up costs of the Group's ethanol plant weighed heavily on consolidated cost of sales due to breakdowns when we started commissioning the new plant. Initial cost to produce ethanol was high especially on the higher cost of molasses, thus, inventories were impaired. Consolidated total provision as of September 30, 2011 amounted to P78 million of which P62 million pertains to ethanol.

Moreover, off-season operating costs of the sugar operations which include fixed expenses such as labor and depreciation costs, off-season repairs and maintenance to prepare the factory for the next milling and refining season also contributed to higher cost of sales as of September 30, 2011 of P1.843 billion compared to P1.464 billion in prior year's unaudited and restated figure.

Consolidated cost of sales surpassed total revenues by 31% and 5% in 2011 and 2010, respectively resulting to a Gross Loss of P440 million in 2011 and P72 million in 2010.

The Group also incurred P9.8 million in selling expenses relative to the sugar exportation during the period. Unaudited balance last year was P601,374.

Audited consolidated general and administrative expenses amounted to P158 million, 16% higher versus P136 million unaudited balance in prior year. The increase was basically due to higher labor cost incurred due to retirement of workers included in the manpower pool of CACI, higher contracted services expenses, depreciation cost and transfer cost of inventory.

The Group recorded equity in net loss of an associate amounting to P18 million. Last year's unaudited equity in net earnings amounted to P21 million.

Consolidated financing cost amounted to P182 million in 2011 from P112 million in 2010 unaudited. The increase was due to direct expensing of interest this period as construction of the ethanol plant is substantially completed. In 2010, interest related to loans used for the construction of ethanol plant was capitalized.

Provision for taxes, audited amounted to P6 million, a substantial decrease from P13 million in 2010 due to net taxable loss of subsidiaries this year.

The Group ended the period with P766 million in consolidated net loss for the short period ending September 30, 2011. Unaudited consolidated net loss for the same period last year amounted to P304 million.

The Group also ended the period with Loss Before Interest, Taxes, Depreciation and Amortization of P327 million (negative EBITDA) which is expected during the short period. Negative EBITDA as of September 30, 2010 amounted to P62 million.

#### Financial Condition

Consolidated resources of the Group posted a decrease of 8% from P16.708 billion on June 30, 2011 audited to P15.346 billion in September 2011 due to losses incurred from operations in the short period. Consolidated current assets went down to P2.849 billion from P4.000 billion and consolidated liabilities went down also to P9.929 billion from P10.530 billion in June 2011.

The Group's current ratio went down to 0.29:1.00 in September 2011 from 0.38:1.00 in June 2011. Debt to equity ratio is at 2.31:1.00, which is still within the allowable 2.33:1.00 ratio 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, 2011 and June 30, 2011 from local banks amounted to P862 million and P745 million, respectively.

Book value per share is P5.10 and P5.94 in September 30, 2011 and June 30, 2011, respectively.

There are no:

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

- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favourable or unfavourable 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.

Non-current portion of long-term loan borrowings amounting to P5.599 billion was presented as current in the Balance Sheet. The reclassification was a consequence of the breach of the negative covenant on the Debt Service Coverage Ratio (DSCR) because of the loss recorded during the fiscal year. As of September 30, 2011, the Group did not meet the minimum DSCR required under the long-term loan agreements with certain creditor banks. The violation constitutes an event of default.

Since the losses were mainly driven by market reversals, it did not affect the capability of the Company to service its maturing obligations with the banks. The Group was able to obtain from the creditor banks their waivers for the breach of the covenant on the DSCR for the interim period ended September 30, 2011. The creditor banks issued last December 2011 and January 2012 similar waivers for possible violations of DSCR up to September 2012.

Consolidated cash flows showed the Group's capacity to pay off maturing obligations and interests from its operating activities. Though Cash and cash equivalents decreased by P50 million from P369 million in June 30, 2011 to P319 million in September 2011, total bank loans of the company went down by P700 million from P9.864 billion in June 2011 to P9.165 billion in September 2011.

Total receivables also went down to P559 million from P662 million due to improved collection efforts. Trade receivables slid to P335 million, 35% lower versus June 30 balance of P519 million.

The Group's export sale of raw sugar to Japan and Korea during the period significantly reduced the sugar inventory balance to P1.300 billion from P2.264 billion in June 2011. Export sales helped a lot in the Group's efforts to pay off its loans. Consolidated inventories, including materials and supplies amounted to P1.639 billion and P2.637 billion in September 30, 2011 and June 30, 2011, respectively.

Investment property as at September 30, 2011 amounted to P170 million. This pertains to land of a subsidiary which was reclassified from property, plant and equipment account due to change in business model to land leasing from sugarcane farming.

Accounts payable and accrued expenses increased to P594 million to P535 million as the Group's requirement for spare parts and services surged during the interim period due to repairs and maintenance to prepare the factories for the next milling and refining season.

There was no pension benefit obligation as at September 30, 2011 due to payment of contribution in the current period.

Total equity posted at P4.640 billion as at September 30, 2011, 14% lower compared to P5.406 billion in June 30, 2011. The decline was due to net loss incurred in the interim period by the Group.

#### Top Five Performance Indicators

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 HPCo.

as an associate, 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 general improvement in the financial and operating results:

Performance Indicator	July 1 to September 30, 2011 (Three Months)	2010-2011 (Full Year)	2009-2010 (Full Year)	2008-2009 (Full Year)
Raw sugar production	-	8.165 M bags	6.947 M bags	8.123 M bags
Refined sugar production	-	1.970 M bags	3.324 M bags	3.965 M bags
Milling recovery	-	1.99 Lkg/TC	2.09 Lkg/TC	2.02 Lkg/TC
Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization	(P327 million)	P793 million	P1.011 billion	P669 million
Return on equity	(16%)	(8%)	5%	3%

#### 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 P40.2 million in capital expenditures for crop year 2011-2012 of which P18.8 million is for CADPI for the integrated mill and refinery operations, P16.3 million for CACI and P5 million for CFSI.

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

In line with the continuing efforts to improve the profitability of the sugar operations, ensure the long-term viability of the business and address the adverse effects of the volatility of the sugar and alcohol prices, the Group is implementing corporate restructuring, strategies and action plans to achieve positive results for the fiscal year 2012 to 2013. Among these are:

1. A new Management Team has taken over the helm with focus on clearly defining profit centers with proper accountabilities. The new Management has decoupled trading operations from manufacturing, as well as milling from refinery operations to avoid cross-subsidies and enable each profit center to stand on its own.
2. The new Management has also mandated the profit centers and other operating units to reduce overhead expenses by at least 10% to 20% compared to that of last year.
3. Term loans have been substantially restructured thus, adjusting interest rates to current market rates, which have generally come down due to prevailing liquidity in the banking system.
4. The mills and plants have been mandated to achieve operating efficiencies by maximizing sugar recovery and reducing energy costs, hauling fees, and other manufacturing expenses.
5. Making sure that Roxol Bioenergy Corporation is fully operational to avoid last year's drag on profits due to its intermittent operations.

### CROP YEAR ENDING JUNE 30, 2011 VERSUS JUNE 30, 2010

#### **Full Fiscal Year**

#### Results of Operation

The high sugar prices in the domestic market for the period in review proved to be beneficial to the Group as it increased consolidated revenues to P7.910 billion, a 28% surge from P6.203 billion a year before.

While high sugar prices contributed to the increase in consolidated revenues, the soaring prices of raw sugar, as input to the refinery, together with high hauling and energy costs and increased depreciation weighed heavily on the refinery operations in Batangas. Thus, squeezing profit margins.

Cost of sales rose by 45% to P7.684 billion from P5.303 billion in 2010. The increase is attributable to the following factors:

- Higher volume of raw sugar purchased during the period for the Group's refinery operations due to low raw sugar beginning inventory balance as CADPI recognized an accumulated five (5) year volume loss of P130 million. The increased raw requirement coupled with high raw sugar prices, as input to the refinery, weighed heavily on the refinery operations. Moreover, additional provision for warehouse losses amounting to P39 million based on a percentage of total raw sugar production and purchases was recorded;
- The recognition of P326 million in impairment losses on sugar and alcohol inventories as a result of the significant drop in sugar prices in the last quarter of fiscal year 2011,

- The Group sold some sugar inventories even at a loss at the last quarter of the fiscal year to generate cash for debt service and repairs and maintenance;
- Increase in energy cost and consumption owing to low cane fibre, slow start and extreme wet weather conditions at the start of milling, thus disrupting cane supply. Also, frequent stoppages at the start of the season led to insufficient bagasse supply; and
- The rise in depreciation from P407 million to P547 million due to the recognition of the completed mill capacity expansion programs in the books.

Selling expenses went up to P31 million, a 25% increase from P25 million of the prior year. The increase was driven by the 28% increase in sales this year.

Despite the increase in the consolidated sales of twenty-eight (28%), General and Administrative Expenses went down by four (4%) percent to P570 million this year from P596 million in last year. This significant reduction of expenses is the result of the conscious effort of the group to contain cost.

Equity in net earnings went up by 34% or to P177 million from P132 million due to positive improvement in an associate's operating performance.

Net interest costs increased to P610 million this year versus P314 million in the previous year because some of the interest cost on the expansion program in the previous year was still capitalized. Interest expenses on the loans used to finance the expansion program are now considered period costs.

Loss before income tax for fiscal year 2011 amounted to P739 million compared to an income before tax of P395 million a year ago. With this development, the Group's net provision for income tax went down to P3 million or 96% lower from prior year's P84 million.

The Group ended the period with a net loss of P742 million versus P311 million net income last fiscal year. This is equivalent to a loss per share of P0.79 in June 30, 2011 and earnings per share of P0.34 June 30, 2010.

Despite the recorded losses of the Group, Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) still amounted to P793 million compared to P1.011 million of last year.

### **Financial Condition**

Despite the recorded losses from operations, consolidated resources of the Group posted an increase of 6.5% from P15.685 in June 30, 2010 to P16.708 billion as at June 30, 2011. Consolidated current assets and liabilities surged to P4.001 billion from P3.112 billion and to P10.530 billion from P3.249 billion in prior crop year, respectively.

The Group's current ratio went down to 0.38:1.00 in 2011 from 0.96:1.00 in 2010. Debt to equity ratio is at 2.08:1 which is still 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 June 30, 2011 and June 30, 2010 from local banks amounted to P745 million and P2.800 billion, respectively.

Book value per share is P5.94 and P6.58 in June 30, 2011 and June 30, 2010, respectively.

There are no:

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



- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favourable or unfavourable 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 went up from P177 million in June 2010 to P369 million due to higher net short-term loan availments this crop year and additional long-term loan. Short term loans rose to P3.220 billion from P2.450 billion in previous year.

A P925 million long-term loan was extended by a creditor bank to Roxol Bioethanol Corporation to refinance a short term loan initially used to fund its plant construction.

Non-current portion of long-term loan borrowings amounting to P5.825 billion was presented as current in the Balance Sheet. The reclassification was a consequence of the breach of the negative covenant on the Debt Service Coverage Ratio (DSCR) because of the loss recorded during the fiscal year. As of June 30, 2011, the Group did not meet the minimum DSCR required under the long-term loan agreements with certain creditor banks. The violation constitutes an event of default.

Since the loss is just a temporary set-back brought about by the volatility of the prices and which did not affect the capability of the Company to service its maturing obligations with the banks. The Group was able to obtain from the creditor banks their waivers for the breach of the covenant on the DSCR for the fiscal year ended June 30, 2011 and for the interim period ended September 30, 2011.

Actual current portion of long-term borrowings amounted to P819 million as at June 30, 2011 and P52 million as at June 30, 2010.

Total receivables slid by 20% as at June 30, 2011 due to improved collection and implementation of new collection schemes to customers – the cash with order and cash on delivery. Trade receivables went down to P519 million, 24% lower against prior year balance of P681 million. Total receivables, net this period amounted to P662 million from P833 million in 2010.

Total inventories soared to P2.637 billion this period, 41% higher versus last year's balance of P1.873 billion. The increase was due to high raw sugar inventory at June 30, 2011, slow sugar withdrawal by customers, contributed to the substantial increase. Raw sugar inventory in June 2011 amounted to P1.797 billion versus P584 million in June 2010.

The 45% increase in prepayments was due to higher creditable withholding taxes from P84 million to P147 million in 2011 as the subsidiaries were in a taxable loss and/or minimum corporate income tax position this year. Likewise, input VAT and other prepaid taxes were higher in the current year due to the expansion project and ethanol plant construction. Total prepayments and other assets amounted to P333 million from P229 million in 2010.

Investment in shares of stock of an associate surged to P704 million from P618 million in previous year or a 14% increase due to significant improvement in the operations of an associate, HPCo. this year. Equity in net earnings for the year amounted to P177 million compared to P132 million in 2010.

Net pension plan assets of Roxas Holdings, Inc. decreased by 7% to P131 million from P140 million due to increase in pension obligation this year. Total benefits paid amounted to P21 million.

For 2010, deferred income tax assets, net amounting to P4.9 million pertains to the recognized net operating loss carry over of CFSI which was derecognized this year.

Other non-current assets decreased to P25 million from P27 million due to reclassification of long-term portion of CADPI employees' loans to current portion.

Accounts payable and accrued expenses decreased to P535 million or a 12% reduction from P609 million. This is the result of cost containment measures of the Group decreasing trade payables to suppliers and contractors this year.

Customers' deposit went down from P123 million last year to P115 million this year due to the slowdown in the withdrawal of sugar by customers.

The decrease in net pension benefit obligation of the sugar subsidiaries to P1.2 million from P41 million was due to actual contribution in the current year.

Deferred income tax liabilities, net increased to P772 million or 6% higher compared to P725 million last year. This was due to recognition of deferred tax liability on the revaluation increment on properties of the holding company.

Total equity posted at P5.406 billion as at June 30, 2011, 10% lower versus last year's P5.907 billion. The decrease was due to net loss incurred by the Group this year.

### **Negros Operations**

CACI milled a total of 1.765 million tons of cane, 46% higher than last year's cane tonnage of 1.209 million tons. The improvement was largely due to various planter incentive programs implemented during the milling season as a result of fierce competition for canes in the Negros area.

However, production yields dropped from 2.07 Lkg/TC to 1.90 Lkg/TC. Despite the drop, CACI produced 3.3 million Lkg raw in crop year 2010-2011 which is 32% higher than the 2.5 million Lkg. raw in 2009-2010.

### **Batangas Operations**

CADPI milled a total of 1.491 million tons of cane, producing 2.8 million Lkg of raw sugar for the crop year 2010-2011 in its plant in Nasugbu, Batangas.

Despite the decline in cane quality, cane tonnage went up by 19% from the previous year's 1.238 million tons. This caused the raw sugar output to also increase by 10% from 2.5 million Lkg. in 2009-2010.

Sugar recovery dropped to 1.84 Lkg/TC from 1.99 Lkg/TC in prior year.

Total refined sugar produced this year totalled 1.986 million Lkg., 41% lower versus last year's 3.374 million Lkg. Refinery ceased operations in April due to warehouse congestion.

### **Top Five Performance Indicators**

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 HPCo. as an associate, 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 general improvement in the financial and operating results:

Performance Indicator	2010-2011	2009-2010	2008-2009
Raw sugar production	8.165 M bags	6.947 M bags	8.123 M bags
Refined sugar production	1.970 M bags	3.324 M bags	3.965 M bags
Milling recovery	1.99 Lkg/TC	2.09 Lkg/TC	2.02 Lkg/TC
EBITDA	P793 million	P1.011 billion	P669 million
Return on equity	(8%)	5%	3%

#### 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 P40.2 million in capital expenditures for crop year 2011-2012 of which P18.8 million is for CADPI for the integrated mill and refinery operations, P16.3 million for CACI and P5 million for CFSI.

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

In line with the continuing efforts to improve the sugar operations, ensure continuing viability of its business and address the adverse effects of the volatility of the sugar and alcohol prices, the Group's management has implemented the following 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 programs in its plants, such as but not limited to the reduction of fuel costs by reducing downtime, improving plant facilities to enable efficient plant utilization and maximizing the use of cheaper fuel alternatives, etc.

## CROP YEAR ENDING JUNE 30, 2010 VERSUS JUNE 30, 2009

### **Full Fiscal Year**

#### Batangas Operations

CADPI's raw production for crop year 2009-2010 dropped to 2.466 million Lkg. from 2.702 million Lkg. in prior crop year due to low tons cane milled this year. Total tonnage for the period reached 1.238 million tons cane compared to 1.467 million tons cane milled last year. However, sugar recovery improved from 1.85 Lkg/TC to 1.99 Lkg/TC.

In addition to the effect in the decrease of 6% in national production, the decrease in tonnage was due to downtime resulting from breakdowns and commissioning of new equipment, thus canes were diverted to the other mill.

Refined sugar production also went down to 3.324 million Lkg. versus 3.965 million Lkg. likewise due to frequent stoppages in the plant.

#### Negros Operations

Due to overall decline in cane tonnage and fierce competition in the Negros area, particularly on various incentive programs offered to planters by other sugar mills, CACI's share on cane supply declined. Canes were diverted mostly to other mills in the northern area, thus total tonnage for the year suffered and went down to 1.209 million from 1.584 million in 2009.

Coupled with lower recovery this period of 2.06 Lkg/TC compared to 2.25 Lkg/TC last year, raw production this year dropped by 23% from 3.245 million Lkg to 2.497 million Lkg. in 2010.

#### Results of Operations

The RHI Group generated consolidated total revenues of P6.2 billion for the year, 6% higher than last year. The growth is attributable to higher average selling prices of raw and refined sugar and molasses as sugar prices went up in the third quarter of crop year 2009-2010. Though sales volume was down this year due to lower production volume in the current period.

Cost of sales increased by 7% or P347 million to P5.3 billion from P5.0 billion in 2009, due to frequent stoppages in the operations. Cost of production went up as bunker usage doubled from 4.8 million liters in 2009 to 8.9 million liters in 2010. Likewise, bagasse supply from production went down as tonnage decreased in the current period.

Moreover, as the expansion projects were substantially completed this year and closed to corresponding PPE accounts, depreciation started, thus total charged to operations this year increased to P407 million versus P304 in previous year. Likewise, interest expenses went up as the related interest on loans used in the strategic projects closed to PPE was charged to expense. Total interest expense, net this period amounted to P314 million from P126 million in prior year.

Gross profit rate for the period slightly decreased from 15.5% to 14.5% in 2010, while operating expenses were slightly up by P1 million to P621 million in the current year.

Equity in net earnings of an associate increased to P132 million from P80 million due to higher operating results of HPCo.

Other income was up this year due to recovery from insurance claim of CADPI amounting to P141 million and increased scrap sales of the two subsidiaries.

The decrease in provision for taxes from P175 million to P84 million was due to sugar inventory write off in CADPI and high interest expense (capitalized and expensed out).

The Group posted net income of P311 million higher by P168 million from P143million last year. This translated to earnings per share of P0.34 this year from last year's P0.20.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to P984 million from P697 million in 2009.

#### (C) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There were no changes in or disagreements with Sycip Gorres Velayo & Co. on accounting and financial disclosure. A copy of the company's financial reports for the fiscal year ending 30 September 2011 is attached as Annex A.

### PART IV MANAGEMENT AND CERTAIN SECURITY HOLDERS

#### A. Directors and Executive Officers of the Issuer.

##### Board of Directors.

**Antonio J. Roxas** is 69 years old and is a Filipino. He has been a member of the Board of Directors since 1982. Mr. Antonio J. Roxas is the Chairman Emeritus of the company and a member of the Compensation Committee. He is also a director of Roxaco Land Corporation, Roxas & Company, Inc. and Central Azucarera Don Pedro, Inc. Mr. Roxas graduated from the University of Notre Dame in Indiana, USA where he obtained his degree in Bachelor of Science in Commerce. Mr. Roxas trained at the Standard Chartered Bank of London, the Shell Company in Paris, and the Olavarria and Co. and Lowry and Co., Inc. of New York, USA.

**Pedro E. Roxas** is 55 years old and is a Filipino. He has been a member of the Board of Directors since 1982. Mr. Pedro E. Roxas is the Chairman of the Board of Directors, the Executive Committee and the Nomination, Election & Governance Committee. He is the Chairman and the President & CEO of Roxas & Co., Inc. and Roxaco Land Corporation, the Chairman of Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., Roxol Bioenergy Corporation, and other subsidiaries of the company. Mr. Pedro E. Roxas is also the Chairman of Hawaiian Philippine Company, Club Punta Fuego and Fuego Land Corporation, President of Fundacion Santiago and Philippine Sugar Millers Association, Inc., a director of Philippine Long Distance Telephone Company (PLDT), the Manila Electric Company (Meralco), Banco de Oro (BDO) Private Bank, Brightnote Assets Corporation and a trustee of Philippine Business for Social Progress. Mr. Pedro E. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame in Indiana, USA where he obtained his degree in Business Administration. Mr. Pedro E. Roxas is married to Ms. Regina Tambunting with whom he has three (3) children.

**Renato C. Valencia** is 69 years old and is a Filipino. He has been a member of the Board of Directors since 29 September 2010. Mr. Renato C. Valencia was elected as President & CEO on 27 October 2011 and 01 December 2011 and is a member of the Executive Committee. Mr. Renato C. Valencia is presently the Chairman of Hypercash Payment Systems, Inc., Vice-Chairman of Asia Pacific Network Holdings, Inc., a director of Metropolitan Bank & Trust Company, a Board member of Phil. Coca Cola System Council, Chairman of i-People, Inc. and a director of Anglo Philippine Holdings Corporation. Mr. Renato C. Valencia obtained his degree in Bachelor of Science in General Engineering from the Philippine Military Academy and his Master in Business Management from the Asian Institute of Management.

**Santiago R. Elizalde** is 48 years old and is a Filipino. He has been a member of the Board of Directors since year 2000. Mr. Santiago R. Elizalde is a member of the Compensation Committee and the Nomination, Election & Governance Committee. He is also the Chairman of 24 Hour Vending Corporation, the Vice-Chairman of the Board of Directors of Elro Commercial & Industrial Corporation, Vice-Chairman of Club Punta Fuego, Inc., President of CGB Condominium Corporation, Senior Vice-President of Roxaco Land Corporation and a director of Central Azucarera Don Pedro, Inc. and Central Azucarera de la Carlota, Inc., ELRO Land Corporation, Roxas Foundation, Inc., Fuego Hotels & Management Corporation, Punta Fuego Village Homeowners Association, Punta Fuego Village Foundation, and Terrazas de Punta Fuego Village Homeowners Association. Mr. Santiago R. Elizalde obtained his Bachelor of Arts in Economics from Denison University in Ohio, USA.

**Beatriz Roxas Olgado** is 57 years old and is a Spanish citizen. She has been a member of the Board of Directors since 25 March 2009. Ms. Beatriz R. Olgado is a director of Roxas & Company, Inc. and Roxas Foundation, Inc.

**Ramon R. del Rosario, Jr.** is 66 years old and is a Filipino. He has been a member of the Board of Directors since 2002. Mr. Ramon R. del Rosario, Jr. is the Chairman of the Compensation Committee and a member of the Nomination, Election & Governance Committee. He is also the President & CEO of Philippine Investment Management, Inc. (PHINMA), Inc., the President of PHINMA Corp., Vice-Chairman of Trans-Asia Oil & Energy Development Corp., Chairman of CIP II Power Corp., Trans-Asia Renewable Energy Corp., Araullo University, Cagayan de Oro College, University of Iloilo, University of Pangasinan, United Pulp & Paper Co., Inc., Microtel Inns & Suites (Pilipinas), Inc., Phinma A&E Outsource Corp., Phinma F&A Outsource Corp., Toon City Animation, Inc. and AB Capital and Investment Corp. Mr. Ramon R. del Rosario, Jr. is also a director of Holcim (Phils.), Trans-Asia Power Generation Corp., South Luzon Thermal Energy Corp., Phinma Property Holdings, Corp., Union Galvasteel Corp. and Ayala Corporation. Mr. Ramon R. del Rosario, Jr. graduated from Harvard Business School and the De La Salle University and was a Ten Outstanding Young Men (TOYM) awardee in the field of Investment Banking and Finance in 1978. Mr. Ramon R. del Rosario, Jr. is an independent director and has possessed all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors of the company on 5 July 2002 and when he was re-elected as an independent director on 25 March 2010.

**Geronimo C. Estacio** is 66 years old and is a Filipino. He has been a member of the Board of Directors since 25 March 2009 and is the Chairman of the Audit & Risk Committee. Mr. Estacio is presently an Adviser of Overseas International Corporation. He was formerly the Dean of the College of Business Administration of the University of the East, a consultant to the Chairman and CEO and Vice-President for Finance of ABS-CBN Broadcasting Corporation, a director for Regional Controls for Asia of the Procter & Gamble Company, a member of the Board of Directors of P&G Australia, P&G New Zealand, Max Factor Australia, Max Factor New Zealand, Noxell, Shulton, Australia and Shulton, New Zealand, P&G Philippines, Norwich, Philippines and a Trustee of P&G Pension Plan, among others. He graduated Magna Cum Laude from the University of the East, College of Business Administration and is a Certified Public Accountant. Mr. Geronimo C. Estacio is an independent Director and he has possessed all the qualifications and none of the disqualifications of a director since he was first nominated and elected as an independent director of the company.

