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SECURITIES AND EXCHANGE COMMISSION

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

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ROXAS HOLDINGS, INC.

(Company's Full Name)

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

(Company's Address)

(02) 810-8901

(Telephone Number)

30 September

(Fiscal Year Ending)
(Month & day)

(Annual Meeting)

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

1. For the fiscal year ended : 30 September 2012.
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. Address of Principal Office : Cacho-Gonzalez Building, 101 Aguirre St., Legaspi Village, Makati City. Postal Code 1229.
8. Registrant's telephone number, including area code (632)810-8901 to 06.
9. **CENTRAL AZUCARERA DON PEDRO/June 30**
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 September 2012	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 there under 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 29 November 2012 is 212,759,575 and assuming further that the closing market bid price on said date is P2.50 then the aggregate value of voting shares held by non-affiliates as of the said date is P531,898,375.50.

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 2012.

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 an ethanol plant, located in Negros Occidental, and was strategically designed to produce both bioethanol and potable or industrial alcohol. The company is looking to produce bioethanol to cater to the country's requirements for biofuel, at the same time, supply the potable alcohol requirements of the beverage and industrial markets.

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

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.

Moreover, the Group produces molasses, a by-product of raw and refined sugar, which can be sold to

traders, distilleries and manufacturers or used by the Group as raw material for the production of ethanol.

Bioethanol

The Group, through Roxol, produces fuel ethanol targeting the oil companies, which, under the Biofuels Act of 2006, are mandated to blend 10 percent (10%) ethanol in their gasoline.

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

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 oil and alcohol 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. Also based in Negros Occidental is Roxol which uses molasses from CACI and from other mills in Negros Occidental in order to produce ethanol.

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 and Roxol.

i) Principal products, markets, relative contribution to sales and revenues of Central Azucarera Don Pedro, Inc., Central Azucarera de La Carlota, Inc. and Roxol Bioenergy Corporation:

CADPI		CACI		Roxol	
a. Raw sugar	26%	a. Raw sugar	65%	a. Anhydrous alcohol	94%
b. Refined sugar	65%	b. Refined sugar	31%	b. Ethyl alcohol	0%
c. Molasses	4%	c. Molasses	4%	c. Molasses	6%
d. Tolling	5%				

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. It is also 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.

CADPI secures its sugar cane principally from planters in Batangas. Its principal suppliers of other materials and services are: Lucky Fourteen Trucking, Nasugbu Management and Services Corp., H.T. Mining Products Resources Corp., Falcon Yarn Mfg. Corporation, Unibag Mfg. Corporation, Prosperity Manufacturing Co., MJW Trading, Arvin International Mktg., Inc., Up Town Industrial Sales, Inc., Philippine Biomass Feedstock Corporation, DM Trading & Industrial Services, Reagan Industrial Sales, Allied Specialty Chem. Corp., Agro Industrial & Mill Supply Corp., Aspen Industrial Sales Corp., All Asian Countertrade, Inc., Fabcon Philippines, Inc., Arlo P. Brucal Construction and General Services, Debisco Enterprise Inc., Artemis Salt Corporation, Siemens Incorporated and Bearing Center & Machinery.

CACI secures its sugar cane from various planters/traders in Negros Occidental. Its affiliate, Najalin Agri Ventures, Inc., supplies a small percentage of the sugar cane requirements of the company. Its major suppliers of materials and services are: E&E Marketing & Lumber Dealer, Unibag Manufacturing Corporation, Petron Corporation, Reagan Industrial Sales, Inc., Bacolod Welding Mfg. Corp., Negros Integrated Industrial Corp., Negros A-1 Gas Corporation, A.L.H. Lime Factory, Agro Industrial & Mill Supply Corp., Negros Metal Corporation, Baronessa Metal Corporation, High Purity Technologies, Inc. Edison Electric Integrated, Inc. Astrade Enterprises, Pryce Gases, Inc., Milco Malcolm marketing, MMC Engineering Works Dealer, J B Materum Trading and Lubri-Chem Philippines Distributors, Inc.

Roxol secures its molasses from CAC and from the planters and traders in Negros Occidental. Its principal suppliers of other materials and services are: Venus Trucking Services, Inc., Philippine Biomass Feedstock Corporation, North Negros Growers Multi-Purpose Cooperative, DM Trading & Industrial Services, Inc., Southern Negros Joint Venture Corporation, Negros Dynamic Ventures Trading Corporation, Greenchips Wood supply, Almark Chemical Corporation, Atom Chemical company, Inc., Hawaiian-Philippine Company, Nalco Philippines, Inc., Negros Chemtrust Industrial Corp., Totalhead Sales & Services, E & E Marketing & Lumber Dealer, Mabini Limers & Farmers MPC, RDM Insulators & Engineering Values, American Packing Industrial Corp. and Allied Specialty Chemical Corporation.

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 customers for its bioethanol fuel product are Pilipinas Shell Corporation, Seaoil Philippines, Inc. and TWA, Inc. (Flying V).

vi) Patents, Trademarks and Copyrights.