**Raul M. Leopando** is 61 years old and is a Filipino. He has been a member of the Board of Directors since 25 March 2009 and is a member of the Audit & Risk Committee. Mr. Raul M. Leopando is presently a Consultant and a member of the Board of Directors of RCBC Capital Corporation and the Chairman of the Board of Directors of RCBC Securities Inc. He is also a director of Intervest Co., Inc., Bankcard, Inc., Petro Energy Resources Corporation and PetroGreen Energy Resources. Mr. Raul M. Leopando was the President of the Investment House Association of the Philippines (IHAP), a nominee of the Philippine Stock Exchange, a member of the Association of License Stock Brokers,

Makati Sports Club Inc. and Eagle Ridge Golf Club. Mr. Raul M. Leopando obtained his degree in AB Economics from the University of the Philippines, his BSC Accounting degree at San Beda College and his Masters in Business Administration at the Ateneo de Manila University.

**Lorna Patajo-Kapunan** is 59 years old and is a Filipino. Atty. Kapunan is the Corporate Secretary of the company. Atty. Lorna P. Kapunan is a Senior Partner at the law firm of Kapunan Garcia & Castillo and is the Corporate Secretary of various domestic companies. Atty. Lorna P. Kapunan obtained her Bachelor of Laws degree from the University of the Philippines.

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

#### Board of Advisors:

**Eduardo R. Areilza** is 35 years old, married and a Spanish citizen. He was appointed as member of the Committee of Advisors to the Board of Directors on 25 March 2009. Mr. Eduardo R. Areilza is also a non-voting member of the Audit & Risk Committee and the Compensation Committee of the company. Mr. Eduardo R. Areilza obtained his degree in Business Administration in 1999 at the University of CUNEF Madrid, Spain and his degree in Advance Corporate Finance, Valuation and Mergers & Acquisitions in 2005 at the Instituto de Impresa in Madrid, Spain.

**Senen C. Bacani** is 66 years old and is a Filipino. He was appointed as member of the Committee of Advisors to the Board of Directors on 25 March 2009. Mr. Senen C. Bacani is President of Ultrex Management & Investments Corp., the Chairman & President of La Frutera, Inc., Chairman of Trully Natural Food Corporation, National Cooperative Movement Service Cooperative, Center for Environment & Sustainable Development Foundation, Inc., Vice-Chairman of the Technical Advisory Committee of PCARRD. He is also a director of Swift Foods, Inc., Gold Coin Management Holdings, Ltd. (Hong Kong), Philippine Chamber of Agriculture & Food, Inc., Philippine Chamber of Food Manufacturers, Inc., Cooperative Insurance System of the Philippines, Jollibee Foundation, Inc., Philippine Rice Research Institute and PinoyME Foundation and East-West Seed Philippines, Inc. Mr. Senen C. Bacani was formerly the Secretary of the Department of Agriculture in 1990 until 1992. Mr. Senen C. Bacani obtained his degree in Bachelor of Science in Commerce major in Accounting at the De La Salle University in 1965 and his Master in Business Administration at the University of Hawaii in 1968.

**Vicente S. Perez** is 53 years old and is a Filipino. He was appointed as member of the Committee of Advisors to the Board of Directors on 25 March 2009. Mr. Vicente S. Perez is presently the CEO of Alternergy Partners, a renewable power company for emerging Asian countries and is Chairman of Merritt Partners, an energy advisory firm to international energy companies in Asia. Mr. Vicente S. Perez was the youngest Philippine Energy Minister from June 2001 to March 2005. He served briefly in year 2001 as Undersecretary for Industry at the Department of Trade and Industry. He founded Next Century Partners in 1997, a private equity firm that invested in companies such as Smart Communications, Del Monte Pacific and Fastech. In 2000, he founded Asian Conservation Company which acquired El Nido Resort. Mr. Vicente S. Perez is currently an independent director of regional companies in Australia, Philippines and Singapore. He is the chairman of WWF-Philippines and was a member of WWF International Board. Mr. Vicente S. Perez is on the advisory boards of Coca-Cola Phils., Pictet Clean Energy Fund and Yale Center for Business and Environment. He has consulted for ADB and IFC on renewable energy policy and is the Vice-Chairman of the National Renewable Energy Board. Mr. Vicente S. Perez obtained his MBA at the Wharton Business School of the University of Pennsylvania in 1983 and his Bachelor's Degree in Business Economics from the University of the Philippines in 1979.

#### Corporate Officers.

**Pedro E. Roxas** is 55 years old and is a Filipino. He has been a member of the Board of Directors since 1982. Mr. Pedro E. Roxas is the Chairman of the Board of Directors, the Executive Committee and the Nomination, Election & Governance Committee. He is the Chairman and the President & CEO of Roxas & Co., Inc. and Roxaco Land Corporation, the Chairman of Central Azucarera Don

subsidiaries of the company. Mr. Pedro E. Roxas is also the Chairman of Hawaiian Philippine Company, Club Punta Fuego and Fuego Land Corporation, President of Fundacion Santiago and Philippine Sugar Millers Association, Inc., a director of Philippine Long Distance Telephone Company (PLDT), the Manila Electric Company (Meralco), Banco de Oro (BDO) Private Bank, Brightnote Assets Corporation and a trustee of Philippine Business for Social Progress. Mr. Pedro E. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame in Indiana, USA where he obtained his degree in Business Administration. Mr. Pedro E. Roxas is married to Ms. Regina Tambunting with whom he has three (3) children.

**Renato C. Valencia** is 69 years old and is a Filipino. He has been a member of the Board of Directors since 29 September 2010. Mr. Renato C. Valencia was elected as President & CEO on 27 October 2011 and 01 December 2011 and is a member of the Executive Committee. Mr. Renato C. Valencia is presently the Chairman of Hypercash Payment Systems, Inc., Vice-Chairman of Asia Pacific Network Holdings, Inc., a director of Metropolitan Bank & Trust Company, a Board member of Phil. Coca Cola System Council, Chairman of i-People, Inc. and a director of Anglo Philippine Holdings Corporation. Mr. Renato C. Valencia obtained his degree in Bachelor of Science in General Engineering from the Philippine Military Academy and his Master in Business Management from the Asian Institute of Management.

**Nilo A. FlorCruz** is 64 years old and is a Filipino. Mr. Nilo A. FlorCruz was appointed as EVP for Operations & Management Services on 01 December 2011. He was formerly the Vice-President for Manufacturing of Victorias Milling Co., Inc. Mr. Nilo A. FlorCruz was the President of the Philippine Sugar Technologist, Inc. in 2007-2008 and the Chairman of the same body in 2008-2009. He has rendered consultancy work in sugar manufacturing for various entities in the Philippines and abroad. Mr. Nilo A. FlorCruz obtained his Bachelor of Science in Agricultural Chemistry from the University of the Philippines in Los Baños and was awarded the status of a distinguished alumnus in 1988 and 2003.

**Mr. Archimedes B. Amarra** is 60 years old and is a Filipino. Mr. Archimedes B. Amarra was elected as EVP for Marketing/Trading, Corporate Planning & Corporate Communications on 01 December 2011. He is currently the Executive Director of the Philippine Sugar Millers Association and a Board member of the Sugar Regulatory Administration, among others. Mr. Archimedes B. Amarra has rendered consultancy work for various entities since 1989. Mr. Archimedes B. Amarra obtained his BSC-Agribusiness Management and his BSC-Accounting from the De La Salle College in Manila.

**Florencio M. Mamauag, Jr.** is 51 years old and is a Filipino. Atty. Florencio M. Mamauag, Jr. is the Assistant Corporate Secretary, VP for Legal Affairs, Compliance Officer, Corporate Information Officer (CIO) and VP for Human Resources & Management Services. He is also the Corporate Secretary and VP for Legal Affairs of Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., Roxol Bioenergy Corporation and the other subsidiaries of the company. Atty. Florencio M. Mamauag, Jr. is a CPA-Lawyer and is a Professor at the College of Law of the San Beda College. Atty. Florencio M. Mamauag, Jr. obtained his degrees in Bachelor of Laws and Bachelor of Science in Commerce, major in Accounting, at the San Beda College of Manila.

**Sindulfo L. Sumagang** is 48 years old and is a Filipino. Mr. Sindulfo L. Sumagang is the VP Controller, Risk Management Officer and Treasurer. Mr. Sindulfo L. Sumagang obtained his Bachelor of Science in Business Administration, major in Accounting, from Siliman University in Dumaguete City. Mr. Sindulfo L. Sumagang took up advanced studies in law and business management for middle managers at the Ateneo de Manila University and at the University of Santo Tomas. Mr. Sindulfo L. Sumagang likewise attended advance masteral subjects in real estate investments and venture capital in Boston Colleges in Boston Massachusetts as well as an executive masters in Business Administration at the Hult International Business School in Boston, Massachusetts. Mr. Sindulfo L. Sumagang is also the VP & Chief Finance Officer of Roxas & Company, Inc.



**Dean L. Guevarra** is 54 years old and is a Filipino. He is the VP-Resident Manager of Central Azucarera Don Pedro, Inc. He obtained his Bachelor of Science degree in Metallurgical Engineering from the University of the Philippines in Diliman.

**Eduardo V. Concepcion** is 58 years old and is a Filipino. He is the VP-Resident Manager of Central Azucarera de la Carlota, Inc. He obtained his Bachelor of Science in Chemical Engineering degree from De La Salle University and completed his Master in Business Administration at the University of San Agustin.

**Francisco Rondilla** is 48 years old and is a Filipino. Mr. Francisco S. Rondilla was appointed as VP for Information Technology & Systems and Methods on 01 December 2011. He obtained his BS Mechanical Engineering from the Adamson University and is a registered Mechanical Engineer. Mr. Francisco S. Rondilla took up computer programming courses at the National Computer Institute/University of the Philippines and obtained his Master in Business Administration at the FEU-Makati MBA School.

#### Significant Employees.

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 regards them as its partner in achieving its corporate objectives.

#### Family Relationships.

Messrs. Pedro E. Roxas, Antonio J. Roxas, Santiago R. Elizalde and Ms. Beatriz Roxas Olgado are related within the fourth degree of consanguinity.

#### Involvement in Legal Proceedings.

The company is not aware of the existence of any legal proceeding/s, during the last five (5) years up to the present, involving the members of its Board of Directors or Executive Officers or their property before any court of law or administrative body in the Philippines or elsewhere. Moreover, the company is not in possession of any information indicating that the above named persons have been convicted by final judgment of any offense punishable under the laws of the Philippines or of any other country.

#### B. Executive Compensation.

##### 1. Compensation of Executive Officers.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
CEO Pedro E. Roxas – Chairman	2009-10			
A Francisco F. del Rosario, Jr. – Vice Chairman	2009-10			
B Ramon A. Picornell, Jr.-President & COO	2009-10			
C Asuncion S. Aguilar-SVP Finance/Treas.	2000-10			
D Florencio M. Mamauag, Jr.-VP Legal & Compliance Officer	2009-10			
E CEO and top four executives	2009-10	P 19,405,750	P4,208,531	
F All officers & directors as group unnamed	2009-10	P 32,127,914	P 8,230,135	P1,550,000*
Pedro E. Roxas – Chairman	2010-11			
A Ramon A. Picornell, Jr.-President & CEO	2010-11			
B Asuncion S. Aguilar-SVP Finance/Treas.	2010-11			
C Florencio M. Mamauag, Jr.-VP Legal & Compliance Officer	2010-11			

## EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits.

Certified Consolidated Financial Statements With Supplementary Schedules.

(b) Reports on SEC Form 17-C.

1. On 24 November 2010, the shareholders of the corporation, in their annual meeting held on 24 November 2010, elected the following persons to be the Board of Directors of the corporation for the fiscal year 2010-2011:

Pedro E. Roxas	Francisco F. del Rosario, Jr.
Antonio J. Roxas	Geronimo C. Estacio
Santiago R. Elizalde	Ramon A. Picornell, Jr.
Beatriz Roxas Olgado	Raul M. Leopando
Ramon R. del Rosario, Jr.	

The shareholders of the corporation also elected the auditing firm of Sycip Gorres Velayo & Co. as external auditors for fiscal year 2009-2010.

2. On 1 December 2010, the Board of Directors of the corporation elected the following officers of the corporation:

Pedro E. Roxas	-	Chairman of the Board of Directors
Ramon A. Picornell, Jr.	-	President & Chief Executive Officer
Asuncion S. Aguilar	-	SVP Finance & Treasurer
Florencio M. Mamauag, Jr.	-	Asst. Corporate Secretary/VP Legal & Compliance Officer
Melchor A. Layson	-	VP Operations & Management Services
Ma. Elizabeth D. Nasol	-	VP Human Resources & Management
Ramon S. Reyes	-	VP Sales & Marketing
Dean L. Guevarra	-	VP Resident Manager – CADPI
Eduardo V. Concepcion	-	VP Resident Manager – CACI
Luis Mari L. Zabaljauregui	-	VP Resident Manager – Roxol

The following Directors were also elected to the audit, compensation and nomination committees:

Audit Committee:

Geronimo C. Estacio	-	Chairman
Raul M. Leopando	-	Member
Renato C. Valencia	-	Member
Eduardo R. Areilza	-	Member (Non-Voting)

Compensation Committee:

Ramon R. del Rosario, Jr.	-	Chairman
Antonio J. Roxas	-	Member
Santiago R. Elizalde	-	Member
Eduardo R. Areilza	-	Member (Non-Voting)

Nomination Committee:

Pedro E. Roxas	-	Chairman
Santiago R. Elizalde	-	Member
Ramon R. del Rosario, Jr.	-	Member

3. On 2 February 2011, the Board of Directors of the corporation approved the following resolutions: (a) a resolution amending Article 32.0 of the By-Laws of the corporation by changing the fiscal year of the corporation from "July 1 of each year to June 30 of the next year" to "October 1 of each year to September 30 of the next year"; and (b) a resolution amending Article 8 of the By-Laws of the corporation by changing the day of the annual meeting of the stockholders of the corporation at 10:00 a.m. on the "last Wednesday of November" of each year to "third Wednesday of February" of each year.

4. On 17 February 2011, the company disclosed that Mr. Miguel A. Gaspar has resigned as Advisor to the Board of Directors of the corporation effective 17 February 2011.

5. On 3 March 2011, the Securities and Exchange Commission approved the company's application for the amendment of its By-Laws. The amendments were made on the following provisions of its By-Laws: Article 32.0 of the By-Laws of the corporation by changing the fiscal year of the corporation from "July 1 of each year to June 30 of the next year" to "October 1 of each year to September 30 of the next year"; and (b) Article 8 of the By-Laws is amended by changing the day of the annual meeting of the stockholders of the corporation at 10:00 a.m. on the "last Wednesday of November" of each year to "third Wednesday of February" of each year.

6. On 4 May 2011, the Board of Directors approved the following: (a) the appointment of Mr. Sindulfo L. Sumagang as VP-Controller of the company effective immediately. With the appointment of Mr. Sindulfo L. Sumagang as VP-Controller, the title/position of Ms. Asuncion S. Aguilar has been changed from SVP-Finance & Treasurer to SVP-Treasurer; (b) the Consolidated Financial Statements of the company for the quarter ending 31 March 2011; (c) the Risk Management Policy of the company as well as the appointment of Mr. Sindulfo L. Sumagang as the company's Risk Management Officer (RMO); (d) the integration of the Risk Committee with the company's Audit Committee; and (e) the integration of the Governance and Election Committee with the company's Nomination Committee.

7. On 15 July 2011, the company disclosed that Mr. Luis Mari Zabaljauregui, VP-Ethanol Project who headed Roxol Bioenergy Corporation, has retired effective 15 July 2011 for having reached the mandatory retirement age. In his stead, Ms. Delilah S. Gabitoya has been designated as Operations Manager of Roxol Bioenergy Corporation. Ms. Delilah S. Gabitoya was previously the Division Manager for Sales and Trading Division of Central Azucarera de la Carlota, Inc.

8. On 5 October 2011, the Board of Directors approved setting of the annual meeting of shareholders on 15 February 2012 and fixing 30 December 2011 as the record date of the annual shareholders' meeting.

9. On 13 October 2011, the Board of Directors approved the Audited Financial Statements of the company for fiscal year ending 30 June 2011.

10. On 27 October 2011, the Board of Directors approved the following: (a) the early retirement of its President & CEO, Mr. Ramon A. Picornell, Jr., effective at the close of business hours on 31 December 2011; (b) the early retirement of its SVP-Treasurer, Ms. Asuncion S. Aguilar, effective at the close of business hours on 31 December 2011 and her terminal leave effective on 1 December 2011; (c) the resignation of its VP-Human Resources & Management Services, Ms. Ma. Elizabeth D. Nasol, effective at the close of business hours on 31 December 2011; (d) the appointment of Mr. Sindulfo L. Sumagang as VP Controller & Treasurer effective on 1 December 2011 thereby leaving the position of Chief Financial Officer (CFO) vacant; (e) the creation of a Search Committee, consisting of Mr. Pedro E. Roxas, Mr. Santiago R. Elizalde, Mr. Geronimo C. Estacio and Mr. Renato C. Valencia, which will search for candidates for the positions of the CEO and CFO; and (f) the appointment of Mr. Renato C. Valencia as the Interim CEO until such time that the permanent CEO is appointed.

11. On 1 December 2011, the Board of Directors approved the following: (a) the Audited Consolidated Financial Statements of the company for the short-period covering 01 July 2011 up to 30 September 2011; (b) the decision of management to declare the positions of the VP Operations, VP Sales & Marketing, Purchasing Head, Information Technology Manager and Production Manager-CADPI as redundant and terminating the services of the employees holding the said positions effective at the close of business hours on 31 December 2011; (c) the appointment of the following officers: Mr. Nilo A. FlorCruz as EVP for Operations & Management Services; Mr. Archimedes B. Amarra as EVP Marketing/Trading, Corporate Planning & Corporate Communications; Mr. Francisco S. Rondilla as VP Information Technology; and Atty. Florencio M. Mamauag, Jr. also as VP Human Resources & Management Services; (d) the election of Mr. Renato C. Valencia as President in addition to his previous election as Chief Executive Officer of the company; (e) the resignation of Mr. Ramon A. Picornell, Jr. from the Board of Directors effective immediately; (f) the election of Mr. David Balangue as director to fill the vacancy left by the resignation of Mr. Ramon A. Picornell, Jr.; (g) the reorganization of the various committees as follows:

Executive Committee:

Pedro E. Roxas	-	Chairman
Renato C. Valencia	-	Member
David L. Balangue	-	Member

Audit & Risk Committee:

Geronimo C. Estacio	-	Chairman
Raul M. Leopando	-	Member
David L. Balangue	-	Member
Eduardo R. Areilza	-	Member (Non-Voting)

Compensation Committee:

Ramon R. del Rosario, Jr.	-	Chairman
Antonio J. Roxas	-	Member
Santiago R. Elizalde	-	Member
Eduardo R. Areilza	-	Member (Non-Voting)

Nomination, Election & Governance Committee:

Pedro E. Roxas	-	Chairman
Santiago R. Elizalde	-	Member
Ramon R. del Rosario, Jr.	-	Member

12. On 13 January 2012, the Board of Directors approved the Audited Consolidated Financial Statements of the company for the short period covering 01 July 2011 up to 30 September 2011.

**ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES**

**CERTIFIED CONSOLIDATED FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY SCHEDULES FOR THE  
SECURITIES AND EXCHANGE COMMISSION  
SEPTEMBER 30, 2011**

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CERTIFIED CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY  
SCHEDULES FOR THE SECURITIES AND EXCHANGE COMMISSION  
SEPTEMBER 30, 2011

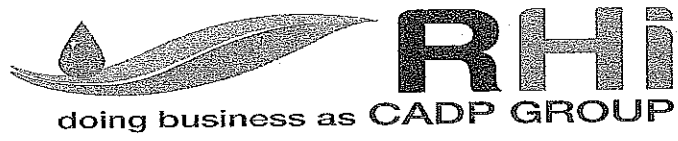
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Annex "A"

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

The management of Roxas Holdings, Inc. and subsidiaries is responsible for all information and representations contained in the consolidated financial statements for the three months ended September 30, 2011 and years ended June 30, 2011 and 2010. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS) and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

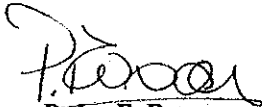
In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's Audit Committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

SGV and Co., a member firm of the Ernst & Young Global, the independent auditors and appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippines Standards on Auditing and has expressed its opinion on the fairness of presentation in accordance with PFRS upon completion of such examination, in its report to Board of Directors and stockholders.

Issued in Makati City on January 13, 2012


Signed under oath by the following:



**Pedro E. Roxas**  
Executive Chairman



**Renato C. Valencia**  
President & Chief Executive Officer



**Sindulfo L. Sumagang**  
VP – Controller, Treasurer & Risk Management Officer

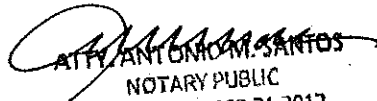


Republic of the Philippines )  
City of Makati ) S.S

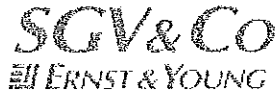
SUBSCRIBED AND SWORN to me this JAN 17, 2012 day of \_\_\_\_\_ 2012; affiants exhibited to me their respective Community Tax Certificates, as follows;

Name	CTC No.	Date Issued	Place Issued
Pedro E. Roxas	03240330	02/28/2011	Makati City
Renato C. Valencia	17983321	02/01/2011	Muntinlupa
Sindulfo L. Sumagang	15308639	03/31/2011	Las, Pinas

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Page No. 19  
Book No. 44  
Series of 2012

  
ATTY. ANTONIO M. SANTOS  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2012  
ROLL OF ATTORNEYS NO. 2340, LIFETIME  
IPP NO. 08917, LIFETIME  
PTR NO. 2573948 MB/1-5-12  
MCLE NO. 111-0015877/1-7-12





Sycip Gorres Velayo & Co.  
8760 Ayala Avenue  
1226 Makati City  
Philippines

Phone (632) 891 0307  
Fax (632) 819 0872  
www.sgv.com.ph

BOA/PRC Reg No 0001  
SEC Accreditation No 0012-FR-2

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Roxas Holdings, Inc.  
6th Floor, Cacho-Gonzales Building  
101 Aguirre Street, Legaspi Village  
Makati City

We have audited the accompanying consolidated financial statements of Roxas Holdings, Inc. (a subsidiary of Roxas and Company, Inc.) and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2011 and June 30, 2011 and 2010, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three months ended September 30, 2011 and for each of the three years in the period ended June 30, 2011, and a summary of significant accounting policies and other explanatory information. The financial statements as of and for the years ended June 30, 2010 and 2009 of Hawaiian-Philippine Company (HPCo), 45.09%-owned associate accounted for under equity method, were audited by other auditors whose report was furnished to us, and our opinion on the 2010 and 2009 consolidated financial statements, insofar as it relates to the amounts included for HPCo, is based solely on the report of the other auditors. Roxas Holdings, Inc.'s investment in HPCo represents 3.94% of the consolidated total assets as of June 30, 2010, and its share in HPCo's net income in 2010 and 2009 represents 2.13% and 1.36% of the consolidated revenue and 42.47% and 55.82% of the consolidated net income, respectively.

### *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.

### *Auditors' 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 and the report of the other auditors on the 2010 and 2009 financial statements of HPCo are sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, based on our audits and the report of the other auditors on the 2010 and 2009 financial statements of HPCo, the consolidated financial statements present fairly, in all material respects, the financial position of Roxas Holdings, Inc. and its subsidiaries as at September 30, 2011 and June 30, 2011 and 2010, and their financial performance and their cash flows for the three months ended September 30, 2011 and for each of the three years in the period ended June 30, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Josephine H. Estomo  
Partner

CPA Certificate No. 46349

SEC Accreditation No. 0078-AR-2

Tax Identification No. 102-086-208

BIR Accreditation No. 08-001998-18-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 3174595, January 2, 2012, Makati City

January 13, 2012

**ROXAS HOLDINGS, INC.**  
**(A Subsidiary of Roxas and Company, Inc.)**  
**AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(Amounts in Thousands)

	September 30, 2011	June 30	
		2011	2010
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Notes 4 and 27)	₱318,756	₱368,788	₱176,827
Receivables (Notes 5, 15 and 27)	558,872	662,349	832,800
Inventories (Note 6)	1,639,077	2,637,110	1,873,137
Prepayments and other current assets (Note 7)	332,093	332,613	229,117
<b>Total Current Assets</b>	<b>2,848,798</b>	<b>4,000,860</b>	<b>3,111,881</b>
<b>Noncurrent Assets</b>			
Property, plant and equipment (Notes 9 and 14):			
At cost	8,944,423	9,133,125	9,297,237
At appraised values	2,543,719	2,714,110	2,485,001
Investment property (Notes 9 and 10)	170,391	-	-
Investment in shares of stock of an associate (Note 8)	685,944	703,926	618,322
Net pension plan assets (Note 16)	127,697	131,098	140,455
Deferred income tax assets - net (Note 23)	-	-	4,977
Other noncurrent assets (Note 5)	24,829	24,761	27,342
<b>Total Noncurrent Assets</b>	<b>12,497,003</b>	<b>12,707,020</b>	<b>12,573,334</b>
<b>TOTAL ASSETS</b>	<b>₱15,345,801</b>	<b>₱16,707,880</b>	<b>₱15,685,215</b>

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>			
Short-term borrowings (Notes 11 and 27)	₱2,738,000	₱3,220,000	₱2,449,904
Accounts payable and accrued expenses (Notes 12 and 27)	594,315	535,150	608,673
Customers' deposits (Note 13)	153,478	114,845	123,109
Income tax payable	366	358	-
Dividends payable (Notes 24 and 27)	16,069	16,069	16,069
Current portion of long-term borrowings (Notes 9, 14 and 27)	827,683	818,527	51,724
Noncurrent portion of long-term borrowings presented as current (Notes 3, 9, 14 and 27)	5,599,282	5,824,749	-
<b>Total Current Liabilities</b>	<b>9,929,193</b>	<b>10,529,698</b>	<b>3,249,479</b>

(Forward)

	September 30, 2011	June 30	
		2011	2010
<b>Noncurrent Liabilities</b>			
Long-term borrowings - net of current portion (Notes 9, 14 and 27)	P-	P-	P5,682,584
Net pension benefit obligation (Note 16)	-	1,158	41,097
Deferred income tax liabilities - net (Note 23)	776,606	771,509	725,150
<b>Total Noncurrent Liabilities</b>	<b>776,606</b>	<b>772,667</b>	<b>6,448,831</b>
<b>Total Liabilities</b>	<b>10,705,799</b>	<b>11,302,365</b>	<b>9,698,310</b>
<b>Equity (Note 24)</b>			
Attributable to the equity holders of the parent company:			
Share capital	1,168,976	1,168,976	1,168,976
Share premium	554,960	554,960	554,960
Excess of consideration received over carrying amount of net assets of subsidiary transferred to parent company	577,148	577,148	577,148
Effect of change in ownership interests in subsidiaries	44,567	44,567	44,567
Revaluation increment on properties	1,573,210	1,573,210	1,412,834
Share in revaluation increment on land of an associate (Note 8)	207,492	207,492	207,492
Retained earnings	1,248,365	2,010,837	2,749,127
Treasury shares - at cost	(768,860)	(768,860)	(768,860)
	4,605,858	5,368,330	5,946,244
Noncontrolling interests (Note 24)	34,144	37,185	40,661
<b>Total Equity</b>	<b>4,640,002</b>	<b>5,405,515</b>	<b>5,986,905</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P15,345,801</b>	<b>P16,707,880</b>	<b>P15,685,215</b>

*See accompanying Notes to Consolidated Financial Statements.*

**ROXAS HOLDINGS, INC.**  
(A Subsidiary of Roxas and Company, Inc.)  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

[Amounts in Thousands, Except Basic/Diluted Earnings (Loss) per Share]

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
<b>REVENUE</b> (Note 18)	<b>₱1,402,594</b>	<b>₱7,909,898</b>	<b>₱6,202,967</b>	<b>₱5,864,618</b>
<b>COST OF GOODS SOLD</b> (Note 19)	<b>1,843,063</b>	<b>7,683,788</b>	<b>5,302,740</b>	<b>4,979,137</b>
<b>GROSS PROFIT (LOSS)</b>	<b>(440,469)</b>	<b>226,110</b>	<b>900,227</b>	<b>885,481</b>
Selling expenses	(9,794)	(30,946)	(24,585)	(36,700)
General and administrative expenses (Note 20)	(157,508)	(570,411)	(595,690)	(560,233)
Equity in net earnings (loss) of an associate (Note 8)	(17,982)	176,964	132,263	79,564
Interest expense (Notes 11 and 14)	(183,120)	(614,543)	(319,480)	(133,334)
Interest income (Note 4)	915	5,438	5,710	7,438
Other income - net (Note 22)	48,534	68,391	296,651	75,703
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(759,424)</b>	<b>(738,997)</b>	<b>395,096</b>	<b>317,919</b>
<b>PROVISION FOR INCOME TAX</b> (Note 23)				
Current	992	19,903	54,660	138,525
Deferred	5,097	(17,143)	28,996	36,865
	<b>6,089</b>	<b>2,760</b>	<b>83,656</b>	<b>175,390</b>
<b>NET INCOME (LOSS)</b>	<b>(₱765,513)</b>	<b>(₱741,757)</b>	<b>₱311,440</b>	<b>₱142,529</b>
Attributable to:				
Equity holders of the parent company	(₱762,472)	(₱738,290)	₱307,698	₱180,249
Noncontrolling interests	(3,041)	(3,467)	3,742	(37,720)
	<b>(₱765,513)</b>	<b>(₱741,757)</b>	<b>₱311,440</b>	<b>₱142,529</b>
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b> (Note 25)	<b>(₱0.84)</b>	<b>(₱0.81)</b>	<b>₱0.34</b>	<b>₱0.20</b>

See accompanying Notes to Consolidated Financial Statements.

**ROXAS HOLDINGS, INC.**  
(A Subsidiary of Roxas and Company, Inc.)  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands)

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
<b>NET INCOME (LOSS)</b>	<b>(₱765,513)</b>	<b>(₱741,757)</b>	<b>₱311,440</b>	<b>₱142,529</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Increase (decrease) in revaluation increment on land (Note 9)	-	229,109	(58,756)	-
Income tax effect	-	(68,733)	17,627	-
	-	160,376	(41,129)	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱765,513)</b>	<b>(₱581,381)</b>	<b>₱270,311</b>	<b>₱142,529</b>
Attributable to:				
Equity holders of the parent company	(₱762,472)	(₱577,914)	₱275,872	₱180,249
Noncontrolling interests	(3,041)	(3,467)	(5,561)	(37,720)
	<b>(₱765,513)</b>	<b>(₱581,381)</b>	<b>₱270,311</b>	<b>₱142,529</b>

*See accompanying Notes to Consolidated Financial Statements.*



**ROXAS HOLDINGS, INC. (A Subsidiary of Roxas and Company, Inc.) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND**  
**YEARS ENDED JUNE 30, 2011, 2010 AND 2009**  
(Amounts in Thousands)

	Attributable to the Equity Holders of the Parent Company (Notes 1 and 24)										
	Share Capital	Share Premium	Share Transferred to Parent Company	Effect of Change in Ownership Interests in Subsidiaries	Revaluation Increment on Properties	Share in Revaluation Increment on Land of an Associate (Note 8)	Retained Earnings	Treasury Shares	Total	Noncontrolling Interests (Notes 1 and 23)	Total
<b>BALANCES AS OF JUNE 30, 2008</b>	₱1,168,976	₱554,960	₱-	₱1,429	₱1,526,900	₱207,492	₱2,257,130	(₱739,707)	₱4,977,180	₱523,715	₱5,500,895
Net income for the year	-	-	-	-	-	-	180,249	-	180,249	(37,720)	142,529
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	180,249	-	180,249	(37,720)	142,529
Transfer of revaluation increment on properties absorbed through depreciation	-	-	-	-	(7,179)	-	7,179	-	-	-	-
Realization of revaluation increment on land upon disposal of subsidiary	-	-	-	-	(106,021)	-	106,021	-	-	-	-
Dividends declared	-	-	-	-	-	-	(109,150)	-	(109,150)	(9,859)	(119,009)
Reacquisition of shares of stock	-	-	-	-	-	-	-	(29,153)	(29,153)	-	(29,153)
Excess of consideration received from parent company over carrying value of investment in a subsidiary and change in ownership interest in subsidiaries resulting in the reduction of noncontrolling interest interests in subsidiaries	-	-	577,148	43,138	30,960	-	-	-	651,246	(429,904)	221,342
<b>BALANCES AS OF JUNE 30, 2009</b>	1,168,976	554,960	577,148	44,567	1,444,660	207,492	2,441,429	(768,860)	5,670,372	46,232	5,716,604
Net income for the year	-	-	-	-	-	-	307,698	-	307,698	3,742	311,440
Other comprehensive income	-	-	-	-	(31,826)	-	-	-	(31,826)	(9,303)	(41,129)
Total comprehensive income	-	-	-	-	(31,826)	-	307,698	-	275,872	(5,561)	270,311
Change in ownership interest resulting in the reduction of noncontrolling interest in a subsidiary	-	-	-	-	-	-	-	-	-	(10)	(10)

(Forward)



Attributable to the Equity Holders of the Parent Company (Notes 1 and 24)

	Share Capital	Share Premium	Share Transferred to Parent Company	Effect of Change in Ownership Interests in Subsidiaries	Revaluation Increment on Properties	Share in Revaluation Increment on Land of an Associate (Note 8)	Retained Earnings	Treasury Shares	Total	Noncontrolling Interests (Notes 1 and 23)	Total
<b>BALANCES AS OF JUNE 30, 2010</b>	¥1,168,976	¥554,960	¥577,148	¥44,567	¥1,412,834	¥207,492	¥2,749,127	(¥768,860)	¥5,946,244	¥40,661	¥5,986,905
Net loss for the year	--	--	--	--	--	--	(738,290)	--	(738,290)	(5,467)	(741,757)
Other comprehensive income	--	--	--	--	160,376	--	--	--	160,376	--	160,376
Total comprehensive loss	--	--	--	--	160,376	--	(738,290)	--	(577,914)	(3,467)	(581,381)
Change in ownership interest resulting in the reduction of noncontrolling interest in a subsidiary	--	--	--	--	--	--	--	--	--	(9)	(9)
<b>BALANCES AS OF JUNE 30, 2011</b>	1,168,976	554,960	577,148	44,567	1,573,210	207,492	2,010,837	(768,860)	5,368,330	37,185	5,405,515
Net loss for the period	--	--	--	--	--	--	(762,472)	--	(762,472)	(3,041)	(765,513)
Other comprehensive income	--	--	--	--	--	--	--	--	--	--	--
Total comprehensive loss	--	--	--	--	--	--	(762,472)	--	(762,472)	(3,041)	(765,513)
<b>BALANCES AS OF SEPTEMBER 30, 2011</b>	¥1,168,976	¥554,960	¥577,148	¥44,567	¥1,573,210	¥207,492	¥1,248,365	(¥768,860)	¥4,605,858	¥34,144	¥4,640,002

See accompanying Notes to Consolidated Financial Statements



**ROXAS HOLDINGS, INC.**  
**(A Subsidiary of Roxas and Company, Inc.)**  
**AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax	(₱759,424)	(₱738,997)	₱395,096	₱317,919
Adjustments for:				
Depreciation (Notes 9, 19 and 20)	170,435	546,994	407,025	304,426
Loss (gain) on disposal of property and equipment	13,981	7,782	(972)	9,878
Recovery from insurance claim (Note 22)	(27,650)	-	(141,341)	-
Equity in net loss (earnings) of an associate (Note 8)	17,982	(176,964)	(132,263)	(79,564)
Interest income (Note 4)	(915)	(5,438)	(5,710)	(7,438)
Interest expense (Notes 11 and 14)	183,120	614,543	319,480	133,334
Movement in net pension plan assets and liabilities	2,243	(30,582)	(31,016)	(12,089)
Net cash from (used in) operations before working capital changes	(400,228)	217,338	810,299	666,466
Decrease (increase) in:				
Receivables	103,477	170,451	254,388	(284,576)
Inventories	919,239	(1,134,101)	(308,678)	(120,602)
Prepayments and other current assets	7,275	(40,976)	(46,104)	(72,827)
Increase (decrease) in:				
Accounts payable and accrued expenses	58,578	(102,412)	(271,133)	194,747
Customers' deposits	38,633	(8,264)	(62,704)	(29,500)
Provision for inventory losses and obsolescence (Notes 6, 19 and 20)	78,794	370,128	24,050	-
Cash generated from (used in) operations	805,768	(527,836)	400,118	353,708
Interest received	915	5,438	5,710	7,438
Income taxes paid, including creditable withholding and final taxes	(7,739)	(82,064)	(85,475)	(272,061)
Net cash from (used in) operating activities	798,944	(604,462)	320,353	89,085
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment (Note 9)	(38,152)	(349,667)	(2,538,628)	(3,418,728)
Proceeds from sale of property and equipment	12,849	2,949	5,805	22,028

(Forward)

	September 30, 2011 (Three Months)	June 30		
		2011 (One Year)	2010 (One Year)	2009 (One Year)
Proceeds from recovery from insurance claim (Note 22)	P27,650	P-	P141,341	P-
Dividends received (Note 8)	-	91,360	71,373	68,520
Disposal of (additions to) other noncurrent assets	(68)	2,581	(521)	11,158
<b>Net cash from (used in) investing activities</b>	<b>2,279</b>	<b>(252,777)</b>	<b>(2,320,630)</b>	<b>(3,317,022)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from (payments of) short-term borrowings (Note 11)	(482,000)	770,096	(487,096)	2,234,448
Proceeds from long-term borrowings (Note 14)	-	925,000	2,671,000	1,249,000
Payments of long-term borrowings (Note 14)	(216,311)	(51,724)	-	(13,333)
Interest paid	(152,944)	(594,163)	(268,447)	(117,496)
Dividends paid (Note 24)	-	-	(25,005)	(159,140)
Reacquisition of shares of stock by the Company (Note 24)	-	-	-	(29,143)
Reacquisition of shares of stock by subsidiaries (Note 24)	-	(9)	(10)	(10)
<b>Net cash from (used in) financing activities</b>	<b>(851,255)</b>	<b>1,049,200</b>	<b>1,890,442</b>	<b>3,164,326</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD</b>	<b>(50,032)</b>	<b>191,961</b>	<b>(109,835)</b>	<b>(63,611)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>368,788</b>	<b>176,827</b>	<b>286,662</b>	<b>350,273</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)</b>	<b>P318,756</b>	<b>P368,788</b>	<b>P176,827</b>	<b>P286,662</b>

*See accompanying Notes to Consolidated Financial Statements.*

**ROXAS HOLDINGS, INC.**  
**(A Subsidiary of Roxas and Company, Inc.)**  
**AND SUBSIDIARIES**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information, Corporate Reorganizations, Status of Operations  
and Approval of the Consolidated Financial Statements**

*Corporate Information*

Roxas Holdings, Inc. (RHI or the "Company"), doing business under the name and style of CADP Group, was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1930 for the purpose of operating mill and refinery facilities to manufacture sugar and allied products. The Company's corporate life is extended for another 50 years from November 1, 1980.

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

As of September 30, 2011 and June 30, 2011 and 2010, the Company is 65.70% owned by Roxas and Company, Inc. (RCI), a publicly listed company incorporated and domiciled in the Philippines. Prior to the merger effective June 29, 2009 as discussed below, the Company was 65.12% owned by Roxas & Company, Inc., a company incorporated and domiciled in the Philippines. The Company has 2,299, 2,613 and 2,330 equity holders as of September 30, 2011 and June 30, 2011 and 2010, respectively.

On February 2, 2011, the Board of Directors (BOD) of the Company and its subsidiaries (collectively referred to as "the Group") 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 Philippine SEC on March 3, 2011. The change in accounting period of the Company's subsidiaries was approved by the Philippine SEC on various dates in fiscal year 2011.

The Company's corporate office is located at the 6th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City, while the manufacturing plants of its operating subsidiaries (see Note 28) are in Barrio Lumbangan, Nasugbu, Batangas and Barrio Consuelo, La Carlota City, Negros Occidental.

*Corporate Reorganizations*

Following the Reorganization Program approved by the Philippine SEC on December 11, 2001, RHI has been transformed into a diversified holding and investment corporation, while its subsidiary, CADP Group Corporation (CADPGC), emerged as a holding and investment company with specific focus on sugar milling and refining business.

In 2008, RHI increased its equity ownership in CADPGC from 89.28% to 89.36% when CADPGC re-acquired portion of its shares (see Note 24). On December 16, 2008, RHI acquired CADPGC's sugar-related operating subsidiaries [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 associate [Hawaiian-Philippine Company (HPCo)], as well as certain assets and liabilities of CADPGC for a total consideration of ₱3,838.0 million. On January 23, 2009, RHI sold its investment in CADPGC to Roxas & Company, Inc. for ₱3,927.3 million (see Note 24c).

Effective June 29, 2009, upon approval of Philippine SEC on June 23, 2009, CADPGC merged with RCI, with CADPGC as the surviving entity, through a share swap wherein 11.71 CADPGC's shares of stock were exchanged for every share of stock of RCI. On the same date, the Philippine SEC approved the change in CADPGC's corporate name to Roxas and Company, Inc.

*Status of Operations and Management Action Plans*

For the fiscal year ended June 30, 2011, the Group was significantly affected by the volatility of the prices of sugar, molasses and ethanol, impacting the Group's profitability and cash flows. Thus, the Group incurred a consolidated net loss of ₱741.8 million and a net cash outflow from operating activities of ₱604.5 million. Consequently, the Group did not meet the minimum debt service coverage ratio (DSCR) required under its long-term loan agreements with certain creditor banks as of June 30, 2011 (see Note 14). Considering that the losses were mainly driven by market reversals and not by the Group's capacity to service its loans, the Group was able to obtain from the creditor banks in September and October 2011 a waiver of breach of covenant on the DSCR covering the fiscal year ended June 30, 2011.

For the interim period ended September 30, 2011 where the Group is expected to record heavy expenses in preparing its mills for the milling operations, the Group incurred a loss of ₱765.5 million as anticipated. Despite the losses however, the Group's net cash inflow from operating activities reached ₱798.9 million, of which ₱698.3 million was used to pay off short-term and long-term liabilities. Consequently, the creditor banks issued in December 2011 and January 2012 similar waivers for possible violations of DSCR up to September 2012 (see Note 14).

In line with the continuing efforts to improve the profitability of the sugar operations, ensure the long-term viability of the business and address the adverse effects of the volatility of the sugar and alcohol prices, the Group is implementing corporate restructuring, strategies and action plans to achieve positive results for fiscal year 2012 to 2013. Among these are:

1. A new Management Team has taken over the helm with focus on clearly defining profit centers with proper accountabilities. The new Management has decoupled trading operations from manufacturing, as well as milling from refinery operations to avoid cross-subsidies and enable each profit center to stand on its own.
2. The new Management has also mandated the profit centers and other operating units to reduce overhead expenses by at least 10% to 20% compared to that of last year.
3. Term loans have been substantially restructured thus adjusting interest rates to current market rates, which have generally come down due to prevailing liquidity in the banking system.
4. The mills and plants have been mandated to achieve operating efficiencies by maximizing sugar recovery and reducing energy costs, hauling fees, and other manufacturing expenses.
5. Making sure that Roxol Bioenergy Corporation (RBC) is fully operational to avoid last year's drag on profits due to its intermittent operations.

*Approval of the Consolidated Financial Statements*

The consolidated financial statements as at September 30, 2011 and June 30, 2011 and 2010 and for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009 have been approved and authorized for issue by the Company's BOD on January 13, 2012.

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

Basis of Preparation and Statement of Compliance

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

The consolidated financial statements have been prepared using the historical cost basis, except for land, which is stated at revalued amounts, investment property which is stated at fair value, and consumable biological assets which are carried at fair value less estimated cost to sell. These are presented in Philippine Peso, the Company's functional currency, and rounded to the nearest thousands, except when otherwise indicated.

The Group prepared short-period consolidated financial statements as of and for the three months ended September 30, 2011 pursuant to the Group's change in reporting year-end from June 30 to September 30 (see Note 1). The amounts reflected in the September 30, 2011 consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows and the related notes are for three months, accordingly, are not entirely comparable with amounts for June 30, 2011, 2010 and 2009 which pertain to an entire year.

The preparation of the consolidated financial statements in accordance with PFRS requires the use of critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and amendments to existing Philippine Accounting Standards (PAS) and PFRS which were adopted as of July 1, 2011. Unless otherwise indicated, the adoption of these changes did not significantly affect the consolidated financial statements of the Group.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Disclosures - Transfers of Financial Assets*, allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
- Amendment to Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement*, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.
- Revised PAS 24, *Related Party Disclosures*, clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application.

#### *Improvements to PFRS Issued in 2010*

The omnibus amendments to PFRS issued in 2010 were issued primarily with a view to remove inconsistencies and clarify wordings. There are separate transitional provisions for each standard which are all effective beginning January 1, 2011 (effective for the Group beginning July 1, 2011). The adoption of these amendments did not significantly impact the financial position or performance of the Group.

- PFRS 7, *Financial Instruments: Disclosures*, emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

- PAS 1, *Presentation of Financial Statements*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- PAS 34, *Interim Financial Reporting*, provides guidance to illustrate how to apply disclosure principles of PAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between levels of fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment is applied retrospectively.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

New Accounting Standards, Interpretations and Amendments to  
Existing Standards Effective Subsequent to September 30, 2011

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

*Effective 2016*

- Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors.
- PFRS 9, *Financial Instruments*, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39. The approach in this new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of financial assets. The requirements for financial liabilities are mostly retained, while subsequent in-progress phases of the PAS 39 replacement will cover impairment using the expected loss model, and hedge accounting.

The Group decided not to early adopt PFRS 9 for its 2011 reporting ahead of its effectivity date on January 1, 2015 and therefore the consolidated financial statements as of and for the three months ended September 30, 2011 do not reflect the impact of the said standard.

The Group shall conduct an impact evaluation in early 2012 using the consolidated financial statements as of and for the three months ended September 30, 2011. Given the amendments on IFRS 9, *Financial Instruments*, the Group at present, does not plan to early adopt in 2012 financial reporting. It plans to reassess its current position once the phases of IFRS 9 on impairment and hedge accounting become effective.

The Group's decision whether to early adopt PFRS 9 for its 2012 financial reporting will be disclosed in its consolidated financial statements as of and for the period ending March 31, 2012. Should the Group decide to early adopt the said standard for its 2012 financial reporting, its interim consolidated financial statements as of and for the period



ending March 31, 2012 will reflect application of the requirement under the said standard and will contain the qualitative and quantitative discussions of the results of the Group's impact evaluation.

The Group's receivables, due to and from related parties, other receivables, accounts payable and accrued expenses, dividends payable and loans payable may be affected by the adoption of this standard.

*Accounting Standards Not Yet Adopted by the Philippines*

The following new standards and amendments have been issued in 2011 by the International Accounting Standards Board and are expected to be adopted by the Philippine FRSC:

- Amendments to PAS 1, *Financial Statement Presentation*, improve how we present components of other comprehensive income. The new requirements are effective for annual periods beginning on or after July 1, 2012.
- Amendment to PAS 12, *Income Taxes-Deferred Taxes: Recovery of Underlying Assets*, introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, a use basis should be adopted. The amendments also introduce the requirements that deferred tax on non-depreciable assets measured using the revaluation model on property, plant and equipment should always be measured on a sale basis. The new requirements are effective in fiscal year 2013.
- Amendments to PAS 19, *Employee Benefits*, will improve the recognition and disclosure requirements for defined benefit plans. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Group expects that the adoption of this standard will have an impact on the Group's financial statements. The Group is currently evaluating the financial impact of the adoption of this revised standard.
- PFRS 10, *Consolidated Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard defines control when an investor 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. PFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation - Special Purpose Entities* and PAS 27. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements in PAS 27. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Group is evaluating the impact of the adoption of this standard on its 45.09%-owned associate.
- PFRS 11, *Joint Arrangements*, supersedes PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. This standard describes the accounting for joint arrangements with joint control. Further, proportionate consolidation is not permitted for joint ventures under the new definition of a joint venture. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- PFRS 12, *Disclosures of Interests in Other Entities*, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. PFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- PFRS 13, *Fair Value Measurement*, establishes new guidance on fair value measurement and disclosures. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Group is evaluating the impact of the adoption of the standard on the measurement of assets and liabilities carried at fair value.

### Consolidation

The consolidated financial statements include the financial statements of the Company and the following subsidiaries (all incorporated in the Philippines) as of September 30, 2011 and June 30, 2011 and 2010:

	Percentage of Ownership
CADPI	100.00
CACI	100.00
CADP Insurance Agency, Inc. (CIAI) <sup>(1)</sup>	100.00
CCSI	100.00
CFSI	100.00
JOMSI	99.99
NAVI	77.38
RBC	100.00
CADP Port Services, Inc. (CPSI) <sup>(2)</sup>	100.00
Roxas Power Corporation (RPC) <sup>(2)</sup>	50.00

<sup>(1)</sup> CIAI was incorporated on August 19, 2009 and has not yet started commercial operations.

<sup>(2)</sup> CPSI and RPC were incorporated on July 17, 2008 and have not yet started commercial operations. The Company has control on RPC since it has the power to cast the majority of votes at the BOD's meetings and the power to govern the financial and reporting policies of RPC.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

Noncontrolling interest represents a portion of profit or loss and net assets of subsidiaries 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 balance sheet and consolidated statement of changes in equity, separately from Company's equity. Total comprehensive income is attributed to the portion held by the Group and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Consolidated financial statements are prepared 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.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Changes in the controlling ownership interest, 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.