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

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

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 the SRA issues at the start of every crop year. 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 4% 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 No. 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 No. 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 No. 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 No. 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 Department of Energy (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 (10%) percent 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 National Biofuels Board.

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), Department of Energy (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), National Biofuels Board (NBB), National Commission on Indigenous Peoples (NCIP), Philippine Coconut Authority (PCA) and Sugar Regulatory Administration (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.

4. Department Circular No. DC2011-02-0001.

Department Circular No. DC2011-01-0001 was issued by the DOE on 6 February 2011 mandating the ten percent (10) blend of bioethanol by volume into all gasoline fuel distributed and sold by the oil companies effective 6 August 2011.

5. Department Circular No. DC2011-12-0013.

Department Circular No. DC2011-12-0013, otherwise known as the "Guidelines on the Utilization of Locally-produced Bioethanol in the Production of E-gasoline," was issued by the DOE on 15 December 2011. The Circular was issued in order to implement the mandatory exhaustion by the oil companies of locally-produced bioethanol before the oil companies are permitted to import ethanol.

6. Value Added Tax and Excise Tax Systems.

Under the present VAT system, the sale of bioethanol fuel, being a fuel generated from renewable sources of energy, is subject to zero percent (0%) VAT rate while the sale of industrial and potable alcohol is subject to 12% VAT. The tax consequence does not adversely affect the company's business because the VAT on industrial and potable alcohol is passed on to the buyer or consumer.

On excise tax, bioethanol fuel is subject to zero percent (0%) specific tax under RA No. 9367 while industrial and potable alcohol is subject to excise tax at the prevailing tax rates. The tax consequence does not adversely affect the company's business because the excise tax on industrial and potable alcohol is passed on to the buyer or consumer.

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 fifty kilograms (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 P22 million to research and development and this amount constitutes 0.03% of its revenues. For the last crop year, the company contributed P1.96 million or about 0.04% of the revenue.

Likewise, CACI also contributes P2.00 per Lkg. to PHILSURIN. For the last crop year the company allocated P2.5 million or about 0.09% of the 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 revenues.

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 Department of Environment and Natural Resources (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 fiscal year ending 30 September 2012, CADPI spent about P12.478 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 the company's premises.

For the fiscal year ending 30 September 2012, CACI spent about P23.3 million for the maintenance and improvement of its pollution control program.

In the case of Roxol, the company implemented 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 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.

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 2012, RHI had nine (9) executive officers and nine (9) regular employees.

CADPI had 516 regular employees as of 30 September 2012. 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 541 regular employees as of September 2012. 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 56 regular employees as of 30 September 2012. Roxol 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 Sixty Five Million Nine Hundred Thousand Eight Hundred Pesos (P 2,165,900,800.00), Philippine currency. The land is now currently leased to CADPI for a period of one (1) year from January 2012 to December 2012 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 2012, these properties are valued, net of depreciation, at P3.821 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 2012, these properties are valued, net of depreciation, at P3.589 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. La Granja, Esperanza and Cubay, La Carlota City, Negros Occidental and improvements, machineries, fixtures and transportation equipments. As of 30 September 2012, these properties, including construction-in-progress are valued, net of depreciation, at P1.580 billion. These properties are presently mortgaged to banking institutions to secure certain loan obligations.

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 2012, the properties are valued, net of depreciation, at P174.7 million.

xiii) Legal Proceedings.

In the ordinary course of its business, RHI and its subsidiaries are engaged in litigations 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 fourth quarter of the fiscal year 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.

Market Price of, and Dividends on, 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 2010 through September 2011

Quarter	High	Low
1 st	3.10	2.95
2 nd	4.50	2.70
3 rd	3.20	2.70
4 th	2.94	2.70
July to Sept. 2011	3.49	2.38

October 2011 through September 2012

Quarter	High	Low
1 st	2.01	3.15
2 nd	2.30	3.90
3 rd	2.30	3.75
4 th	2.38	3.00

The company's shares were trading at ₱2.50 per share as of 29 November 2012.

(2) Holders. There were about 2,266 holders of the company's common shares as of 29 November 2012. The top twenty (20) holders of the common shares as of said date were:

STOCKHOLDERS	NATIONALITY	TOTAL NO. OF SHARES	%
1. Roxas & Company, Inc.	Filipino	597,606,670	65.70%
2. PCD Nominee Corp.	Filipino	112,592,741	13.48%
3. Pesan Holdings, Inc.	Filipino	47,393,142	5.21%
4. Rizal Commercial Banking Corporation	Filipino	34,476,000	3.79%
5. Agikik Corporation	Filipino	28,120,000	3.09%
6. PCD Nominee Corporation	Other Alien	16,999,840	1.87%
7. Marta Roxas Olgado	Spanish	6,759,212	0.74%
8. Roxas Holdings, Inc. Retirement Trust Fund	Filipino	5,655,000	0.62%
9. Pan Malayan Mgmt. & Investment Corp.	Filipino	3,947,724	0.43%