#### Business Combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any noncontrolling interest. For each business combination, the Group measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. The excess of the cost of acquisition over the fair value of the 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 Company's share of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

#### *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, shall be considered.

In cases where the business combination has no substance, the Company shall account 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. As discussed in Note 1, the Group recorded the difference as excess of consideration received over carrying amounts of net assets of subsidiary transferred to parent company and presented as a separate component of equity in the consolidated balance sheet.

Comparatives shall be restated to include balances and transactions as if the entities had been acquired at the beginning of the earliest period presented as if the companies had always been combined.

#### Investment in Shares of Stock of an Associate

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associate's post-acquisition profits or losses is recognized in the consolidated statement of income, 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 associate.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the associate are prepared for the same reporting period of the 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 period whether there is any evidence that the investments in shares of stocks are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments in shares of stocks and their recoverable amount.

#### 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 on a per company basis, with each company representing a strategic business segment.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other 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.

#### Financial Assets and Financial Liabilities

##### *Classification and recognition*

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

Financial instruments are 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 reported 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.

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss. 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 rates of interest for similar instruments with similar maturities.

Financial assets are classified into the following categories:

- a. Financial assets at fair value through profit or loss
- b. Loans and receivables
- c. Held-to-maturity investments
- d. Available-for-sale financial assets

Financial liabilities, on the other hand, are classified into the following categories:

- a. Financial liabilities at fair value through profit or loss
- b. Other financial liabilities

The classification of financial instruments depends on the purpose for which they were acquired and whether they are quoted in an active market. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

- a. Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities classified in this category are financial assets or financial liabilities that are held for trading or financial assets and financial liabilities that are designated by management as at fair value through profit or loss on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets and financial liabilities, respectively, or both financial assets and financial liabilities, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recorded in the consolidated statement of income. Interest earned is recorded as interest income, while dividend income is recorded in other income according to the terms of the contract, or when the right of the payment has been established. Interest incurred is recorded as interest expense.

The Group has not designated any financial asset or financial liability as at fair value through profit or loss as of September 30, 2011 and June 30, 2011 and 2010.

#### *Embedded Derivatives*

An embedded derivative is a component of a combined instrument that includes a nonderivative host contract with the effect that some or all of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. It is separated from the host financial or nonfinancial contract if all the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized at fair value through profit or loss.

The Group assesses whether embedded derivatives are required to be separated from host contract when the Group first becomes a party to the contract. Reassessment only occurs if there is change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets or financial liabilities at fair value through profit or loss. Changes in the fair values are included in the consolidated statement of income.

As of September 30, 2011 and June 30, 2011 and 2010, the Group has embedded derivatives on its long-term borrowings, the value of which is immaterial.

b. Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized and impaired, as well as through amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

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

Classified as loans and receivables are the Group's cash in banks and cash equivalents, trade receivables, due from related parties, due from employees and other receivables as of September 30, 2011 and June 30, 2011 and 2010.

c. Held-to-maturity investments

Held-to-maturity investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold them to maturity. Where the Group sells other than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale investments for at least two financial years. After initial measurement, held-to-maturity investments are subsequently carried at amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method. Assets under this category are classified as current assets if maturity is within 12 months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

The Group has not designated any financial asset as held-to-maturity as of September 30, 2011 and June 30, 2011 and 2010.

d. Available-for-sale financial assets

Available-for-sale financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments. The unrealized gains and losses arising from the fair valuation of available-for-sale financial assets, except for the foreign exchange fluctuations on available-for-sale debt securities and the related effective interest, are excluded, net of tax, from reported earnings, and are recognized in the consolidated statement of comprehensive income and are in the equity section of the consolidated balance sheet. 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 the consolidated statement of income.

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 reported as interest income or expense using the effective interest rate method. Dividends earned on investments are recognized in the consolidated statement of income 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 period.

The Group has not designated any financial assets as available-for-sale as of September 30, 2011 and June 30, 2011 and 2010.

e. Other financial liabilities

Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at fair value through profit or loss upon the inception of the liability. These include liabilities arising from operating (e.g., accounts payable and accrued expenses) 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 the consolidated statement of income over the period of the borrowings using the effective interest rate 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 period.

Accounts payable, accrued expenses, dividends payable and other liabilities are recognized in the period 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.

*Derecognition of Financial Assets and Financial Liabilities*

a. Financial assets

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

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

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

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

b. Financial liabilities

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

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

*Impairment of Financial Assets*

The Group assesses at the end of each reporting period 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 carried at amortized cost 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 shall be reduced through the use of an allowance account. The amount of loss, if any, is recognized in the consolidated statement of income.

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 the consolidated statement of income, 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, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, 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. Available-for-sale financial assets

In the case of equity investments classified as available-for-sale 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 the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount cash flows for the purpose of measuring impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in income, the impairment loss is reversed through income.

*Determination of fair value*

The fair value of financial instruments traded in active markets at the end of reporting period is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

*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 the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where the inputs are from data which are not observable from the market, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing a Day 1 difference amount.

#### *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet 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 financial liabilities are presented gross in the consolidated balance sheet.

#### Inventories

Raw and refined sugar inventories are valued at the lower of cost and net realizable value (NRV), cost being determined using the weighted average method. Molasses and alcohol inventories are carried at the lower of cost and NRV. Production cost is allocated using the relative sales value of each of the joint products, i.e., raw and refined sugar and molasses. The costs of molasses purchased from outside sources include its purchase cost with unit cost determined using moving average method. 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.

Materials and supplies inventories are valued at the lower of cost and NRV, cost being determined using the moving average method. NRV is the estimated selling price in the ordinary course of business less variable selling expense.

A provision for inventory losses is provided for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation.

#### Prepayments and Other Current Assets

This account consists of creditable withholding taxes, value-added tax (VAT) and other prepayments. Creditable withholding taxes are deducted from income tax payable on the same year the revenue was recognized. Revenue, expenses, assets and liabilities are recognized, net of 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 cost of acquisition of assets or as part of expense items as applicable. The net amount of VAT recoverable from the taxation authority is included as part of "Prepayments and other current assets" in the consolidated balance sheet. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

#### Property, Plant and Equipment

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

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

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

The net appraisal increment resulting from the revaluation of land is presented under "Revaluation increment on properties", net of related deferred income tax effect, in the consolidated balance sheet and consolidated statement of changes in equity. The Company's share in net appraisal increase resulting from the revaluation of land of an associate is shown as "Share in revaluation increment on land of an associate", net of related deferred income tax effect, in the consolidated balance sheet and consolidated statement of changes in equity. Increases in the carrying amount arising on revaluation of properties 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 income tax effect. Any resulting decrease is directly charged against the related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to the consolidated statement of income. Valuations are performed frequently enough to ensure that the fair value of properties does not differ significantly from its carrying amount.

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

The Group used the carrying amount of CADPI's depreciable assets as of July 1, 2004, which is the revalued amount less accumulated depreciation from the Group's perspective, as their 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.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

	Number of Years
Building and improvements	18 to 30
Machinery and equipment:	
Factory machinery and installations	17 to 25
Safety equipment	5
Service vehicles	3 to 6
Office furniture, fixtures and equipment	3 to 5

Depreciation commences when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation ceases 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 and the date the asset is derecognized.

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

The asset's residual value, useful life and depreciation 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.

Gains and losses on disposal are determined by comparing the proceeds with carrying amount of the asset and are reflected as other income in the consolidated statement of income.

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

#### Investment Property

Investment property is 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 the consolidated statement of income in the period in which they 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 a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale. The fair value of investment property shall reflect market conditions at the end of the reporting period.

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 the consolidated statement of income.

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

#### Impairment of Nonfinancial Assets

The carrying values of property, plant and equipment, investment in shares of stock of an associate and other noncurrent 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income 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.

#### Share Capital and Share Premium

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax. The excess of proceeds from the issuance of shares over the par value of shares is credited to share premium.

#### Treasury Shares

Where any member of the Group purchases the Company's equity share capital (treasury shares), 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 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. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

#### Dividend Distribution

Dividend distribution to the Company's stockholders and the noncontrolling interests is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's BOD and shareholders.

#### Revenue Recognition

Revenue comprises the fair value of the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns and discounts.

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

#### *Sale of raw and refined sugar and alcohol*

Sale of raw sugar is recognized upon endorsement and transfer of quodans, while sale of refined sugar and alcohol is recognized upon shipment or delivery and acceptance by customers.

#### *Sale of molasses*

Sale of molasses is recognized upon transfer of molasses warehouse receipts.

*Revenue from tolling services*

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

*Farm income*

Farm income is recognized when the related service is rendered.

*Interest income*

Interest income on cash in banks and other short term investments is recognized on a time proportion basis using the effective interest rate method.

Other Comprehensive Income

Other comprehensive income 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.

Cost and Expenses

*Cost of goods sold*

Cost of goods sold include direct materials and labor costs, and those related indirect cost incurred. It is recognized as expense when related goods are sold.

*Selling, general and administrative expenses*

Selling expenses are costs incurred to sell or distribute goods. General and administrative expenses constitute costs of administering the business. These costs are expensed when incurred.

Employee Benefits

The Company and its subsidiaries have individual and separate defined benefit plan in accordance with local conditions and practices in the Philippines. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plans are generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

*Pension plan asset*

The assets of the Group recognized in the consolidated balance sheet in respect of defined benefit pension plans is the lower of (a) the excess of the fair value of plan assets over the present value of the defined benefit obligation at the end of reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In cases when the amount determined results in a surplus (being the excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Group measures the resulting asset at (a) the lower of the excess of the fair value of plan assets over the present value of the defined benefit obligation at the end of reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Plan assets represent assets that: (a) are held by an entity (a fund) that is legally separate from the Group; (b) are available to be used only to pay or fund employees benefits; and (c) are not available to the Group's own creditors, and cannot be returned to the Group unless: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the Group; or (ii) the assets are returned to the Group to reimburse it for employee benefits already paid.

*Pension costs and obligations*

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of reporting period less the fair value of plan assets, together with adjustments for actuarial gains and losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of debt securities that are denominated in Peso (currency in which the benefits will be paid) and that have terms to maturity approximating the terms of the related pension liability.

Pension costs are actuarially determined using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the present value of defined benefit obligation and the fair value of plan assets at that date.

These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs are recognized immediately in income, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

*Termination benefits*

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

Borrowing Costs

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

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 are complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

Debt arrangement fees relating to the drawn amount are amortized using 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 straight-line method. Amortization of debt arrangement fees is recognized as interest expense and presented in the consolidated statement of income.

### Leases

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

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

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

Contingent rent is recognized as income or expense in the periods in which they are earned or incurred.

### Provisions and Contingencies

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

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

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

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

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

### Foreign Currency-Denominated Transactions and Translations

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

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are



translated using the closing rate of exchange at the end of reporting period. Foreign exchange differences are credited or charged directly in the consolidated statement of income.

### Income Taxes

#### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates 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 income tax is provided, using the balance sheet liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income 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 income 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 income tax assets is reviewed at the end of each reporting period 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 income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at the end of each reporting period 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 income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

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

### Related Party Relationships 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

Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary or common shares purchased by the Company and held as treasury shares. Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the dilutive potential ordinary shares into ordinary shares. The Company has no dilutive potential ordinary shares.

#### Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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

The preparation of the consolidated financial statements in accordance with PFRS 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 they 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:

#### Judgments

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

#### *Determination of the Company's functional currency*

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency is determined to be Peso. Also, it is the currency of the primary economic environment in which its subsidiaries and associate operate.

#### *Determination if control exists in an investee company*

Control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Management has determined that despite only having 50% ownership in RPC, it has control by virtue of its power to cast the majority votes at meetings of the BOD and control of the entity is by that BOD.

#### *Classification of financial instruments*

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

The classifications of the various financial assets and financial liabilities of the Group are disclosed in Note 27. The aggregate carrying value of the Group's financial assets and financial liabilities amounted to ₱790.6 million and ₱9,693.2 million as of September 30, 2011, ₱997.1 million and ₱10,363.6 million as of June 30, 2011, and ₱969.5 million and ₱8,735.3 million, respectively, as of June 30, 2010 (see Note 27).

#### *Classification of leases*

Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the assets held for lease are retained by the Group. Lease contracts which the Group retains substantially all the risks and rewards incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases. The Group, as a lessee, has entered into property leases where it has determined that the risks and rewards related to those properties are retained with the lessors. As such, these lease agreements are accounted for as operating lease.

#### *Classification of property held for lease*

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 property. The change of use of properties will trigger a change in classification and accounting of these properties.

The Group classified and accounted for its agricultural property amounting to ₱170.4 million as investment property as of September 30, 2011 due to the change in use from owner-occupied previously used in farm operations by NAVI to farm land rental (see Note 10).

#### *Determination of provisions*

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. No provision is deemed necessary as of September 30, 2011 and June 30, 2011 and 2010.

#### *Evaluation of contingencies*

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 these cases, the Group believes that it does not have a present obligation arising from a past event and/or the likely outcome and estimated potential cash outflow cannot be reasonably determined as of this time. As such, no provision was made for these contingencies as of September 30, 2011 and June 30, 2011 and 2010 (see Note 17).

#### *Evaluation of events after the reporting period*

Management exercises judgment in determining whether an event, favorable or unfavorable occurring between the end of the reporting period and the date when the financial statements are

authorized for issue, is an adjusting event or nonadjusting event. Adjusting events provide evidence of conditions that existed at the end of the reporting period whereas nonadjusting events are events that are indicative of conditions that arose after the reporting period.

As discussed in Note 1, the Group obtained from creditor banks waivers of breach of covenant in October and December 2011 and January 2012. The waivers obtained were determined to be nonadjusting events in accordance with PAS 10, *Events after the Reporting Period*, since these events do not provide evidence of conditions existing as at September 30, 2011. These were accordingly disclosed in Notes 1 and 14.

#### Estimates and Assumptions

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

#### *Determination of provision for impairment of receivables*

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

As of September 30, 2011 and June 30, 2011 and 2010, the Group's receivables amounted to ₱558.9 million, ₱662.3 million and ₱832.8 million, net of allowance for impairment of receivables of ₱21.2 million, ₱21.2 million and ₱20.6 million, respectively (see Note 5).

#### *Determination of NRV of inventories*

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

As of September 30, 2011 and June 30, 2011 and 2010, the Group's inventories carried at NRV amounted to ₱1,570.0 million, ₱2,376.4 million and ₱1,121.5 million, respectively (see Note 6).

#### *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.

Portion of molasses inventory amounting to ₱28.9 million, ₱47.0 million and ₱25.3 million pertains to allocated cost from the total production costs of milled raw and refined sugar as of September 30, 2011 and June 30, 2011 and 2010, respectively (see Note 6).

*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.

As of September 30, 2011 and June 30, 2011 and 2010, the Group's creditable withholding taxes amounted to ₱153.5 million, ₱146.8 million and ₱84.3 million, net of allowance for losses amounting to ₱12.4 million, ₱10.2 million and ₱13.7 million, respectively (see Note 7).

*Valuation of land under revaluation basis*

The Group's land is carried at revalued amount, which approximate its fair value at the date of the revaluation, less any accumulated impairment losses. The valuation of land is performed by professionally qualified independent appraisers. The fair value was arrived at using the Market Data Approach for land based on the 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 reporting period. Land carried at revalued amounts as of September 30, 2011 and June 30, 2011 and 2010 amounted to ₱2,543.7 million, ₱2,714.1 million and ₱2,485.0 million, respectively (see Note 9).

The resulting increase in the valuation of these assets based on the 2011, 2008 and 2006 valuations is presented under "Revaluation increment on properties", net of the related deferred income tax effect and "Share in revaluation increment on land of an associate", net of the related deferred income tax effect in the equity section of the consolidated balance sheets 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.

The total carrying value of the Group's depreciable property, plant and equipment as of September 30, 2011 and June 30, 2011 and 2010 amounted to ₱8,893.1 million, ₱7,889.2 million and ₱5,750.1 million, respectively (see Note 9). There was no change in the useful lives of the property, plant and equipment for the three months ended September 30, 2011 and years ended June 30, 2011 and 2010.

*Determination of fair value of the investment property*

The fair value of the investment property 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 shall be based on cash or its equivalent consideration.

Investment property stated at fair value amounted to ₱170.4 million as of September 30, 2011 (See Note 10).

*Impairment of nonfinancial assets*

The Group assesses at each reporting date whether there is any indication that a property, plant and equipment and investment in shares of stock of an associate may be impaired. If such indication exists, the entity shall estimate 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. Estimating the value-in-use requires the Group 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. The Group determined that the carrying values of property, plant and equipment and investment in shares of stock of an associate are recoverable.

The total carrying value of the Group's property, plant and equipment as of September 30, 2011 and June 30, 2011 and 2010 amounted to ₱11,488.1 million, ₱11,847.2 million and ₱11,782.2 million, respectively (see Note 9). The carrying value of the Group's investment in share of stock of an associate amounted to ₱685.9 million, ₱703.9 million and ₱618.3 million as of September 30, 2011 and June 30, 2011 and 2010, respectively (see Note 8).

*Estimation of retirement benefits*

The determination of the obligation and cost for pension and other 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 16 and include, among others, discount rate, expected rates of return on plan assets and rate of salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. Net pension plan assets as of September 30, 2011 and June 30, 2011 and 2010 amounted to ₱127.7 million, ₱131.1 million and ₱140.5 million, respectively. On the other hand, net pension benefit obligation as of June 30, 2011 and 2010 amounted to ₱1.2 million and ₱41.1 million, respectively. There is no net pension obligation as of September 30, 2011. Pension costs amounted to ₱12.9 million, ₱51.7 million, ₱75.9 million and ₱62.1 million for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively (see Note 16).

*Recognition of deferred income tax assets*

The Group reviews the carrying amounts at the end of each reporting period and reduces the amount of deferred income 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 has recognized deferred income tax assets on a portion of deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to ₱101.0 million, ₱110.4 million and ₱117.4 million as of September 30, 2011 and June 30, 2011 and 2010, respectively (see Note 23). No deferred income tax assets were recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱408.2 million, ₱211.0 million and ₱11.8 million as of September 30, 2011 and June 30, 2011 and 2010, respectively, as management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred income tax assets can be utilized.

#### 4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	September 30,	June 30	
	2011	2011	2010
		<i>(In Thousands)</i>	
Cash on hand and in banks	₱318,756	₱238,788	₱176,827
Short-term placements	-	130,000	-
	<b>₱318,756</b>	<b>₱368,788</b>	<b>₱176,827</b>

Short-term placements earn interest per annum of 1.3% for the three months ended September 30, 2011 and year ended June 30, 2011, respectively, and 1.3% to 2.5% and 1.5% to 3.0% for the years ended June 30, 2010 and 2009, respectively. The average maturity of these placements is one day to 60 days. Interest income earned on cash in banks and short-term placements amounted to ₱0.9 million for the three months ended September 30, 2011 and ₱5.4 million, ₱5.7 million and ₱7.4 million for the years ended June 30, 2011, 2010 and 2009, respectively.

#### 5. Receivables

Receivables consist of:

	September 30,	June 30	
	2011	2011	2010
		<i>(In Thousands)</i>	
Trade	₱334,571	₱518,518	₱681,216
Due from:			
Related parties (Note 15)	51,597	50,427	49,022
Employees	39,115	40,572	38,762
Planters and cane haulers	85,151	26,497	38,547
Others	69,687	47,582	45,897
	<b>580,121</b>	<b>683,596</b>	<b>853,444</b>
Less allowance for impairment	21,249	21,247	20,644
	<b>₱558,872</b>	<b>₱662,349</b>	<b>₱832,800</b>

Due from employees include noninterest-bearing salary, housing and educational loans that are collected through salary deduction.

Other receivables include deposits to suppliers and contractors, other employee housing loans and other nontrade receivables. Other employee housing loans pertain to outstanding receivable from the 2002 sale of a portion of the Company's land in Barrio Bilaran, Nasugbu, Batangas to its employees. Due to the Reorganization Program discussed in Note 1, the employees were transferred to CADPI, whereas, the receivable remained with the Company. These loans bear annual interest of 12% and are payable over 10 years until 2012. As of September 30, 2011 and June 30, 2011 and 2010, current portion of these receivables amounted to ₱1.8 million, ₱2.6 million and ₱3.3 million, net of unearned interest income, amounting to ₱0.5 million, ₱0.7 million and ₱0.8 million, respectively.

Noncurrent portion of the loans to CADPI employees as of June 30, 2010 amounting to ₱3.2 million, net of unearned interest income of ₱2.2 million, is presented under "Other noncurrent assets" account in the consolidated balance sheets.

Details and movement of allowance for impairment of receivables, determined using specific assessment, follow:

	June 30, 2009	Additions (Note 20)	Write-offs	June 30, 2010	Additions (Note 20)	June 30, 2011	Additions (Note 20)	September 30, 2011
	<i>(In Thousands)</i>							
Trade	₱6,732	₱-	(₱3,817)	₱2,915	₱537	₱3,452	₱-	₱3,452
Due from planters and cane haulers	6,144	1,891	-	8,035	-	8,035	-	8,035
Due from employees	1,276	-	-	1,276	66	1,342	-	1,342
Others	9,741	150	(1,473)	8,418	-	8,418	2	8,420
	₱23,893	2,041	(₱5,290)	₱20,644	₱603	₱21,247	₱2	₱21,249

## 6. Inventories

Inventories consist of:

	September 30, 2011	June 30 2011	June 30 2010
	<i>(In Thousands)</i>		
At cost:			
Refined sugar	₱55,825	₱251,804	₱732,092
Materials in transit	13,280	8,910	19,532
At NRV:			
Raw sugar	1,037,443	1,797,287	584,076
Molasses	48,984	129,838	135,025
Alcohol	149,911	85,438	21,278
Materials and supplies	333,634	363,833	381,134
	₱1,639,077	₱2,637,110	₱1,873,137

Details and movements of allowances for inventory losses as of June 30 follow:

	Raw Sugar, Alcohol and Molasses			Materials and Supplies		
	September 30, 2011	June 30 2011	June 30 2010	September 30, 2011	June 30 2011	June 30 2010
	<i>(In Thousands)</i>					
Beginning	₱364,556	₱-	₱21,995	₱29,261	₱29,116	₱30,976
Provisions	49,813	364,556	12,365	28,981	5,572	2,685
Recovery	-	-	(2,601)	-	-	-
Reversal/write-offs	(325,624)	-	(31,759)	(1,070)	(5,427)	(4,545)
Ending	₱88,745	₱364,556	₱-	₱57,172	₱29,261	₱29,116

Reversal of the allowance for three months ended September 30, 2011 and year ended June 30, 2010 amounting to ₱325.6 million and ₱31.8 million, respectively, was due to the sale and disposal of these inventories during the said periods. The recovery of inventory losses of raw sugar in fiscal year 2010 pertain to the increase in the net realizable value of inventory attributed to higher selling price.

Cost of inventories recognized as expense and included in "Cost of goods sold" amounted to ₱1,292.6 million, ₱4,923.3 million, ₱3,071.3 million and ₱3,118.7 million for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively (see Note 19).



## 7. Prepayments and Other Current Assets

Prepayments and other current assets consist of:

	September 30,	June 30	
	2011	2011	2010
	<i>(In Thousands)</i>		
Input VAT and other prepaid taxes	P137,155	P129,244	P111,390
Creditable withholding taxes, net of allowance for impairment of P12.4 million as of September 30, 2011, P10.2 million as of June 30, 2011 and P13.7 million as of June 30, 2010 (Note 20)	153,542	146,787	84,267
Others	41,396	56,582	33,460
	<b>P332,093</b>	<b>P332,613</b>	<b>P229,117</b>

Input VAT arises from purchases of equipment and services relating to the Expansion Project and RBC Ethanol Plant construction (see Note 9).

Other current assets consist of deposit to suppliers for purchase of fuel for the Group's ethanol production as of September 30, 2011 and June 30, 2011 and unharvested crops as of June 30, 2010.

## 8. Investment in Shares of Stock of an Associate

Details of the investment in HPCo, 45.09%-owned associate, and incorporated in the Philippines, follow:

	September 30,	June 30	
	2011	2011	2010
	<i>(In Thousands)</i>		
Acquisition cost	P127,933	P127,933	P127,933
Accumulated equity in net earnings:			
Beginning of the period	368,501	282,897	222,007
Equity in net earnings (loss) for the period	(17,982)	176,964	132,263
	350,519	459,861	354,270
Less dividend received	-	91,360	71,373
End of the period	350,519	368,501	282,897
Share in revaluation increment	207,492	207,492	207,492
	<b>P685,944</b>	<b>P703,926</b>	<b>P618,322</b>

HPCo is primarily engaged in the manufacturing and trading of raw and refined sugar, molasses and other sugar by-products.

The summarized financial information of HPCo as of and for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009 are as follows:

	September 30, 2011	June 30 2011	2010	2009
	<i>(In Thousands)</i>			
Current assets	₱490,319	₱644,003	₱527,255	₱433,880
Noncurrent assets	949,780	934,455	800,414	750,103
Current liabilities	204,798	341,961	319,204	305,953
Noncurrent liabilities	125,800	130,500	92,044	96,435
Net assets	1,109,501	1,105,997	916,421	781,595
Revenue	447,949	1,730,207	1,720,225	1,567,874
Net income	(39,882)	392,469	293,331	176,457

## 9. Property, Plant and Equipment

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

September 30, 2011						
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
	<i>(In Thousands)</i>					
<b>Cost</b>						
Beginning balances	₱2,536,461	₱10,978,436	₱32,935	₱76,852	₱1,243,966	₱14,868,650
Additions	3	-	-	-	8,560	8,563
Retirement/disposals	(5,837)	(114,401)	-	(14,795)	-	(135,033)
Reclassification	221,905	974,089	-	5,252	(1,201,246)	-
Ending balances	2,752,532	11,838,124	32,935	67,309	51,280	14,742,180
<b>Accumulated Depreciation</b>						
Beginning balances	827,215	4,832,257	16,146	59,907	-	5,735,525
Depreciation	28,598	136,822	1,287	3,728	-	170,435
Retirement/disposals	(3,143)	(93,592)	-	(11,468)	-	(108,203)
Ending balances	852,670	4,875,487	17,433	52,167	-	5,797,757
<b>Net Book Value</b>	<b>₱1,899,862</b>	<b>₱6,962,637</b>	<b>₱15,502</b>	<b>₱15,142</b>	<b>₱51,280</b>	<b>₱8,944,423</b>
June 30, 2011						
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
	<i>(In Thousands)</i>					
<b>Cost</b>						
Beginning balances	₱2,041,095	₱8,808,688	₱32,935	₱68,670	₱3,547,117	₱14,498,505
Additions	15,730	42,554	-	3,004	332,325	393,613
Disposals	-	(21,617)	-	(1,851)	-	(23,468)
Reclassification	479,636	2,148,811	-	7,029	(2,635,476)	-
Ending balances	2,536,461	10,978,436	32,935	76,852	1,243,966	14,868,650
<b>Accumulated Depreciation</b>						
Beginning balances	736,361	4,399,554	11,000	54,353	-	5,201,268
Depreciation	90,854	443,589	5,146	7,405	-	546,994
Disposals	-	(10,886)	-	(1,851)	-	(12,737)
Ending balances	827,215	4,832,257	16,146	59,907	-	5,735,525
<b>Net Book Value</b>	<b>₱1,709,246</b>	<b>₱6,146,179</b>	<b>₱16,789</b>	<b>₱16,945</b>	<b>₱1,243,966</b>	<b>₱9,133,125</b>



June 30, 2010						
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
<i>(In Thousands)</i>						
<b>Cost</b>						
Beginning balances	₱1,224,798	₱5,165,361	₱123,144	₱605,646	₱ 4,967,334	₱12,086,283
Additions	129,408	1,346,670	23,597	267,563	797,146	2,564,384
Disposals	-	(10,820)	(118,449)	(982)	-	(130,251)
Reclassification	686,889	2,307,477	4,643	(803,557)	(2,217,363)	(21,911)
Ending balances	2,041,095	8,808,688	32,935	68,670	3,547,117	14,498,505
<b>Accumulated Depreciation</b>						
Beginning balances	697,442	3,607,310	121,326	515,494	-	4,941,572
Depreciation	67,037	321,051	8,066	10,871	-	407,025
Disposals	-	(6,748)	(118,030)	(640)	-	(125,418)
Reclassification	(28,118)	477,941	(362)	(471,372)	-	(21,911)
Ending balances	736,361	4,399,554	11,000	54,353	-	5,201,268
<b>Net Book Value</b>	<b>₱1,304,734</b>	<b>₱4,409,134</b>	<b>₱21,935</b>	<b>₱14,317</b>	<b>₱3,547,117</b>	<b>₱9,297,237</b>

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

	September 30, 2011	June 30 2011	June 30 2010
<i>(In Thousands)</i>			
Beginning balance at appraisal values	₱2,714,110	₱2,485,001	₱2,517,660
Additions	-	-	26,097
Revaluation increase (decrease)	-	229,109	(58,756)
Transfer to investment property (Note 10)	(170,391)	-	-
Ending balance at appraisal values	₱2,543,719	₱2,714,110	₱2,485,001
At cost	₱48,847	₱58,715	₱58,715

a. Construction in progress

Construction in progress as of September 30, 2011 and June 30, 2011 pertains mainly to the construction of bioethanol plant. Uncompleted projects as of June 30, 2010 pertain mainly to the milling plant improvement project, refinery plant installation of sieving facilities, as well as the construction of the bioethanol plant and improvement of waste and pollution facilities of the Group.

*Milling plant improvement project (the Expansion Project)*

With the intent of improving its revenue generating capability, the Group purchased second-hand mills and related equipment in August 2007 and March 2008.

The Group obtained short and long-term borrowings from various local banks to finance the Expansion Project, which was substantially completed in fiscal year 2011 (see Notes 11 and 14).

*RBC Plant Construction Project*

On June 27, 2008, in line with the Group Expansion Project, RBC entered into an agreement to construct its bioethanol plant in La Carlota City, Negros Occidental for a total contracted



amount of US\$20.8 million. As of June 30, 2011 and 2010, the balance in the construction in progress relating to RBC plant amounted to ₱1,173.6 million and ₱1,202.2 million, respectively. RBC has started operating the plant during the three months ended September 30, 2011. RBC reclassified its construction in progress amounting to ₱1,173.9 million in September 2011.

*Capitalization of borrowing costs*

Interests from short and long-term borrowings amounting to ₱43.8 million, ₱174.6 million, ₱277.9 million for the years ended June 30, 2011, 2010 and 2009, respectively, incurred to finance the Expansion Project were capitalized to property, plant and equipment. No capitalization of interest was made for the three months ended September 30, 2011. The Group amortizes such capitalized interest over the useful life of the qualifying asset to which it relates. Unamortized capitalized interest as of September 30, 2011 and June 30, 2011 and 2010 amounted to ₱477.0 million, ₱487.7 million and ₱524.2 million with corresponding deferred income tax liability of ₱143.1 million, ₱146.3 million and ₱157.2 million, respectively (see Note 23). The rates used to determine the amount of borrowing costs eligible for capitalization were 7.1% and 8.8% for the years ended June 30, 2011 and 2010, respectively, which are the average effective interest rates of the borrowings.

*Noncash additions to property, plant and equipment*

The Group has outstanding liabilities for purchase of equipment relating to the Expansion Project and RBC Plant construction amounting to ₱69.0 million, ₱98.6 million and ₱54.7 million as of September 30, 2011 and June 30, 2011 and 2010, respectively.

b. Depreciation

Depreciation charged to operations are as follows:

	September 30, 2011 (Three Months)	2011 (One Year)	June 30 2010 (One Year)	2009 (One Year)
	<i>(In Thousands)</i>			
Cost of goods sold (Note 19)	₱157,538	₱525,964	₱381,961	₱274,204
General and administrative expenses (Note 20)	12,897	21,030	25,064	30,222
	<b>₱170,435</b>	<b>₱546,994</b>	<b>₱407,025</b>	<b>₱304,426</b>

As of September 30, 2011 and June 30, 2011 and 2010, fully depreciated property, plant and equipment with an aggregate cost of ₱1,722.8 million, ₱1,691.3 million and ₱1,400.6 million, respectively, are still being used in operations.

c. Property, plant and equipment as collateral

Some property, plant and equipment of the Group are mortgaged to secure the Group's loan obligations with creditor banks (see Note 14).

**10. Investment Property**

On December 22, 2010, NAVI entered into a memorandum of agreement with an agricultural company for the lease of NAVI's agricultural land effective July 1, 2011 until fiscal year ending September 30, 2015. The lessee shall deliver to NAVI its share in sugar production in the amount



of 18 50-kilogram (Lkg) bags of raw sugar per hectare of plantable area per annum. As a result, NAVI ceased its farm operations in crop year ended June 30, 2011. The land property previously used for NAVI farm operations was reclassified to investment property effective July 1, 2011.

As of September 30, 2011, the fair value of the investment property amounting to ₱170.4 million is based on the appraised value of the property using a market comparison approach, as determined by a professionally qualified independent appraiser. There was no movement in fair value of the investment property for the three months ended September 30, 2011.

## 11. Short-term Borrowings

At various dates in the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, CACI, CADPI and RBC obtained unsecured short-term loans from various local banks to meet their working capital requirements. The loans, which are payable in lump sum on various dates, are subject to annual interest rates ranging from 4.0% to 6.5%, 4.5% to 6.0%, 4.7% to 7.0% and 5.0% to 9.8% and have terms ranging from 29 to 32 days, 29 to 90 days, 29 to 32 days and 30 to 32 days for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively.

As of September 30, 2011 and June 30, 2011 and 2010, the balance of the short-term loans amounted to ₱2,738.0 million, ₱3,220.0 million and ₱2,449.9 million, respectively.

Total interest expense recognized from short-term borrowings amounted to ₱69.8 million, ₱123.4 million, ₱159.3 million and ₱76.4 million for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively, net of capitalized amounts of ₱43.8 million, ₱42.0 million and ₱36.0 million for the years ended June 30, 2011, 2010 and 2009, respectively (see Note 9).

## 12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	September 30, 2011	June 30	
		2011	2010
		<i>(In Thousands)</i>	
Trade suppliers	₱84,003	₱47,139	₱131,488
Accrued expenses:			
Interest (Notes 11 and 14)	95,863	65,687	80,999
Contractors	4,055	5,428	27,800
Outside services	1,515	1,447	17,738
Payroll and other benefits	37,404	14,468	9,834
Purchases and others	89,704	87,078	64,119
Retention payable	45,357	91,147	15,952
Due to planters	13,633	15,242	18,857
Payable to government agencies for taxes and contributions	82,101	50,934	73,681
Payable to retirement fund (Note 15)	-	-	58,555
Others	140,680	156,580	109,650
	<b>₱594,315</b>	<b>₱535,150</b>	<b>₱608,673</b>



Other payables include liabilities to third parties for sugar liens, and other related fees, and purchases of equipment relating to the Expansion Project (see Note 9).

### 13. Customers' Deposits

Customers' deposits represent noninterest-bearing cash deposits from buyers of the Group's sugar and molasses. These deposits will be applied against future deliveries of sugar and molasses which are expected to be completed in the next 12 months. Customers' deposits amounted to ₱153.5 million, ₱114.8 million and ₱123.1 million as of September 30, 2011 and June 30, 2011 and 2010, respectively (see Note 17).

### 14. Long-term Borrowings

Long-term borrowings consist of:

	September 30, 2011	June 30	
		2011	2010
		<i>(In Thousands)</i>	
Banco de Oro Unibank, Inc (BDO)	₱4,530,413	₱4,695,000	₱3,770,000
Syndicated Loan Agreement:			
Bank of the Philippine Island (BPI)	931,035	965,517	1,000,000
Rizal Commercial Banking Corporation (RCBC)	465,517	482,759	500,000
BPI - Asset Management and Trust Group (AMTG)	500,000	500,000	500,000
	<u>6,426,965</u>	<u>6,643,276</u>	<u>5,770,000</u>
Unamortized debt arrangement fees	-	-	(35,692)
	6,426,965	6,643,276	5,734,308
Current portion	(827,683)	(818,527)	(51,724)
Noncurrent portion presented as current	(5,599,282)	(5,824,749)	-
	<u>₱-</u>	<u>₱-</u>	<u>₱5,682,584</u>

On February 8, 2008, RHI signed the long-term and short-term loan facility with BDO for an aggregate amount of ₱6,189.0 million. The principal amount of debt accommodation is shared by RHI and CADPI/CACI amounting to ₱1,570.0 million and ₱4,619.0 million, respectively. In addition, on February 14, 2008, CADPI and CACI entered into a Syndicated Loan Agreement with BPI and RCBC (with BPI as the lead bank) for a total credit line of ₱1,500.0 million. On the same date, CADPI also signed a loan facility with BPI-AMTG amounting to ₱500.0 million. On March 12, 2008, CADPI and CACI signed an amendment to the Syndicated Loan Agreement and loan facility with BPI-AMTG clarifying certain provisions of the original agreements.

#### RHI

On May 5, 2008, RHI availed loans from BDO amounting to ₱143.3 million to finance its Shares Buy Back Program. The principal of the loan is payable quarterly starting on the 4th year of the 10-year term.

Short-term loans availed from BDO on May 5, 2008 and October 29, 2008 amounting to ₱400.0 million and ₱175.0 million, respectively, were replaced by long-term borrowings. As such, the principal of the loan will be payable quarterly starting on the 4th year of the original 10-year term.



The original interest rates of the long-term loans are subject to quarterly repricing as agreed by the parties. In fiscal year 2010, the Company exercised its option to fix the quarterly interest rate of the loans at 8.93% beginning August 5, 2009 until the end of the loan terms. On January 31, 2011, RHI, CADPI and CACI entered into an agreement with BDO for the interest rate reduction on long-term loans to 6.5%, subject to certain conditions.

In August 2011, RHI paid loans from BDO amounting to ₱31.4 million.

#### CADPI

On February 14, 2008, CADPI entered into a loan agreement with BPI-AMTG to avail loans in two tranches with an aggregate principal amount of ₱500.0 million. Tranche "A" of the loan amounting to ₱300.0 million bears fixed annual interest of 7.97% and payable on the 5th anniversary date of the borrowing. On the other hand, Tranche "B" of the loan amounting to ₱200.0 million bears fixed annual interest of 8.36% and payable on an installment basis, ₱2.0 million on the 5th and 6th anniversary date of the borrowing and the balance on the 7th anniversary date of the borrowing.

On May 5, 2008, CADPI availed loans from BPI, RCBC and BDO amounting to ₱167.2 million, ₱83.6 million and ₱365.9 million, respectively, which bear fixed annual interest rates subject to quarterly repricing. Loans availed are with 10-year terms and will all mature on May 5, 2018.

On October 29, 2008, additional loans were availed by CADPI from BDO, BPI and RCBC amounting to ₱459.0 million, ₱143.6 million and ₱71.4 million, respectively, with interest rates subject to quarterly repricing as agreed by the parties.

In fiscal year 2010, CADPI also exercised its option to fix the quarterly interest rates of its floating rate loans availed in May 2008 and October 2008. Interest rates were fixed to 8.79% for BPI loans and 8.93% for BDO and RCBC loans, which became effective beginning August 5, 2009 until the end of the loan terms.

On February 12, 2010, CADPI availed additional loans from the undrawn portion of the total credit facility from BPI, BDO and RCBC amounting to ₱329.3 million, ₱1,050.5 million and ₱166.2 million, respectively. Loans availed from BPI and RCBC with fixed interest rates of 8.70% and 8.84%, respectively, are payable in 29 equal quarterly installments beginning May 2011. Loans availed from BDO carry fixed interest rate of 8.84% and are payable in 28 monthly installments beginning August 5, 2011.

In May 2011, CADPI paid loans from BPI and RCBC amounting to ₱22.1 million and ₱11.1 million, respectively. In August 2011, CADPI paid loans from BDO, BPI and RCBC amounting to ₱81.7 million, ₱22.1 million and ₱11.1 million, respectively.

#### CACI

On May 5, 2008, CACI availed loans from BPI, BDO and RCBC amounting to ₱129.8 million, ₱395.3 million and ₱64.9 million, respectively, with interest rates subject to quarterly repricing. Loans availed are with 10-year terms and payable in 29 and 28 quarterly installments beginning May 2011 for BPI and RCBC and August 2011 for BDO, respectively.

In fiscal year 2010, CACI exercised its option to fix the quarterly interest rates of its floating rate loans. Interest rates were fixed to 8.79% for BPI loans and 8.93% for BDO and RCBC beginning August 5, 2009 until the end of the loan terms.



On August 12, 2009, CACI availed additional loans from BPI and RCBC amounting to ₱230.2 million and ₱113.9 million, respectively. On August 10, 2009, CACI also obtained additional loan from BDO amounting to ₱781.0 million. Loans availed from BPI and RCBC with fixed interest rates of 8.74% and 8.88%, respectively, are payable in 29 equal quarterly installments beginning May 2011. Loans availed from BDO, on the other hand, carry fixed interest rate of 8.94% and are payable in 28 quarterly installments beginning August 5, 2011.

In May 2011, CACI paid loans from BPI and RCBC amounting to ₱12.4 million and ₱6.2 million, respectively. In August 2011, CACI paid loans from BDO, BPI and RCBC amounting to ₱51.5 million, ₱12.4 million and ₱6.2 million, respectively.

#### RBC

On June 17, 2011, RBC availed long-term loan with BDO amounting to ₱925.0 million to finance working capital requirements. Loan availed carries quarterly repricing interest rate and is payable quarterly starting on the 3rd year of the 10-year term from drawdown date.

#### *Debt arrangement fees*

As part of the Syndicated Loan Agreement with BPI/RCBC, the Group incurred debt arrangement fees amounting to ₱59.4 million in 2008. Amortization of debt arrangement fees included under interest expense amounted to ₱35.7 million, ₱3.4 million and ₱1.3 million for the years ended June 30, 2011, 2010 and 2009, respectively. As of June 30, 2010, unamortized debt arrangement fees, which are presented as deduction from long-term loans, amounted to ₱35.7 million.

#### *Borrowing costs*

Interests from long-term borrowings recognized as expense amounted to ₱113.3 million, ₱491.1 million, ₱160.2 million and ₱56.9 million for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively, net of capitalized amounts of ₱136.6 million and ₱241.9 million for the years ended June 30, 2010 and 2009, respectively.

#### *Suretyship agreement, mortgage trust indenture and debt covenants*

In relation with the BDO Loan Facility executed on February 8, 2008, RHI, CADPI and CACI, entered into a Continuing Suretyship Agreement with BDO. Under this Agreement, BDO shall have the right to set-off the secured obligations in solidarity against all the borrowers' properties.

On February 14, 2008, RHI, CADPI, CACI and RBC, entered into a separate suretyship agreement arising out of the Syndicated Loan Agreement which warrants the due and faithful performance by the borrowers of all obligations due to the creditor banks, BPI and RCBC. The suretyship shall remain in full force and effect until full and due payment of the indebtedness under the Syndicated Loan Agreement. In addition, all liens of the creditor banks shall have rights of set-off in solidarity against the borrower's properties.

Further in 2009, RHI, CADPI and CACI executed a Mortgage Trust Indenture (MTI) to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in: (a) Nasugbu, Batangas which consist mainly of RHI's land and CADPI's properties with an aggregate carrying value of ₱2.1 billion and ₱4.2 billion, respectively, as of September 30, 2011; and (b) CACI's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱3.8 billion as of September 30, 2011.

In 2011, RBC executed an MTI to secure the loans obtained from BDO. The MTI covers RBC's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱1.5 billion as of September 30, 2011.





*Loan covenants*

The above loan agreements are subject to certain covenants such as but not limited to:

- maintenance of 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, unless the required financial ratios are maintained.

As a result of the significant drop in sugar prices in the last quarter of fiscal year 2011, among other factors, as discussed in Note 1, the Group incurred losses on the disposal of sugar inventories. In fiscal year ended June 30, 2011 and three months ended September 30, 2011, the Group did not meet the minimum DSCR required under the long-term loan agreements with certain creditor banks, which constitutes an event of default on such loans. In view of this, the noncurrent portion of long-term debt amounting to ₱5.6 billion and ₱5.8 billion is presented as current liabilities as of September 30, 2011 and June 30, 2011, respectively.

As discussed in Notes 1 and 3, in September and October 2011, the Group obtained from the creditor banks a waiver of breach of covenant on the DSCR covering fiscal year ended June 30, 2011 and interim period ended September 30, 2011. In December 2011 and January 2012, a similar waiver was obtained by the Group from these creditor banks covering the period October 2011 to September 2012. The Group continues to present the noncurrent portion of long-term debt amounting to ₱5.6 billion as current as of September 30, 2011 since the Group does not have an unconditional right to defer settlement for at least 12 months from September 30, 2011.

As of June 30, 2010, the Group is in compliance with these loan covenants.

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

	September 30, 2011	June 30 2011	June 30 2010
		<i>(In Thousands)</i>	
Less than one year	₱6,426,965	₱6,643,276	₱51,724
Between one and two years	-	-	745,468
Between two and five years	-	-	2,736,404
Over five years	-	-	2,200,712
	<b>₱6,426,965</b>	<b>₱6,643,276</b>	<b>₱5,734,308</b>

## 15. Related Party Transactions

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

- a. As of September 30, 2011 and June 30, 2011 and 2010, the Group's outstanding due from RCI amounted to ₱51.6 million, ₱50.4 million and ₱49.0 million, respectively. RHI granted the advances to RCI in 2009 which were used to defray cost and expenses relating to the restructuring activities undertaken by the Group during the year.
- b. As of September 30, 2011 and June 30, 2011 and 2010, the Company as a lessee, has a one-year lease agreement with CADP Retirement Fund, Inc. (CADPRFI), which is renewable annually at the option of the Company, CADPI and CACI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted to



₱0.2 million, ₱1.0 million, ₱4.0 million and ₱3.0 million for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively.

c. Key management compensation for the years ended June 30 follows:

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
	<i>(In Thousands)</i>			
Salaries and wages	₱8,254	₱35,802	₱32,128	₱33,129
Employee and other benefits	2,063	9,558	8,230	-
	<b>₱10,317</b>	<b>₱45,360</b>	<b>₱40,358</b>	<b>₱33,129</b>

There are no other long-term benefits, termination benefits and share-based payment.

## 16. Retirement Benefit Plans

### Net Pension Plan Assets

The Company maintains an individual and separately funded, non-contributory defined benefit plan (the Plan) covering all eligible employees. Under the Plan, the normal retirement age is 65. A participant may opt to retire at age 60 or after rendering 20 years of continuous service. Retirement benefit for both normal retirements is equivalent to two months average basic salary for each year of service rendered.

The amounts recognized in the consolidated balance sheets, are determined as follows:

	September 30,	June 30	
	2011	2011	2010
	<i>(In Thousands)</i>		
Present value of obligation	₱155,425	₱187,874	₱169,899
Fair value of plan assets	231,694	238,896	248,544
Surplus	76,269	51,022	78,645
Unrecognized actuarial loss	51,428	80,076	61,810
Net pension plan assets	<b>₱127,697</b>	<b>₱131,098</b>	<b>₱140,455</b>

Plan assets cannot be returned to RHI unless on circumstances discussed in Note 2. The net pension plan assets as of September 30, 2011 and June 30, 2011 and 2010 amounting to ₱127.7 million, ₱131.1 million and ₱140.5 million, respectively, will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's retained earnings related to pension plan asset, net of deferred income tax effect, is not available for dividend declaration (see Note 24).

The movements in the defined benefit obligation follow:

	September 30,	June 30	
	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>		
Beginning of the period	₱187,874	₱169,899	₱109,142
Current service cost	2,431	9,165	5,893
Interest cost	3,617	14,951	11,350

(Forward)



	September 30,	June 30	
	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>		
Benefits paid	(P38,497)	(P21,252)	P-
Actuarial loss	-	15,111	43,514
End of the period	<b>P155,425</b>	<b>P187,874</b>	<b>P169,899</b>

The movements in the fair value of plan assets are as follows:

	September 30,	June 30	
	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>		
Beginning of the period	<b>P238,896</b>	P248,544	P252,445
Expected return on plan assets	<b>3,583</b>	17,398	15,146
Benefits paid	<b>(38,497)</b>	(21,252)	-
Actuarial gain (loss)	<b>27,712</b>	(5,794)	(19,047)
End of the period	<b>P231,694</b>	<b>P238,896</b>	<b>P248,544</b>

The Company's plan assets consist of:

	September 30, 2011		June 30, 2011		June 30, 2010	
	Percentage	Amount <i>(In Thousands)</i>	Percentage	Amount <i>(In Thousands)</i>	Percentage	Amount <i>(In Thousands)</i>
Stocks and other securities	60%	P139,079	56%	P134,178	54%	P133,276
Government securities	20%	45,637	24%	56,622	20%	48,486
Cash and cash equivalents	20%	45,687	19%	45,634	26%	65,631
Receivables	0%	1,291	1%	2,462	0%	1,151
	<b>100%</b>	<b>P231,694</b>	<b>100%</b>	<b>P238,896</b>	<b>100%</b>	<b>P248,544</b>

The Company has no expected contributions for the fiscal year ending September 30, 2012.

As of September 30, 2011 and June 30, 2011 and 2010, pension plan assets, which are managed by a trustee, include investments in equity securities of RHI with a fair value amounting to P96.2 million, P86.6 million and P89.9 million, respectively.

#### Net Pension Benefit Obligation

CACI maintains a funded, non-contributory defined benefit plan covering all its eligible employees. Under the plan, the normal retirement age is 65 irrespective of years of service. A participant may, at his option, elect to retire or CACI may, at its option, retire any participant at any time after attaining the age of 50 regardless of number of years in service or upon completion of 20 years of continuous service to CACI even if below 50 years of age. Normal and early retirement benefits are equivalent to one month latest salary for every year of service.

CADPI also maintains funded, non-contributory defined benefit plan covering all its regular employees. Under the plan, the normal retirement age is 65 irrespective of years of service. A participant may opt to retire at age 60 regardless of number of years in service or upon completion of 20 years of continuous service to CADPI even if below 60 years of age. Normal retirement benefits consist of an amount equivalent to two times the employee's latest monthly salary multiplied by the number of years of service.



The amounts recognized as net pension benefit obligation in the consolidated balance sheets are determined as follows:

	September 30,	June 30	
	2011	2011	2010
		<i>(In Thousands)</i>	
Present value of obligations	₱421,509	₱445,524	₱423,920
Fair value of plan assets	(356,957)	(387,704)	(334,273)
Deficit	64,552	57,820	89,647
Unrecognized actuarial loss	(64,552)	(56,662)	(48,550)
Net pension benefit obligation	₱-	₱1,158	₱41,097

The movements in the present value of the defined benefit obligation are as follows:

	September 30,	June 30	
	2011	2011	2010
	(Three Months)	(One Year)	(One Year)
		<i>(In Thousands)</i>	
Beginning of the period	₱445,524	₱423,920	₱376,537
Current service cost	5,785	22,248	19,093
Interest cost	9,055	38,890	39,443
Benefits paid	(43,156)	(59,413)	(64,481)
Curtailment gain	-	2,199	-
Actuarial loss	4,301	17,680	53,328
End of the period	₱421,509	₱445,524	₱423,920

The movements in the fair value of plan assets are as follows:

	September 30,	June 30	
	2011	2011	2010
	(Three Months)	(One Year)	(One Year)
		<i>(In Thousands)</i>	
Beginning of the period	₱387,704	₱334,273	₱261,780
Expected return on plan assets	5,953	20,915	16,901
Contributions	10,699	82,277	106,877
Benefits paid	(43,156)	(59,413)	(64,481)
Actuarial gain (loss)	(4,243)	9,652	13,196
End of the period	₱356,957	₱387,704	₱334,273

The subsidiaries' plan assets consist of:

	September 30, 2011		June 30, 2011		June 30, 2010	
	Percentage	Amount <i>(In Thousands)</i>	Percentage	Amount <i>(In Thousands)</i>	Percentage	Amount <i>(In Thousands)</i>
Debt instruments and other securities	67%	₱240,979	59%	₱228,012	57%	₱190,662
Government securities	4%	12,638	3%	12,598	6%	20,583
Cash and cash equivalents	9%	32,428	11%	43,396	12%	40,125
Receivables	20%	71,105	27%	103,872	26%	86,802
	100%	₱356,957	100%	₱387,704	100%	₱334,273



CADPI and CACI are expected to contribute a total of ₱107.0 million to their respective fund for the year ending September 30, 2012.

Pension Costs

The consolidated pension costs recognized follow:

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
		<i>(In Thousands)</i>		
Current service cost	₱8,216	₱31,413	₱24,986	₱23,652
Interest cost	12,672	53,841	50,793	49,574
Return on plan assets	(9,536)	(38,313)	(32,047)	(38,845)
Actuarial loss (gain) recognized	1,591	2,556	(499)	(2,190)
Amortization of net transitional liability	-	-	32,627	32,627
Curtailement loss (gain)	-	2,199	-	(2,704)
	<b>₱12,943</b>	<b>₱51,696</b>	<b>₱75,860</b>	<b>₱62,114</b>

The actual return on plan assets was ₱7.9 million, ₱23.6 million, ₱26.2 million and ₱26.8 million for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively.

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

The principal actuarial assumptions used in determining retirement benefits and gratuities cost for the Group's plans as of July 1 of each year follow:

	June 30			
	2011	2010	2009	2008
Discount rate	7.7% to 8.2%	8.8% to 9.2%	8.5% to 10.7%	10.3%
Expected return on plan assets	5% to 7%	5% to 7%	5% to 7%	7% to 9%
Future salary increases	5%	5%	5%	8%

As of September 30, 2011, the following are the assumptions: discount rate per annum of 7.4% to 8.2%, expected return on plan assets of 5.0% to 7.0%, and future annual increase on salary of 5.0%.

Assumptions regarding future mortality and disability are based on advice from published statistics and experience in the Philippines.

The Group's consolidated amounts for the current period and previous years are as follows:

	September 30,	June 30			
	2011	2011	2010	2009	2008
		<i>(In Thousands)</i>			
Present value of obligations	₱576,934	₱633,398	₱593,819	₱485,679	₱481,678
Plan assets	588,651	626,600	582,817	514,225	477,391
Surplus (deficit)	11,717	(6,798)	(11,002)	28,546	(4,287)
Experience adjustments on plan assets- loss (gain)	-	(12,585)	-	23,005	(4,910)
Experience adjustments on plan obligation gain (loss)	4,301	(23,617)	(25,025)	-	(2,654)



**Transitional Liability**

Upon the Group's adoption of PAS 19 in 2005, CADPI, CACI and NAVI computed their transitional liability for defined benefit plan as of July 1, 2005, total amount follows (In thousands):

Present value of the obligation at the date of adoption	P333,645
Fair value of plan assets at the date of adoption	(153,303)
Transitional liability	180,342
Pension liability already recognized	(17,207)
Increase in net pension liability	<u>P163,135</u>

The Group recognizes the increase in net pension liability as an expense on a straight-line basis over a period of five years from July 1, 2005, as allowed under PAS 19. The amortization recognized amounts to P32.6 million each year until 2010.

**17. Commitments and Contingencies**

- a. CACI and CADPI (the "Mills") have milling contracts with the planters which provide for a 65% and 35% sharing between the planters and the Mills, respectively, of sugar, molasses and other sugar cane by-products, except bagasse, produced every crop year.
- b. The Group has in its custody the following sugar owned by quedan holders:

	September 30, 2011		June 30, 2011		June 30, 2010	
	Total volume (In thousands) (Lkg*)	Estimated market value (In Millions)	Total volume (In thousands) (Lkg*)	Estimated market value (In Millions)	Total volume (In thousands) (Lkg*)	Estimated market value (In Millions)
Raw sugar	550	P744	1,548	P2,135	387	P707
Refined sugar	309	675	612	1,481	506	1,264
	<u>859</u>	<u>P1,419</u>	<u>2,160</u>	<u>P3,616</u>	<u>893</u>	<u>P1,971</u>

\*Equivalent to 50 kilogram bag unit.

The above volume of sugar is not reflected in the consolidated balance sheets since these are not assets of the Group. The Group is accountable to quedan holders for the value of trusteeed sugar or their sales proceeds.

- c. CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of September 30, 2011 and June 30, 2011 and 2010, CADPI has outstanding sales contracts for refined sugar with a total value of P1,478.6 million, P2,035.1 million and P1,441.6 million, equivalent to 571,635 LKg, 784,673 LKg and 744,382 LKg, respectively.

CADPI received cash deposits from customers for the above transactions as of September 30, 2011 and June 30, 2011 and 2010, which will be applied against future deliveries of sugar and molasses. These deposits are classified as current liabilities (see Note 13).



- d. CADPI entered into agreements as follows:
- (i) Lease of offsite warehouse for a period of one year renewable at the option of CADPI as lessee through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to ₱0.1 million, ₱0.4 million, ₱0.4 million and ₱0.4 million for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively.
  - (ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations amounted to ₱126.6 million, ₱105.5 million and ₱112.0 million for the years ended June 30, 2011, 2010 and 2009, respectively.
- e. CADPI entered into an indemnity and guarantee fee agreement with RHI to continue to be a mortgage trust indenture (MTI) between and among CADPI, RHI and BPI. RHI conveyed unto BPI as mortgage trustee its land located in Nasugbu, Batangas (mortgaged property) (see Note 14). RHI agreed to continue to subject the mortgaged property to the MTI on the following conditions:
- (i) CADPI shall protect the property and reimburse RHI with all expenses in case the mortgaged property is attached to satisfy the obligations of CADPI secured by the MTI; and
  - (ii) A guarantee/mortgage fee of ₱3.0 million shall be paid annually by CADPI to compensate RHI for the continuance of the mortgage.
- This guarantee fee agreement expired in April 2009.
- f. On January 14, 2009, RBC and World Bank signed a \$3.2 million Emission Reduction Purchase Agreement (ERPA) for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year and has a crediting period of 10 years starting 2010.
- As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance RBC's community development projects.
- g. There are pending legal cases in the ordinary course of the Group's business as at September 30, 2011 and June 30, 2011 and 2010, but in the opinion of management and legal counsel, the ultimate outcome of these cases will not have a material impact on the financial position and results of operations of the Group. Consequently, no provision related to these legal cases was made for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009.
- h. As of September 30, 2011 and June 30, 2011 and 2010, the Group has unused lines of credit from local banks amounting to ₱862.0 million, ₱745.0 million and ₱2,814.0 million, respectively (see Notes 11 and 14).



## 18. Revenue

The components of revenue are as follows:

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
	<i>(In Thousands)</i>			
Refined sugar	₱762,580	₱3,770,277	₱3,716,206	₱3,304,300
Raw sugar	549,454	3,533,816	1,853,949	1,909,110
Alcohol	63,400	39,096	—	—
Tolling fees	22,767	218,276	290,268	356,464
Molasses	3,753	315,569	318,235	293,450
Others	640	32,864	24,309	1,294
	<b>₱1,402,594</b>	<b>₱7,909,898</b>	<b>₱6,202,967</b>	<b>₱5,864,618</b>

## 19. Cost of Goods Sold

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
	<i>(In Thousands)</i>			
Net changes in inventories (Note 6)	₱874,050	(₱1,014,375)	(₱347,547)	(₱308,469)
Purchased sugar (Note 6)	404,781	4,813,283	2,776,875	2,808,927
Direct labor (Note 21)	84,731	355,642	373,027	347,907
Cost of transporting canes to mill (Notes 6 and 17)	13,740	1,124,367	641,979	618,205
Tolling fees	—	3,796	12,086	22,041
Manufacturing overhead:				
Depreciation (Note 9)	157,538	525,964	381,961	274,204
Repairs and maintenance	78,138	376,137	372,401	358,433
Materials and consumables	32,805	238,264	266,560	256,805
Taxes and licenses	29,533	146,879	120,566	104,243
Fuel and oil	29,190	423,573	408,900	250,963
Outside services	24,607	129,120	113,089	103,107
Communication, light and water	22,560	71,840	58,461	44,472
Rent (Notes 15 and 17)	4,762	72,182	73,748	50,399
Others	7,834	52,560	38,185	31,356
Provision for inventory losses and obsolescence (Note 6)	78,794	364,556	12,449	16,544
	<b>₱1,843,063</b>	<b>₱7,683,788</b>	<b>₱5,302,740</b>	<b>₱4,979,137</b>





## 20. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
<i>(In Thousands)</i>				
Salaries, wages and other employee benefits (Note 21)	₱65,247	₱243,321	₱237,514	₱196,808
Outside service	16,069	43,710	41,261	37,861
Depreciation (Note 9)	12,897	21,030	25,064	30,222
Taxes and licenses	12,409	60,249	69,673	76,079
Insurance	12,069	36,487	25,302	30,398
Materials and consumables	7,140	38,992	38,484	31,158
Rent (Notes 15 and 17)	5,313	25,091	18,404	26,095
Travel and transportation	3,490	17,223	20,131	22,355
Communication, light and water	2,254	9,241	8,259	10,036
Provision for impairment of receivables and creditable withholding taxes (Notes 5 and 7)	2,243	603	5,945	353
Repairs and maintenance	1,643	13,235	14,546	17,913
Corporate social responsibility	741	5,777	7,334	7,822
Representation and entertainment	220	1,129	1,744	1,528
Others	15,773	54,323	82,029	71,605
	<b>₱157,508</b>	<b>₱570,411</b>	<b>₱595,690</b>	<b>₱560,233</b>

## 21. Personnel Costs

The components of employee benefits are as follows:

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
<i>(In Thousands)</i>				
Salaries and wages (Notes 19 and 20)	₱84,731	₱355,642	₱373,027	₱347,907
Allowances and other employee benefits (Notes 19 and 20)	52,304	191,625	161,654	134,694
Pension costs (Note 16)	12,943	51,696	75,860	62,114
	<b>₱149,978</b>	<b>₱598,963</b>	<b>₱610,541</b>	<b>₱544,715</b>



## 22. Other Income - Net

The components of other income are as follows:

	September 30, 2011 (Three Months)	2011 (One Year)	June 30 2010 (One Year)	2009 (One Year)
	<i>(In Thousands)</i>			
Recovery from insurance claim	P27,650	P-	P141,341	P-
Foreign exchange gains (losses) - net	4,769	(5,070)	2,824	8,836
Sugar and molasses handling fees	1,640	3,261	20,481	8,216
Sale of scrap	1,201	37,769	58,013	20,632
Gain (loss) on disposal of property and equipment	(13,981)	(7,782)	972	(9,878)
Others	27,255	40,213	73,020	47,897
	<b>P48,534</b>	<b>P68,391</b>	<b>P296,651</b>	<b>P75,703</b>

Recovery from insurance claim pertains to the amount collected from the insurer which represents recovery from irreparable equipment.

## 23. Income Taxes

- a. Components of the Group's recognized deferred income tax assets and liabilities represent the tax effects of the following temporary differences:

	September 30, 2011 Net Deferred Income Tax Liabilities <sup>(1)</sup>	June 30, 2011 Net Deferred Income Tax Liabilities <sup>(1)</sup>	June 30, 2010 Net Deferred Income Tax Assets <sup>(2)</sup>	Net Deferred Income Tax Liabilities <sup>(3)</sup>
	<i>(In Thousands)</i>			
Deferred income tax assets on:				
Allowance for:				
Impairment of receivables (Note 5)	P5,772	P5,772	P-	P5,772
Sugar inventory losses (Note 6)	-	5,475	-	-
Inventory obsolescence (Note 6)	12,603	7,128	783	7,951
Pension benefit obligation (Note 16)	-	-	-	11,332
Unamortized past service cost	56,371	59,139	-	60,591
Unrealized foreign exchange loss	-	-	-	38
NOLCO	7,364	13,430	4,194	19,862
Unrealized gross profit on inventory	14,657	14,657	-	-
Excess MCIT	4,254	4,762	-	6,895
	<b>101,021</b>	<b>110,363</b>	<b>4,977</b>	<b>112,441</b>
Deferred income tax liabilities on:				
Revaluation increment on properties (Note 24)	(696,231)	(696,231)	-	(627,498)
Unamortized capitalized interest (Note 9)	(143,087)	(146,300)	-	(157,248)
Pension plan assets (Note 16)	(38,309)	(39,329)	-	(42,137)
Unrealized foreign exchange gain	-	(12)	-	-
Unamortized debt arrangement fees	-	-	-	(10,708)
	<b>(877,627)</b>	<b>(881,872)</b>	<b>-</b>	<b>(837,591)</b>
Net deferred income tax assets (liabilities)	<b>(P776,606)</b>	<b>(P771,509)</b>	<b>P4,977</b>	<b>(P725,150)</b>

<sup>(1)</sup> Pertain to RHI, CADPI, CACI, Roxol, CFSI and NAVI.

<sup>(2)</sup> Pertain to CFSI.

<sup>(3)</sup> Pertain to RHI, CADPI, CACI, Roxol and NAVI.



- b. Details of benefits arising from NOLCO and MCIT and the corresponding analysis of deferred income tax assets are as follows:

*NOLCO*

Incurring for the Period Ended	Amount	Applied	Expired	Balances as of the End of the Period	Tax Effect	Available Until
<i>(In Thousands)</i>						
June 30, 2009	₱38,648	₱28,942	₱9,706	₱-	₱-	September 30, 2011
June 30, 2010	44,285	10,299	-	33,986	10,196	September 30, 2012
June 30, 2011	338,379	-	-	338,379	101,514	September 30, 2013
September 30, 2011	882,858	-	-	882,858	264,857	September 30, 2014
	<b>₱1,304,170</b>	<b>₱39,241</b>	<b>₱9,706</b>	<b>₱1,255,223</b>	<b>₱376,567</b>	

*MCIT*

Incurring for the Period Ended	Amount	Applied	Expired	Balances as of the End of the Period	Available Until
<i>(In Thousands)</i>					
June 30, 2009	₱1,422	₱-	₱1,422	₱-	September 30, 2011
June 30, 2010	5,657	4,178	-	1,479	September 30, 2012
June 30, 2011	9,018	-	-	9,018	September 30, 2013
September 30, 2011	1,005	-	-	1,005	September 30, 2014
	<b>₱17,102</b>	<b>₱4,178</b>	<b>₱1,422</b>	<b>₱11,502</b>	

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

	September 30, 2011	June 30, 2011	June 30, 2010
<i>(In Thousands)</i>			
NOLCO	<b>₱1,230,676</b>	₱322,776	₱33,008
Excess MCIT	<b>7,248</b>	7,629	520
Provision for sugar losses	<b>88,745</b>	346,306	-
Provision for inventory obsolescence	<b>15,162</b>	5,500	-
Allowance for impairment of receivables	<b>2,008</b>	2,008	1,405
Pension benefit obligation	-	1,158	3,325

Deferred income tax assets pertaining to NOLCO, MCIT and other deductible temporary differences amounting to ₱408.2 million, ₱211.0 million and ₱11.8 million as of September 30, 2011 and June 30, 2011 and 2010, respectively, were not recognized as 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.



d. The reconciliation between the provision for income tax computed at the applicable statutory tax rates and provision for income tax presented in the consolidated statements of income follows:

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
	<i>(In Thousands)</i>			
Provision for (benefit from) income tax at statutory rates	(P227,827)	(P221,700)	P118,529	P103,324
Adjustments resulting from:				
Application of temporary differences and NOLCO for which no deferred income tax asset was previously recognized	(52,128)	-	(1,359)	(2,695)
Expiration of excess MCIT credits	1,256	411	-	-
Unrecognized deferred income tax assets arising from temporary differences and NOLCO	279,450	272,178	7,352	18,770
Capital gains tax on sale of subsidiaries (Note 1)	-	-	-	106,328
Realization of revaluation increment	-	-	-	(35,119)
Effect of change in income tax rates applied on deferred income tax assets and liabilities	-	-	-	95
Tax effects of:				
Equity in net loss (earnings) of an associate (Note 8)	5,395	(53,089)	(39,679)	(25,858)
Interest and dividend income subjected to final tax	(92)	(102)	(381)	(1,253)
Depreciation on appraisal increase	-	-	952	6,190
Unallowable interest expense	35	85	323	701
Others	-	4,977	(2,081)	4,907
<b>Provision for income tax</b>	<b>P6,089</b>	<b>P2,760</b>	<b>P83,656</b>	<b>P175,390</b>



24. Equity

a. Share capital and treasury shares

Details of share capital and treasury shares as of September 30, 2011 and June 30, 2011 and 2010 follow:

	Number of shares	Amount (In Thousands)
Authorized common shares "Capital A" at ₱1 par value each	1,500,000,000	₱1,500,000
Issued common shares "Class A"	1,168,976,425	₱1,168,976
Treasury shares	(259,424,189)	(768,860)
Issued and outstanding	909,552,236	₱400,116

As of June 30, 2009, reacquired shares of the Parent Company under its Share Buy Back Program totaled to 259,424,189 shares at cost of ₱768.9 million. There were no reacquisition of shares for the three months ended September 30, 2011 and years ended June 30, 2011 and 2010.

b. Share premium and revaluation increment on properties

In 2002, the Group undertook major activities relating to the Reorganization Program. As part of this, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI (see Note 1). The assets and liabilities, excluding land in Nasugbu, were transferred by the Company as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI.

On December 1, 2002, the Company exchanged its shareholdings in CADPI, CCSI and CFSI for ₱1.3 billion of CADPGC's common shares with a par value of ₱1 per share for ₱2.0 billion, the cost of investments in the Company's books immediately before the transfer. CADPGC recorded a premium of ₱596.8 million and set-up share in revaluation increment in properties of subsidiary amounting to ₱150.6 million. Consequently, the Company's ownership interest in CADPGC increased and CADPI, CCSI and CFSI became 100%-owned subsidiaries of the 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 Philippine SEC on February 10, 2004, involved the transfer of CADPGC's net assets aggregating to ₱1.4 billion in exchange for CACI's 200 million common shares at ₱1 per share. The basis of valuation of the CACI shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised value.

c. Excess of consideration received over carrying amount of net assets of subsidiary transferred to parent company and effect of change in ownership interests in subsidiaries.

As discussed in Note 1, the Group has undertaken a corporate restructuring. On December 16, 2008, RHI acquired the sugar-related operating subsidiaries and an associate from CADPGC for a total consideration of ₱3,838.0 million, which represents the cost of



CADPGC's investments in shares of stock in subsidiaries and an associate amounting to ₱4,101.0 million reduced by the net liabilities transferred by CADPGC amounting to ₱263.0 million. As a result, RHI increased its effective ownership interest in the sugar-related operating subsidiaries and recognized the effect of the change in ownership interest in subsidiaries and an associate as a result of reduction of noncontrolling interests in subsidiaries of ₱44.5 million and presented as a separate component of the Group's total consolidated equity.

On January 23, 2009, following the acquisition of the sugar-related operating subsidiaries and an associate from CADPGC, RHI sold its investment in CADPGC to RCI on account for a total consideration of ₱3,927.3 million. The excess of consideration received from RCI over the carrying amounts of net assets of CADPGC transferred to the Company amounted to ₱577.1 million.

Upon merger of CADPGC and RCI effective June 29, 2009, the note receivable from RCI amounting to ₱3,927.3 million was set off to the extent of the ₱3,838.0 million note payable from CADPGC and ₱35.8 million share of RCI in the dividends declared by the Company (see Note 1).

d. Retained earnings

*Restricted retained earnings*

The following amounts of retained earnings are not available for dividend declaration:

	September 30, 2011	June 30 2011	2010
	<i>(In Thousands)</i>		
Treasury shares	₱768,860	₱768,860	₱768,860
Pension plan asset - net of deferred income tax effect (Note 16)	89,388	91,769	98,319
	<b>₱858,248</b>	<b>₱860,629</b>	<b>₱867,179</b>

Further, unrestricted retained earnings include accumulated earnings of consolidated subsidiaries and unconsolidated associate amounting to ₱11.6 million, ₱110.1 million and ₱898.5 million as of September 30, 2011 and June 30, 2011 and 2010, respectively, which are not available for distribution to the Company's stockholders unless received as cash dividends from investees.

*Dividend declaration*

Cash dividends declared by the Company from retained earnings during the year ended June 30, 2009 follow:

Date Approved	Per Share	Total Amount <i>(In Thousands)</i>	Stockholders of Record Date	Date Paid/Issued
June 24, 2009	₱0.06	₱54,575	July 15, 2009	July 31, 2009
October 3, 2008	0.06	54,575	October 15, 2008	October 31, 2008

No dividends were declared by the Company for the three months ended September 30, 2011 and years ended June 30, 2011 and 2010.



e. Share prices

The principal market for the Company's shares of stock is the Philippine Stock Exchange. The high and low trading prices of the Company's shares for each quarter within the three fiscal years are as follows:

Quarter	High	Low
July 2011 through September 2011	₱3.49	₱2.39
July 2010 through June 2011		
First	3.10	2.60
Second	4.50	2.70
Third	3.20	2.40
Fourth	3.38	2.40
July 2009 through June 2010		
First	3.00	2.80
Second	3.50	2.80
Third	3.50	2.55
Fourth	2.70	2.55
July 2008 through June 2009		
First	3.50	2.30
Second	2.90	2.30
Third	2.40	2.00
Fourth	3.00	2.80

25. Earnings (Loss) Per Share

Earnings (loss) per share (ELPS) is computed as follows:

	September 30,	June 30		
	2011 (Three Months)	2011 (One Year)	2010 (One Year)	2009 (One Year)
		<i>(In Thousands, except ELPS)</i>		
Net income (loss) for the year attributable to the equity holders of the parent company	(₱762,472)	(₱738,290)	₱307,698	₱180,249*
Weighted average number of common shares outstanding	909,552	909,552	909,552	909,648
Basic/diluted earnings (loss) per share	(₱0.84)	(₱0.81)	₱0.34	₱0.20

There are no potential dilutive common shares as at September 30, 2011 and June 30, 2011, 2010 and 2009.



## 26. 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 three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009.

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, 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 financial ratios:

	September 30, 2011	June 30	
		2011	2010
	<i>(In Thousands, except ratio)</i>		
Total liabilities	P10,705,799	P11,302,365	P9,698,310
Total equity	4,640,002	5,405,515	5,986,905
Total liabilities and equity	P15,345,801	P16,707,880	P15,685,215
Debt-to-equity ratio	2.31:1.00	2.09:1.00	1.62:1.00

## 27. Financial Instruments

### Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade receivables, and accounts payable and accrued expenses, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as due to and from related parties, due from employees 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's operations are also exposed to commodity price risk, particularly from sugar prices. Risk management is carried out by senior management under the guidance and direction of the BOD of the 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 Note 17).





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.

September 30, 2011							
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
(In Thousands)							
Short-term borrowings*	₱-	₱2,741,986	₱-	₱-	₱-	₱-	₱2,741,986
Accounts payable and accrued expenses**	271,318	240,896	-	-	-	-	512,214
Dividends payable	16,069	-	-	-	-	-	16,069
Current portion of long-term borrowings	827,683	-	-	-	-	-	827,683
Noncurrent portion of long-term borrowings presented as current	5,599,282	-	-	-	-	-	5,599,282
	₱6,714,352	₱2,982,882	₱-	₱-	₱-	₱-	₱9,697,234
Cash in banks and cash equivalents	₱316,873	₱-	₱-	₱-	₱-	₱-	₱316,873
Trade receivables	26,244	304,875	-	-	-	-	331,119
Due from related parties	51,597	-	-	-	-	-	51,597
Due from employees	-	33,786	3,987	-	-	-	37,773
Other receivables	50,973	352	-	-	-	-	51,325
	₱445,687	₱339,013	₱3,987	₱-	₱-	₱-	₱788,687

\* Includes expected interest payments for short-term of ₱4.0 million.

\*\* Excludes payable to government agencies amounting to ₱82.1 million.

June 30, 2011							
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
(In Thousands)							
Short-term borrowings*	₱-	₱3,226,481	₱-	₱-	₱-	₱-	₱3,226,481
Accounts payable and accrued expenses**	447,031	37,185	-	-	-	-	484,216
Dividends payable	16,069	-	-	-	-	-	16,069
Current portion of long-term borrowings	818,527	-	-	-	-	-	818,527
Noncurrent portion of long-term borrowings presented as current	5,824,749	-	-	-	-	-	5,824,749
	₱7,106,376	₱3,263,666	₱-	₱-	₱-	₱-	₱10,370,042
Cash in banks and cash equivalents	₱367,000	₱-	₱-	₱-	₱-	₱-	₱367,000
Trade receivables	69,300	445,766	-	-	-	-	515,066
Due from related parties	50,427	-	-	-	-	-	50,427
Due from employees***	-	29,588	3,999	-	-	-	33,587
Other receivables	-	29,222	-	-	-	-	29,222
	₱486,727	₱504,576	₱3,999	₱-	₱-	₱-	₱995,302

\* Includes expected interest payments for short-term of ₱6.5 million.

\*\* Excludes payable to government agencies amounting to ₱50.9 million.

\*\*\* Includes noncurrent portion of due from employees amounting to ₱4.0 million and excludes nonfinancial assets amounting to ₱9.7 million.

June 30, 2010							
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
(In Thousands)							
Short-term borrowings*	₱-	₱2,460,935	₱-	₱-	₱-	₱-	₱2,460,935
Accounts payable and accrued expenses**	494,961	40,031	-	-	-	-	534,992
Dividends payable	16,069	-	-	-	-	-	16,069
Current portion of long-term borrowings	-	51,724	-	-	-	-	51,724
Long-term borrowings - net of current portion*	-	482,346	1,379,326	2,506,782	1,060,146	2,537,906	7,966,506
	₱511,030	₱3,035,036	₱1,379,326	₱2,506,782	₱1,060,146	₱2,537,906	₱11,030,226

(Forward)



	June 30, 2010						Total
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	
	(In Thousands)						
Cash in banks and cash equivalents	₱174,890	₱-	₱-	₱-	₱-	₱-	₱174,890
Trade receivables	116,553	561,748	-	-	-	-	678,301
Due from related parties	49,022	-	-	-	-	-	49,022
Due from employees***	-	35,887	4,823	-	-	-	40,710
Other receivables****	7,271	13,361	4,032	-	-	-	24,664
	<b>₱347,736</b>	<b>₱610,996</b>	<b>₱8,855</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱967,587</b>

\* Includes expected interest payments for short-term and long-term borrowings of ₱11.0 million and ₱2,283.9 million, respectively.

\*\* Excludes payable to government agencies amounting to ₱73.7 million.

\*\*\* Includes noncurrent portion of due from employees amounting to ₱4.8 million and excludes due from employees subject to liquidation amounting to ₱1.6 million.

\*\*\*\* Includes noncurrent portion of other receivables amounting to ₱4.0 million and excludes nonfinancial assets amounting to ₱1.7 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 products are made to customers with an appropriate credit history.

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 for the components of the consolidated balance sheet. The maximum exposure is shown gross before the effect of mitigation through the use of master netting and collateral agreements.

	September 30,	June 30	
	2011	2011	2010
	(In Thousands)		
Cash in banks and time deposits, excluding cash on hand	₱316,873	₱367,000	₱174,890
Trade receivables	331,119	515,066	678,301
Due from related parties	51,597	50,427	49,022
Due from employees	37,773	33,587	40,710
Other receivables	51,325	29,222	24,664
	<b>₱788,687</b>	<b>₱995,302</b>	<b>₱967,587</b>



*Collaterals and other credit enhancements*

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. As of September 30, 2011, the Group did not hold collateral from any counterparty.

*Credit quality per class of financial assets*

The credit quality of receivables is managed by the Group through its Marketing Department. High grade accounts are those receivables from counterparties with whom collections are made without much 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.

	September 30, 2011							Impaired Financial Assets	Total
	Neither past due nor impaired			Past due but not impaired					
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days			
<i>(In Thousands)</i>									
Cash in bank and time deposits*	₱316,873	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱316,873
Trade receivables	241,962	1,432	-	1,909	37,495	48,321	3,452	334,571	
Due from related parties	51,597	-	-	-	-	-	-	51,597	
Due from employees	2,510	35,079	-	3	4	177	1,342	39,115	
Other receivables***	4,133	44,618	-	59	374	2,141	8,420	59,745	
<b>Total</b>	<b>₱617,075</b>	<b>₱81,129</b>	<b>₱-</b>	<b>₱1,971</b>	<b>₱37,873</b>	<b>₱50,639</b>	<b>₱13,214</b>	<b>₱801,901</b>	

\* Excludes cash on hand amounting to ₱1.9 million.

\*\* Excludes deposits for raw sugar purchases amounting to ₱9.9 million.

	June 30, 2011							Impaired Financial Assets	Total
	Neither past due nor impaired			Past due but not impaired					
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days			
<i>(In Thousands)</i>									
Cash in bank and time deposits*	₱367,000	₱-	₱-	₱-	₱-	₱-	₱-	₱367,000	
Trade receivables	247,103	69,300	-	132,419	39,914	26,330	3,452	518,518	
Due from related parties	50,427	-	-	-	-	-	-	50,427	
Due from employees**	3,252	30,335	-	-	-	-	1,276	34,863	
Other receivables***	-	28,433	-	-	-	789	8,418	37,640	
<b>Total</b>	<b>₱667,782</b>	<b>₱128,068</b>	<b>₱-</b>	<b>₱132,419</b>	<b>₱39,914</b>	<b>₱27,119</b>	<b>₱13,146</b>	<b>₱1,008,448</b>	

\* Excludes cash on hand amounting to ₱1.8 million.

\*\* Excludes due from employees subject to liquidation amounting to ₱1.7 million.

\*\*\* Excludes deposits for raw sugar purchases amounting to ₱9.9 million.

	June 30, 2010							Impaired Financial Assets	Total
	Neither past due nor impaired			Past due but not impaired					
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days			
<i>(In Thousands)</i>									
Cash in bank and time deposits*	₱174,589	₱301	₱-	₱-	₱-	₱-	₱-	₱174,890	
Trade receivables	142,803	465,205	-	25,639	39,252	5,402	2,915	681,216	
Due from related parties	49,022	-	-	-	-	-	-	49,022	
Due from employees**	-	40,710	-	-	-	-	1,276	41,986	
Other receivables***	13,313	1,961	2,581	5,997	312	500	8,418	33,082	
<b>Total</b>	<b>₱379,727</b>	<b>₱508,177</b>	<b>₱2,581</b>	<b>₱31,636</b>	<b>₱39,564</b>	<b>₱5,902</b>	<b>₱12,609</b>	<b>₱980,196</b>	

\* Excludes cash on hand amounting to ₱1.9 million.

\*\* Excludes due from employees subject to liquidation amounting to ₱1.6 million.

\*\*\* Excludes deposits for raw sugar purchases amounting to ₱9.9 million.



*Impairment assessment:*

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

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

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

The Group has recognized an impairment loss on its financial assets using specific assessment amounting to ₱0.6 million, ₱2.0 million and ₱0.4 million for the years ended June 30, 2011, 2010 and 2009, respectively. No impairment loss was recognized for the three months ended September 30, 2011.

*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.

As of September 30, 2011 and June 30, 2011 and 2010, the Group is exposed to fair value interest rate risk arising from its fixed-rate long-term borrowings, which were originally issued at variable rates (see Note 14). Borrowings issued at fixed rate expose the Group to fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk arising from its variable-rate borrowings. The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the consolidated income before income tax for one year, based on the floating rate non-trading financial liabilities held at September 30, 2011 and June 30, 2011 with other variables held constant:

	Change in interest rates (in percentage)	Effect in income before income tax
		<i>(In Thousands)</i>
For more than a year	+4.25%	(₱393)
	-4.25%	393

There is no other impact on the Group's equity other than those already affecting the profit and loss.



*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign currency risk relates to its US\$-denominated cash and cash equivalents. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. The Group currently does not enter into derivative transactions to hedge its currency exposure.

The Group's foreign currency denominated asset consist of cash in banks in US\$ amounting to US\$2.4 million, US\$0.1 million, US\$0.3 million and US\$0.8 million as of September 30, 2011, and June 30, 2011, 2010 and 2009, respectively. As of September 30, 2011 and June 30, 2011, 2010, and 2009 the exchange rates were ₱43.72, ₱43.33, ₱46.37 and ₱48.1 per US\$1.00, respectively.

Net foreign exchange gains or losses recognized in the consolidated statements of income amounted to ₱4.8 million gain, ₱5.1 million loss, ₱2.8 million and ₱8.8 million gain for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively.

Reasonably possible changes in the US\$ to Philippine peso exchange rates were determined by the Group from historical volatility from January to September of 2011. Shown below is the impact on the Group's income (loss) before income tax of reasonably possible changes in exchange rate of the US\$ against the Philippine peso with other variables held constant:

	Movement in US\$-Philippine peso exchange rates	Net effect in income (loss) before income tax
<i>(In Thousands)</i>		
<b>September 30, 2011 (One Year)</b>	<b>+4.45%</b>	<b>(₱5,946)</b>
	<b>-4.45%</b>	<b>5,946</b>
<b>June 30, 2011 (Three Months)</b>	<b>+3.75%</b>	<b>(4,008)</b>
	<b>-3.75%</b>	<b>4,008</b>
<b>June 30, 2010 (One Year)</b>	<b>+8.35%</b>	<b>8,924</b>
	<b>-8.35%</b>	<b>(8,924)</b>

There is no other impact on the Group's equity other than those already affecting the profit and loss.

Fair Values

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements:

	September 30, 2011		June 30, 2011		June 30, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(In Thousands)</i>						
<b>Financial assets:</b>						
<i>Cash on hand</i>	<b>₱1,883</b>	<b>₱1,883</b>	<b>₱1,788</b>	<b>₱1,788</b>	<b>₱1,937</b>	<b>₱1,937</b>
<i>Loans and receivables:</i>						
Cash in banks and time deposits	<b>316,873</b>	<b>316,873</b>	<b>367,000</b>	<b>367,000</b>	<b>174,890</b>	<b>174,890</b>
Trade receivables	<b>331,119</b>	<b>331,119</b>	<b>515,066</b>	<b>515,066</b>	<b>678,301</b>	<b>678,301</b>
Due from related parties	<b>51,597</b>	<b>51,597</b>	<b>50,427</b>	<b>50,427</b>	<b>49,022</b>	<b>49,022</b>
Due from employees	<b>37,773</b>	<b>37,773</b>	<b>33,587</b>	<b>33,587</b>	<b>40,710</b>	<b>40,616</b>
Other receivables	<b>51,325</b>	<b>51,325</b>	<b>29,222</b>	<b>29,222</b>	<b>24,664</b>	<b>24,664</b>
	<b>₱790,570</b>	<b>₱790,570</b>	<b>₱997,090</b>	<b>₱997,090</b>	<b>₱969,524</b>	<b>₱969,430</b>

(Forward)



	September 30, 2011		June 30, 2011		June 30, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In Thousands)</i>					
<b>Financial liabilities:</b>						
<i>Other financial liabilities:</i>						
Accounts payable and accrued expenses	₱512,214	₱512,214	₱484,216	₱484,216	₱534,992	₱534,992
Dividends payable	16,069	16,069	16,069	16,069	16,069	16,069
Short-term borrowings	2,738,000	2,738,000	3,220,000	3,220,000	2,449,904	2,449,904
Current portion of long-term borrowings	827,683	827,683	818,527	818,527	51,724	51,724
Noncurrent portion of long-term borrowings presented as current	5,599,282	5,599,282	5,824,749	5,824,749	-	-
Long-term borrowings - net of current portion	-	-	-	-	5,682,584	5,690,693
	<b>₱9,693,248</b>	<b>₱9,693,248</b>	<b>₱10,363,561</b>	<b>₱10,363,561</b>	<b>₱8,735,273</b>	<b>₱8,743,382</b>

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and cash equivalents, trade receivables, due to and from related parties, due from employees, other receivables, accounts payable and accrued expenses, short-term borrowings, current portion of long-term borrowings and noncurrent portion of long-term borrowings presented as current and dividends payable.* The carrying amounts of these instruments approximate fair values due to their short-term maturities.

*Long-term borrowings – fixed-rate interest-bearing loans.* The fair values are based on the expected cash flows on the instruments, discounted using the prevailing interest rate of 6.9% at June 30, 2010 for comparable instruments in the market. The rate was obtained from *Bangko Sentral ng Pilipinas*, representing bank average lending rates in 2010.

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 did not hold any financial instruments carried at fair value in the consolidated financial statements as of September 30, 2011 and June 30, 2011 and 2010.

## 28. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the senior management, are as follows:

- a. RHI is a diversified holding and investment corporation with specific focus on sugar milling and refining business.
- b. CADPI is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 18,000 metric tons and 13,000 metric tons as of September 30, 2011 and June 30, 2011 and 2010, respectively. CADPI's raw sugar milling is involved in the



extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. Canes are sourced from both district and non-district planters and are milled by CADPI under a production sharing agreement (see Note 17). The refinery operation, on the other hand, involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.

- c. CACI produces raw sugar and molasses and trades the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,000 metric tons as of September 30, 2011 and June 30, 2011 and 2010, is located in La Carlota, Negros Occidental.
- d. RBC was established to engage in the business of producing, marketing and selling of bio-ethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials. Its plant facility is located in La Carlota, Negros Occidental.
- e. CFS was established to engage in the business of transporting sugar cane, sugar and its by-products including all kinds of commercial cargoes to and from sugar factories, sugar refineries, millsites or warehouses and/or similar establishments by land. CFSI caters various planters in Batangas, Negros, and other provincial areas in Visayas and Southern Luzon.

Other segments of the Group which are not reported separately pertain mainly to consultancy business, dealer and trader of agricultural products and pre-operating companies.

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 Company's senior management regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statement of income. Financing costs (including interest expense) and income taxes are managed on 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, except for RHI investment properties which are carried at fair value in the parent company financial statements. RHI's investment property, which is being leased out to its subsidiary, is reclassified to property, plant and equipment in the consolidated financial statements.

a. Segment revenue and expenses

The Group's main revenue stream comes from the sale of sugar and molasses. Its customers consist largely of sugar traders, wholesalers and beverage companies, which are situated in various parts of the Philippines, with concentration in the Visayas and Metro Manila.

Revenue from two major customers amounted to ₱388.6 million and ₱206.2 million for the three months ended September 30, 2011, ₱1,160.5 million and ₱681.5 million for the year ended June 30, 2011 and ₱1,005.0 million and ₱676.0 million for the year ended 2010, which pertain to sales of CACI and CADPI, respectively.



b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, prepayments and property, plant 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:

	September 30, 2011 (Three Months)							
	RHI	CADPI	CACI	RBC	CFSI	All Others	Eliminations and Adjustments	Consolidated
	<i>(In Thousands)</i>							
<b>Revenue</b>								
<b>External customers:</b>								
Refined sugar	P-	P762,580	P-	P-	P-	P-	P-	P762,580
Raw sugar	-	324,154	225,123	-	-	177	-	549,454
Tolling fees	-	22,767	-	-	-	-	-	22,767
Molasses	-	889	2,864	-	-	-	-	3,753
Others	47	-	-	63,400	593	-	-	64,040
	47	1,110,390	227,987	63,400	593	177	-	1,402,594
<b>Inter-segment</b>	<b>67,500</b>	<b>1,500</b>	<b>31,550</b>	<b>-</b>	<b>-</b>	<b>2,460</b>	<b>(103,010)</b>	<b>-</b>
	67,547	1,111,890	259,537	63,400	593	2,637	(103,010)	1,402,594
<b>Costs and expenses</b>	<b>(38,840)</b>	<b>(1,380,010)</b>	<b>(537,525)</b>	<b>(162,832)</b>	<b>(7,713)</b>	<b>(3,115)</b>	<b>119,670</b>	<b>(2,010,365)</b>
Interest income	492	22,760	165	1,154	86	15	(23,757)	915
Interest expense	(11,548)	(92,266)	(78,500)	(23,178)	(1,384)	(1)	23,757	(183,120)
Others	(479)	9,357	39,355	(26)	62	265	-	48,534
Income (loss) before income tax	17,172	(328,269)	(316,968)	(121,482)	(8,356)	(199)	16,660	(741,442)
Provision for income tax	(6,408)	(55)	546	(7)	-	(165)	-	(6,089)
<b>Segment profit (loss)</b>	<b>10,764</b>	<b>(328,324)</b>	<b>(316,422)</b>	<b>(121,489)</b>	<b>(8,356)</b>	<b>(364)</b>	<b>16,660</b>	<b>(747,531)</b>
Equity in net loss of an associate	-	-	-	-	-	-	(17,982)	(17,982)
<b>Consolidated net profit (loss)</b>	<b>P10,764</b>	<b>(P328,324)</b>	<b>(P316,422)</b>	<b>(P121,489)</b>	<b>(P8,356)</b>	<b>(P364)</b>	<b>(P1,322)</b>	<b>(P765,513)</b>
<b>Other Information</b>								
<b>Major costs and expenses:</b>								
Depreciation and amortization	P1,063	P85,740	P62,608	P20,475	P496	P53	P-	P170,435
Fuel and oil	-	1,294	2,735	25,161	-	-	-	29,190
Materials and consumables	627	23,174	5,890	9,657	596	1	-	39,945
Repairs and maintenance	327	39,347	37,071	173	2,863	-	-	79,781
<b>Additions to noncurrent assets</b>								
Property, plant and equipment	-	2,637	5,550	347	26	-	-	8,560
Other noncurrent assets	-	-	82	-	-	-	-	82
Investment in an associate	259,907	-	-	-	-	-	426,037	685,944
<b>Assets and Liabilities</b>								
<b>Current assets</b>								
	P483,320	P3,324,628	P989,631	P538,411	P55,178	P20,167	(P2,562,537)	P2,848,798
<b>Noncurrent assets</b>								
	6,465,727	4,115,417	3,801,600	1,450,236	26,000	173,220	(3,535,197)	12,497,003
<b>Total assets</b>	<b>P6,949,047</b>	<b>P7,440,045</b>	<b>P4,791,231</b>	<b>P1,988,647</b>	<b>P81,178</b>	<b>P193,387</b>	<b>(P6,097,734)</b>	<b>P15,345,801</b>
<b>Current liabilities</b>								
	P1,069,351	P5,453,789	P3,413,445	P2,336,481	P131,506	P64,913	(P2,540,292)	P9,929,193
<b>Noncurrent liabilities</b>								
	680,650	61,583	8,822	-	-	48,157	(22,606)	776,606
<b>Total liabilities</b>	<b>P1,750,001</b>	<b>P5,515,372</b>	<b>P3,422,267</b>	<b>P2,336,481</b>	<b>P131,506</b>	<b>P113,070</b>	<b>(P2,562,898)</b>	<b>P10,705,799</b>





June 30, 2011 (One Year)

	RHI	CADPI	CACI	RBC	CFSI	All Others	Eliminations and Adjustments	Consolidated
<i>(In Thousands)</i>								
<b>Revenue</b>								
<b>External customers:</b>								
Refined sugar	P-	P3,770,277	P-	P-	P-	P-	P-	P3,770,277
Raw sugar	-	981,935	2,549,020	-	-	2,861	-	3,533,816
Tolling fees	-	218,276	-	-	-	-	-	218,276
Molasses	-	142,827	172,741	-	-	1	-	315,569
Others	230,703	-	-	39,096	31,270	-	(229,109)	71,960
<b>Inter-segment</b>	<b>230,703</b>	<b>5,113,315</b>	<b>2,721,761</b>	<b>39,096</b>	<b>31,270</b>	<b>2,862</b>	<b>(229,109)</b>	<b>7,909,898</b>
	304,359	118,908	1,160,523	-	-	29,095	(1,612,885)	-
	535,062	5,232,223	3,882,284	39,096	31,270	31,957	(1,841,994)	7,909,898
<b>Costs and expenses</b>	<b>(147,960)</b>	<b>(5,454,507)</b>	<b>(3,847,278)</b>	<b>(220,681)</b>	<b>(50,925)</b>	<b>(46,958)</b>	<b>1,483,164</b>	<b>(8,285,145)</b>
Interest income	2,416	130,421	3,047	3,209	85	300	(134,040)	5,438
Interest expense	(60,371)	(400,066)	(219,896)	(63,254)	(4,845)	(152)	134,041	(614,543)
Others	(139)	34,577	32,513	(121)	442	1,617	(498)	68,391
<b>Income (loss) before income tax</b>	<b>329,008</b>	<b>(457,352)</b>	<b>(149,330)</b>	<b>(241,751)</b>	<b>(23,973)</b>	<b>(13,236)</b>	<b>(359,327)</b>	<b>(915,961)</b>
Provision for income tax	(71,693)	6,677	(15,706)	(13)	(3)	(435)	78,413	(2,760)
<b>Segment profit (loss)</b>	<b>257,315</b>	<b>(450,675)</b>	<b>(165,036)</b>	<b>(241,764)</b>	<b>(23,976)</b>	<b>(13,671)</b>	<b>(280,914)</b>	<b>(918,721)</b>
Equity in net earnings of an associate	-	-	-	-	-	-	176,964	176,964
<b>Consolidated net profit (loss)</b>	<b>P257,315</b>	<b>(P450,675)</b>	<b>(P165,036)</b>	<b>(P241,764)</b>	<b>(P23,976)</b>	<b>(P13,671)</b>	<b>(P103,950)</b>	<b>(P741,757)</b>
<b>Other Information</b>								
<b>Major costs and expenses:</b>								
Depreciation and amortization	P4,146	P298,651	P239,696	P2,722	P1,516	P263	P-	P546,994
Fuel and oil	-	320,670	102,903	-	-	-	-	423,573
Materials and consumables	4,217	167,705	79,037	4,899	19,113	2,285	-	277,256
Repairs and maintenance	1,429	213,577	155,202	2,591	12,896	3,678	-	389,373
<b>Additions to noncurrent assets</b>								
Property, plant and equipment	155	43,615	101,905	240,950	6,988	-	-	393,613
Other noncurrent assets	-	34,495	1,579	-	-	-	-	36,074
Investment in an associate	259,907	-	-	-	-	-	444,019	703,926
<b>Assets and Liabilities</b>								
<b>Current assets</b>	<b>P450,212</b>	<b>P3,886,221</b>	<b>P1,390,649</b>	<b>P584,503</b>	<b>P59,059</b>	<b>P20,973</b>	<b>(P2,390,757)</b>	<b>P4,000,860</b>
Noncurrent assets	6,470,683	4,223,635	3,858,576	1,471,485	26,582	173,274	(3,517,215)	12,707,020
<b>Total assets</b>	<b>P6,920,895</b>	<b>P8,109,856</b>	<b>P5,249,225</b>	<b>P2,055,988</b>	<b>P85,641</b>	<b>P194,247</b>	<b>(P5,907,972)</b>	<b>P16,707,880</b>
<b>Current liabilities</b>	<b>P1,057,623</b>	<b>P5,795,288</b>	<b>P3,554,441</b>	<b>P2,282,334</b>	<b>P127,607</b>	<b>P64,250</b>	<b>(P2,351,845)</b>	<b>P10,529,698</b>
Noncurrent liabilities	674,991	61,569	9,398	-	-	49,315	(22,606)	772,667
<b>Total liabilities</b>	<b>P1,732,614</b>	<b>P5,856,857</b>	<b>P3,563,839</b>	<b>P2,282,334</b>	<b>P127,607</b>	<b>P113,565</b>	<b>(P2,374,451)</b>	<b>P11,302,365</b>

June 30, 2010 (One Year)

	RHI	CADPI	CACI	RBC	CFSI	All Others	Eliminations and Adjustments	Consolidated
<i>(In Thousands)</i>								
<b>Revenue</b>								
<b>External customers:</b>								
Refined sugar	P-	P3,593,629	P122,577	P-	P-	P-	P-	P3,716,206
Raw sugar	-	142,927	1,690,787	-	-	20,235	-	1,853,949
Tolling fees	-	290,268	-	-	-	-	-	290,268
Molasses	-	258,768	57,596	-	-	1,871	-	318,235
Others	-	3,000	-	-	21,302	7	-	24,309
<b>Inter-segment</b>	<b>235,454</b>	<b>4,288,592</b>	<b>1,870,960</b>	<b>-</b>	<b>21,302</b>	<b>22,113</b>	<b>-</b>	<b>6,202,967</b>
	235,454	4,351,268	2,537,120	-	21,302	26,651	(968,828)	6,202,967
	235,454	4,351,268	2,537,120	(31,503)	(36,569)	(24,479)	897,866	(5,923,015)
<b>Costs and expenses</b>	<b>(135,655)</b>	<b>(4,136,079)</b>	<b>(2,456,596)</b>	<b>(31,503)</b>	<b>(36,569)</b>	<b>(24,479)</b>	<b>897,866</b>	<b>(5,923,015)</b>
Interest income	1,217	692	3,577	684	14	207	(681)	5,710
Interest expense	(61,454)	(121,757)	(135,536)	(5,703)	(1,397)	(689)	7,056	(319,480)
Others	462	207,369	79,764	1,219	70	14,537	(6,770)	296,651
<b>Income (loss) before income tax</b>	<b>40,024</b>	<b>301,493</b>	<b>28,329</b>	<b>(35,303)</b>	<b>(16,580)</b>	<b>16,227</b>	<b>(71,357)</b>	<b>262,833</b>
Provision for income tax	9,405	(91,359)	(8,494)	(19)	4,974	(288)	2,125	(83,656)
<b>Segment profit (loss)</b>	<b>49,429</b>	<b>210,134</b>	<b>19,835</b>	<b>(35,322)</b>	<b>(11,606)</b>	<b>15,939</b>	<b>(69,232)</b>	<b>179,177</b>
Equity in net earnings of an associate	-	-	-	-	-	-	132,263	132,263
<b>Consolidated net profit (loss)</b>	<b>P49,429</b>	<b>P210,134</b>	<b>P19,835</b>	<b>(P35,322)</b>	<b>(P11,606)</b>	<b>P15,939</b>	<b>P63,031</b>	<b>P311,440</b>
<b>Other Information</b>								
<b>Major costs and expenses:</b>								
Depreciation and amortization	P3,723	P207,877	P191,943	P2,581	P572	P329	P-	P407,025
Fuel and oil	-	385,906	22,994	-	-	-	-	408,900
Materials and consumables	5,308	203,982	79,328	4,429	11,932	65	-	305,044
Repairs and maintenance	1,156	207,164	169,540	430	3,591	66	-	386,947
<b>Additions to noncurrent assets</b>								
Property, plant and equipment	29,204	1,285,989	1,488,303	641,703	21,126	143	(902,084)	2,564,384
Other noncurrent assets	3,372	-	9,385	63,655	-	-	(58,997)	17,415
Investment in an associate	259,907	-	-	-	-	-	358,415	618,322

(Forward)



June 30, 2010 (One Year)

	RHI	CADPI	CACI	RBC	CFSI	All Others	Eliminations and Adjustments	Consolidated
<i>(In Thousands)</i>								
<b>Assets and Liabilities</b>								
Current assets	P380,809	P3,730,047	P906,905	P294,433	P51,043	P44,929	(P2,296,285)	P3,111,881
Noncurrent assets	6,258,161	4,490,225	3,994,788	1,233,258	26,086	173,636	(3,602,820)	12,573,331
<b>Total assets</b>	<b>P6,638,970</b>	<b>P8,220,272</b>	<b>P4,901,693</b>	<b>P1,527,691</b>	<b>P77,129</b>	<b>P218,565</b>	<b>(P5,899,105)</b>	<b>P15,685,215</b>
Current liabilities	P389,197	P2,154,713	P1,326,666	P1,512,273	P90,144	P72,701	(P2,296,215)	P3,249,479
Noncurrent liabilities	1,318,806	3,361,886	1,724,605	-	-	51,481	(7,947)	6,448,831
<b>Total liabilities</b>	<b>P1,708,003</b>	<b>P5,516,599</b>	<b>P3,051,271</b>	<b>P1,512,273</b>	<b>P90,144</b>	<b>P124,182</b>	<b>(P2,304,162)</b>	<b>P9,698,310</b>

June 30, 2009 (One Year)

	RHI	CADPGC	CADPI	CACI	RBC	CFSI	All Others	Eliminations and Adjustments	Consolidated
<i>(In Thousands)</i>									
<b>Revenue</b>									
External customers:									
Refined sugar	P-	P-	P2,945,352	P358,948	P-	P-	P-	P-	P3,304,300
Raw sugar	-	-	227,295	1,662,346	-	-	19,469	-	1,909,110
Tolling fees	-	-	356,464	-	-	-	-	-	356,464
Molasses	-	-	197,166	94,775	-	-	1,509	-	293,450
Others	-	-	-	-	-	1,268	26	-	1,294
Inter-segment	268,816	124,774	3,726,277	2,116,069	-	1,268	21,004	6,388	5,864,618
Costs and expenses	(94,869)	(38,916)	(3,660,755)	(2,200,960)	(19,776)	(2,903)	(42,922)	485,031	(5,576,070)
Interest income	1,177	822	1,225	3,672	235	1	306	-	7,438
Interest expense	(56,908)	-	(45,073)	(32,880)	-	(17)	(1,491)	3,035	(133,334)
Others	3,245	167	35,485	38,769	(4,314)	(1)	8,992	(6,640)	75,703
Income (loss) before income tax	121,461	86,847	235,623	82,637	(23,855)	(1,652)	(7,723)	(254,983)	238,355
Provision for income tax	8,220	(67,204)	(83,570)	(26,615)	(4,412)	-	316	(2,125)	(175,390)
<b>Segment profit (loss)</b>	<b>129,681</b>	<b>19,643</b>	<b>152,053</b>	<b>56,022</b>	<b>(28,267)</b>	<b>(1,652)</b>	<b>(7,407)</b>	<b>(257,108)</b>	<b>62,965</b>
Equity in net earnings of an associate	-	-	-	-	-	-	-	79,564	79,564
<b>Consolidated net profit (loss)</b>	<b>P129,681</b>	<b>P19,643</b>	<b>P152,053</b>	<b>P56,022</b>	<b>(P28,267)</b>	<b>(P1,652)</b>	<b>(P7,407)</b>	<b>(P177,544)</b>	<b>P142,529</b>
<b>Other Information</b>									
Major costs and expenses:									
Depreciation and amortization	P1,083	P102	P178,203	P123,460	P1,361	P-	P217	P-	P304,426
Fuel and oil	-	-	230,282	20,681	-	-	-	-	250,963
Materials and consumables	3,697	5,355	202,821	72,571	3,399	78	42	-	287,963
Repairs and maintenance	514	670	226,711	147,606	818	2	25	-	376,346
Additions to noncurrent assets									
Property, plant and equipment	10,824	-	1,689,759	1,025,892	532,969	-	-	94,001	3,353,445
Other noncurrent assets	4,633	-	3,518	10,145	-	-	18,296	-	36,592
Investment in an associate	-	-	-	-	-	-	-	-	557,432
<b>Assets and Liabilities</b>									
Current assets	P351,089	P-	P3,531,291	P1,049,396	P69,369	P2,464	P123,544	(P2,012,595)	P3,114,558
Noncurrent assets	5,707,683	-	3,421,067	2,700,230	615,413	555	229,913	(2,267,750)	10,407,111
<b>Total assets</b>	<b>P6,058,772</b>	<b>P-</b>	<b>P6,952,358</b>	<b>P3,749,626</b>	<b>P684,782</b>	<b>P3,019</b>	<b>P353,457</b>	<b>(P4,280,345)</b>	<b>P13,521,669</b>
Current liabilities	P378,666	P-	P2,635,931	P1,273,128	P634,043	P4,428	P165,151	(P1,147,930)	P3,943,417
Noncurrent liabilities	1,170,393	-	1,822,888	646,100	4,379	-	68,736	149,152	3,861,648
<b>Total liabilities</b>	<b>P1,549,059</b>	<b>P-</b>	<b>P4,458,819</b>	<b>P1,919,228</b>	<b>P638,422</b>	<b>P4,428</b>	<b>P233,887</b>	<b>(P998,778)</b>	<b>P7,805,065</b>



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**29. Other Matter**

Registration with the Board of Investments (BOI)

On October 24, 2008, the BOI approved the registration of Roxol as New Producer of Bioethanol (Anhydrous) and Potable (Hydrous) Ethanol on a Pioneer Status under the Omnibus Investments Code of 1987 or Executive Order (E.O.) 226. Under the terms of its registration, Roxol is required to achieve certain production and sales volume for both anhydrous and hydrous ethanol. As a registered enterprise, Roxol is entitled to certain tax incentives, which include, among others: (1) income tax holiday (ITH) of six years for its anhydrous ethanol and for four years for its hydrous ethanol, from January 2010 or actual start of commercial operations, whichever is earlier; (2) extension of ITH provided that the aggregated ITH availment does not exceed eight years, subject to certain conditions; (3) for the first five years from the date of registration, additional deduction from taxable income of 50% of the wages arising from additional workers hired, provided that it is not simultaneously availed with the ITH; (4) tax credit for taxes and duties on raw materials and supplies and semi-manufactured products used in producing its export product; (5) exemption from wharfage dues, any export tax, duties imposts and fees for ten years from date of registration; (6) may qualify to import capital equipment, spare parts and accessories at 0% duty from date of registration up to June 16, 2011 pursuant to E.O. 528 and its Implementing Rules and Regulations and (7) tax- and duty-free importation of equipment.



**ROXAS HOLDINGS, INC.**  
(A Subsidiary of Roxas and Company, Inc.)

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011**  
(Amounts in Thousands)

Retained earnings, beginning	₱2,910,165
Less: Restricted retained earnings	(2,351,420)
Deferred income tax assets	(18,306)
Unrestricted retained earnings, as adjusted to available for dividend declaration, beginning	540,439
Net income actually earned/realized during the period:	
Add: Net income during the period closed to retained earnings	10,764
Movement of deferred income tax assets	6,679
	17,443
Add: Reversal of appropriation of retained earnings during the period	2,380
Total unrestricted retained earnings available for dividend declaration, end	₱560,262

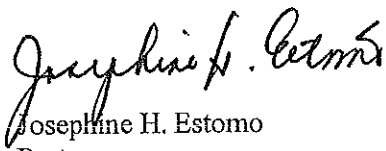


## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
Roxas Holdings, Inc.  
6th 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 Holdings, Inc. (a subsidiary of Roxas and Company, Inc.) and subsidiaries as at September 30, 2011 and for the three months then ended included in this Form 17-A and have issued our report thereon dated January 13, 2012. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules, including the supplementary schedule of retained earnings available for dividend declaration as of September 30, 2011, are the responsibility of Roxas Holdings, Inc.'s management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 and Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Josephine H. Estomo  
Partner  
CPA Certificate No. 46349  
SEC Accreditation No. 0078-AR-2  
Tax Identification No. 102-086-208  
BIR Accreditation No. 08-001998-18-2009,  
June 1, 2009, Valid until May 31, 2012  
PTR No. 3174595, January 2, 2012, Makati City

January 13, 2012



**INDEPENDENT AUDITORS' REPORT  
 ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
 Roxas Holdings, Inc.  
 6th 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 Holdings, Inc. (a subsidiary of Roxas and Company, Inc.) and subsidiaries as at September 30, 2011 and for the three months then ended included in this Form 17-A and have issued our report thereon dated January 13, 2012. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules, including the supplementary schedule of retained earnings available for dividend declaration as of September 30, 2011, are the responsibility of Roxas Holdings, Inc.'s management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 and Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Josephine H. Estomo*

Josephine H. Estomo

Partner

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BIR Accreditation No. 08-001998-18-2009,

June 1, 2009, Valid until May 31, 2012

PTR No. 3174595, January 2, 2012, Makati City

January 13, 2012

**ROXAS HOLDINGS, INC.**  
**(A Subsidiary of Roxas and Company, Inc.)**

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011**  
**(Amounts in Thousands)**

Retained earnings, beginning	₱2,910,165
Less: Restricted retained earnings	(2,351,420)
Deferred income tax assets	(18,306)
<hr/>	
Unrestricted retained earnings, as adjusted to available for dividend declaration, beginning	540,439
<hr/>	
Net income actually earned/realized during the period:	
Add: Net income during the period closed to retained earnings	10,764
Movement of deferred income tax assets	6,679
	<hr/>
	17,443
<hr/>	
Add: Reversal of appropriation of retained earnings during the period	2,380
<hr/>	
Total unrestricted retained earnings available for dividend declaration, end	₱560,262
<hr/>	



## Annex "B"



SCHEDULE A

ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES

MARKETABLE SECURITIES (Current Marketable Equity Securities)  
SEPTEMBER 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Name of issuing entity and description of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at balance sheet date	Income received and accrued
NONE				

SCHEDULE B

ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)

SEPTEMBER 30, 2011

(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/advances)	₱91,000	₱2,697	₱2,985	₱-	₱90,712	₱-	₱90,712

SCHEDULE C

ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES

NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM  
INVESTMENTS IN STOCK AND OTHER INVESTMENTS  
SEPTEMBER 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS, EXCEPT NUMBER OF SHARES)

Name of issuing entity and description of investment	Beginning balance		Net additions (deductions)				Ending balance		
	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in net loss of investee for the period	Share in an associate's negative goodwill upon adoption of PFRS	Dividend income	Other	Number of shares or principal amounts of bonds and notes	Amount in Pesos	Dividends received from investments not accounted for by the equity method
Hawaiian -Philippine Company (45.09%)	28,549,365	₱703,926	(₱17,982)	₱-	₱-	₱-	28,549,365	₱685,944	₱-

SCHEDULE D

ROXAS HOLDINGS, INC  
AND SUBSIDIARIES

INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND RELATED PARTIES  
SEPTEMBER 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Name of Affiliates	Balance at beginning of year	Balance at end of year
NONE		

SCHEDULE E

ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES

PROPERTY, PLANT AND EQUIPMENT  
SEPTEMBER 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Classification	Beginning balance	Additions at cost	Retirements	Other charges-		Ending balance
				Additions	(deductions)	
Land	₱2,714,110	₱-	₱-	₱170,391		₱2,543,719
Buildings and improvements	2,536,461	3	(5,836)	221,905		2,752,533
Machinery and equipments	10,978,436	-	(114,401)	974,089		11,838,124
Railroad equipments	32,935	-	-	-		32,935
Office furnitures, fixtures and equipment	76,852	-	(14,795)	5,252		67,309
Construction in progress	1,243,966	8,560		(1,201,246)		51,280
	₱17,582,760	₱8,563	₱(135,032)	₱(170,391)		₱17,285,900

SCHEDULE F

ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES

ACCUMULATED DEPRECIATION  
SEPTEMBER 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Classification	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges- additions (deductions)	Ending balance
Land	P-	P-	P-	P-	P-	P-
Buildings and improvements	827,215	28,598	-	-	(3,143)	852,670
Machinery and equipments	4,832,257	136,822	-	-	(93,592)	4,875,487
Railroad equipments	16,146	1,287	-	-	-	17,
Office furnitures, fixtures and equipment	59,907	3,728	-	-	(11,468)	52,167
Construction in progress	-	-	-	-	-	-
	P5,735,525	P170,435	P-	P-	(P108,203)	P5,797,757

SCHEDULE G

ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES

INTANGIBLE ASSETS - OTHER ASSETS  
SEPTEMBER 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Description	Beginning Balance	Charged to costs and expenses	Charged to other accounts	Other changes-		Ending Balance
				Additions	(deductions)	
Goodwill	₱9,796	P-	P-	P-	P-	₱9,796

SCHEDULE H

ROXAS HOLDINGS, INC  
AND SUBSIDIARIES

LONG-TERM BORROWINGS

SEPTEMBER 30, 2011

(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Title of issue and type of obligation	Amount shown under caption "Current portion of long-term borrowings" in related consolidated balance sheets	Amount shown under caption "Long-term borrowings" in related consolidated balance sheets	Remarks
Loans payable to local banks:			
Bank of the Philippine Island (BPI)			
BPI - Asset Management and Trust Group (AMTG)	₱931,035		₱
Rizal Commercial Banking Corporation	500,000		
Banco de Oro Unibank, Inc. (BDO)	465,517		
	4,530,413		
	₱6,426,965		₱

Refer to Note 14 of the 2011 consolidated financial statements for additional information on long-term borrowings.



SCHEDULE I

**ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES**

**INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)  
SEPTEMBER 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)**

Name of Affiliate	Balance at beginning of year	Balance at end of year
NONE		

SCHEDULE J

ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES

GUARANTEES OF SECURITIES OF OTHER ISSUERS  
SEPTEMBER 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issues of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
NONE				

SCHEDULE K

ROXAS HOLDINGS, INC.  
AND SUBSIDIARIES

SHARE CAPITAL  
SEPTEMBER 30, 2011

Title of issue	Number of shares authorized	Number of shares issued and outstanding shown under related consolidated balance sheets 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 (₱1 par value)	1,500,000,000	909,552,236	-	627,038,666	65,965,396	2216,541

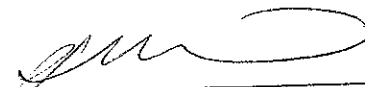
Please refer to Note 24 of the 2011 consolidated financial statements for additional information on share capital.

# ROXAS HOLDINGS, INC

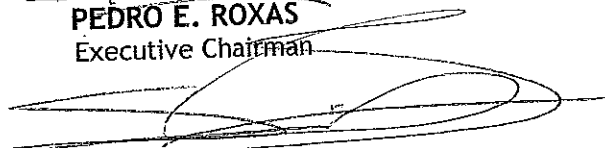
Pursuant to the requirements of the Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.



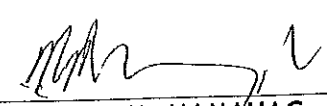
**PEDRO E. ROXAS**  
Executive Chairman



**RENATO C. VALENCIA**  
President and CEO



**SINDULFO L. SUMAGANG**  
VP - Controller/Treasurer & Risk Mgt Officer



**FLORENCIO M. MAMAUAG, JR.**  
VP-Legal/Assistant Corp. Secretary  
& Compliance Officer

JAN 26 2012

SUBSCRIBED AND SWORN to me before this \_\_\_\_\_ day of \_\_\_\_\_ 2012; affiants exhibited to me their respective Community Tax Certificates, as follows:

Pedro E. Roxas	03240330	2/28/2011	Makati City
Renato C. Valencia	17983321	2/01/2011	Muntinlupa
Sindulfo L. Sumagang	15308639	3/31/2011	Las Pinas
Florencio M. Mamauag, Jr.	08500055	2/14/2011	Cabagan, Isabela

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Page No. 78  
Book No. 79

Series of 2012



**ATTY. ANTONIO M. SANTOS**  
NOTARY PUBLIC

**UNNOTARY PUBLIC 012**  
ROLL OF ATTORNEYS NO. 2940, LIFETIME  
IBP NO. 06917, LIFETIME  
PTR NO. 2973948 MB/1-5-12  
MCLE NO. 111-0015877/1-7-12

January 10, 2012

**DISCLOSURE DEPARTMENT  
THE PHILIPPINE STOCK EXCHANGE, INC**

**ATTENTION : Ms Janet Encarnacion**  
Head of Disclosure Department

**Subject : Request for Extension to submit Annual Report**  
For the period ended September 30, 2011

Gentlemen,

Roxas Holdings, Inc would like to request for extension of deadline to submit its Annual Report for the fiscal year ended September 30, 2011. The company will not be able to file the above mention report on its due date January 13, 2012 due to volume of work and other office matters that equally demand immediate attention.

The company undertakes to submit the report within fifteen (15) calendar days after the prescribed deadline or upon submission of report to Security and Exchange Commission, which ever is earlier. The company understands that failure to comply with the undertaking may result to imposition of applicable penalties and/or sanction/s.

Very truly your,

  
**Florencio M. Mamauag, Jr.**  
VP Legal and Compliance Officer



101102012001127



# SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mls@sec.gov.ph

## Barcode Page

The following document has been received:

Receiving Officer/Encoder : Edmundo Guia  
Receiving Branch : SEC Head Office  
Receipt Date and Time : January 10, 2012 03:12:39 PM  
Received From : Head Office

Company Representative

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Doc Source

### Company Information

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SEC Registration No. PW0000015A  
Company Name ROXAS HOLDINGS, INC DOING BUSINESS UNDER THE N-  
AME AND STYLE OF CADP GROUP  
Industry Classification  
Company Type Stock Corporation

### Document Information

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Document ID 101102012001127  
Document Type 17-L (FORM 11-L:NTCE TO DELAY RPT)  
Document Code 17-L  
Period Covered January 10, 2012  
No. of Days Late 0  
Department CFD  
Remarks

**ROXAS HOLDINGS, INC.**

-----  
(Company's Full Name)

**6/F Cacho Gonzales Bldg.  
101 Aguirre St., Legaspi Village, Makati City**

-----  
(Company's Address)

**(632) 810-8901**

-----  
(Company's Telephone Number)

**September 30, 2011**

-----  
(Fiscal Year Ending)

**SEC Form 17-L**

-----  
(Form Type)

-----  
Amendment Designation (If Applicable)

-----  
Period Ended Date

-----  
(Secondary License Type and File Number)





CENTRAL AZUCARERA DON PEDRO

8.....  
Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes []      No [  ]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Securities registered with the Philippine Stock Exchange:

Securities registered:	No. of shares
Common shares	1,168,976,598

**Part I - Representations**

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. [  ]

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth(15<sup>th</sup>) calendar day following the prescribed due date []; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth (5<sup>th</sup>) calendar day following the prescribed due date. [  ]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. [  ]

**Part II - Narrative**

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed.)

The company Annual Reports on SEC Form 17 A is due for filing on 13 January 2012. Due however to volume of work and various deadlines equally demanding immediate attention , the company will not be able to file the said reports on its due date. I therefore request an extension of fifteenth (15) days or until January 28,2012within which to file the report.

**Part III - Other Information**

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification:

**Atty. Florencio M. Mamauag, Jr.**  
Assistant Corporate Secretary  
VP – Legal and Compliance Officer  
6F Cacho-Gonzales Bldg.  
101 Aguirre Street, Legaspi Village  
Makati City, Metro Manila  
810-8901 / 750-2167

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes  No

Reports: .....

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes  No

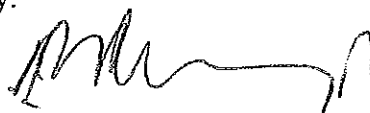
If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

**SIGNATURE**

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**ROXAS HOLDINGS, INC.**

By:



**FLORENCIO M. MAMAUAG, JR.**  
Assistant Corporate Secretary  
VP-Legal and Compliance Officer

10 January 2012

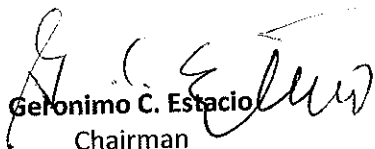
## AUDIT COMMITTEE REPORT


13 January 2012

### The Board of Directors Roxas Holdings, Inc.

Further to our compliance with applicable corporate governance laws and rules, we confirm for the short period ending 30 September 2011 that:

1. The Chairman of the Audit Committee is an independent director;
2. During the short period ending 30 September 2011, the Audit Committee held three (3) meetings which were all attended by us;
3. We have discussed with Roxas Holdings, Inc.'s Internal Audit Group and SGV & Co. the overall scope and plans for their respective audits, and the results of their examination, their evaluations of Roxas Holdings, Inc. and its subsidiaries (the "RHI Group"), internal controls and the overall quality of the RHI Group's financial reporting;
4. We have reviewed and approved the audit and non-audit services, if any, provided by SGV & Co. to the RHI Group, and related fees for such services, and concluded that the non-audit fees, if any, are not significant to impair their independence;
5. In the performance of our oversight responsibilities, we have reviewed and discussed the audited financial statements of the RHI Group as of and for the short period ending 30 September 2011 with the RHI Group's management, which has the primary responsibility for the financial statements, and with SGV & Co., the RHI Group's independent external auditor, who is responsible for expressing an opinion on the conformity of the RHI Group's audited financial statements with the Philippine Financial Reporting Standards (PFRS);
6. Based on the reviews and discussions referred to above, in reliance on the RHI Group's management, and SGV & Co. and subject to the limitations of our role, we recommended to the Board of Directors and the Board has approved, the inclusion of the RHI Group's audited financial statements as of and for the short period ending 30 September 2011 in the RHI Group's Annual Report to the Stockholders and to the Philippine Securities and Exchange Commission (SEC) on form 17-A; and
7. Based on a review of SGV & Co.'s performance and qualifications, including consideration of management's recommendation, we approved the appointment of SGV & Co. as the RHI Group's independent external auditor.

  
Geronimo C. Estacio  
Chairman

  
Raul M. Leopando  
Member