STOCKHOLDERS	NATIONALITY	TOTAL NO. OF SHARES	%
10. Maricarmen R. de Elizalde	Filipino	2,204,688	0.24%
11. Anthony U. Que	Filipino	2,035,850	0.22%
12. Insular Life Assurance Co., Ltd.	Filipino	1,198,520	0.13%
13. Jose A. Manzano Jr.	Filipino	1,029,007	0.11%
14. Gilbert Liu	Filipino	1,014,000	0.11%
Magnolia W. Antonio &/or Gaudencio Antonio, Jr.	Filipino	1,014,000	0.11%
15. East West Banking Corporation	Filipino	914,290	0.10%
16. Wellington Chua	Filipino	836,000	0.09%
17. Emilio Pantoja	Filipino	785,078	0.09%
18. Armando M. Medina	Filipino	770,640	0.08%
19. Antonio Nieto	Filipino	716,905	0.08%
20. Leonardo T. Siguion Reyna	Filipino	608,400	0.07%
Sub – total		876,677,707	96.39%
Other Stockholder		<u>32,874,529</u>	<u>3.61%</u>
TOTAL OUTSTANDING SHARES		909,552,236	100.00%

(3) Dividends.

(a) History of dividends paid:

Declaration Date	Record Date	Type and Amount of Dividends
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	15 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
17 September 2012	01 October 2012	Cash - ₱0.06 per share
12 December 2012	28 December 2012	Cash - ₱0.04 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 2011-2012.

(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 2012, 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

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FULL FISCAL YEAR 2011-2012

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

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

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

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

Results of Operation

The company recorded a Total Revenue of Php7.674 billion for the Fiscal Year ending September 30, 2012. This is 3% lower than the Group's audited sales of Php7.910 billion for the fiscal year ending June 30, 2011. For the period July to September 30, 2011, total revenue amounted to Php1.403 billion. Audited Consolidated raw sugar sales for the fiscal year ending September 30, 2012, amounted to Php3.648 billion while refined sugar sales totaled Php3.008 billion. The rest came from alcohol and molasses sales and refining services.

Cost of sales amounted to Php5.957 billion for the fiscal year ending September 30, 2012 a decrease by 22% from the audited figure of Php7.684 billion for the fiscal year ending June 30, 2011. This is due to lower production cost and lower cost of buying raw sugar. Interim cost of sales for the period July to September 30, 2011 amounted to Php1.843 billion.

Operating expenses for the fiscal year ending September 30, 2012 amounted to Php905 Million versus Php601 Million for the period ending June 30, 2011. This increase is due to the redundancy program, provision for doubtful accounts and provisions for taxes. For the interim period ending September 30, 2011, operating expenses amounted to Php167 million.

Equity in net earnings went down by 72% to P49 million for the fiscal year ending September 30, 2012, from P177 million for the fiscal year ending June 30, 2011, due to lower sugar sales and production and low cane tonnage of an associate company. Interim figure for the period July-September 30, 2011 was equity loss of (Php18) million.

Net interest costs decreased to P468 million this fiscal year versus P609 million for the fiscal year period ending June 30, 2011, because of the Management negotiation with the creditor banks and the change in the interest rate from fixed rate to a floating rate. Net interest cost for the interim period July-September 30, 2011 amounted Php182 million.

From a loss before tax of Php739 million for the fiscal year ending June 30, 2011 and Php759 million for the interim period July – September 30, 2011, the company made a big turnaround with an income before income tax for fiscal year ending September 30, 2012 amounting to P506 million. The Group's net benefit from income tax was Php161 million versus provision for taxes of Php3 million and Php6 million for the fiscal year ending June 30, 2011 and interim period July-September 30, 2011, respectively.

The Group ended the period with a net Income of P667 million versus net losses of Php742 million and Php766 million for the fiscal year ending June 30, 2011 and interim period July-September 30, 2011, respectively. This is equivalent to an earning per share of P0.73 in September 30, 2012 and a loss per share of P0.81 for the fiscal year ending June 30, 2011 and P0.84 per share for the interim period July-September 30, 2011.

For the Fiscal Year ending September 30, 2012, the Group recorded the highest, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) amounting to Php1.615 billion compared to Php240 million for the fiscal year ending June 30, 2011 and negative EBITDA of Php327 million for the interim period July to September 30, 2011.

Financial Condition

Consolidated resources of the Group stands at Php14.378 billion from P15.346 for the period ending September 30, 2012 and 2011 respectively. Consolidated current assets and liabilities went down from P2.849 billion to P2.175 billion and from P9.929 billion to P2.072 billion the same period last year, respectively.

The Group's current ratio went up from 0.29:1.00 in September 2011 to 1.05:1.00 in September 2012. Debt to equity ratio for the period ending September 30, 2012 is at 1.66:1 which is still within the allowable 2.33:1 ratio required in the debt covenant with the banks. Compared to 2.09:1.00 as of June 30, 2011.

The Group likewise has existing credit lines/facilities with banks to meet working capital requirements. Unused working capital lines as at September 30, 2012 and September 30, 2011 from local banks amounted to P892 million and P862 million, respectively.

Book value per share is P5.96 and P5.14 in September 30, 2012 and 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 favorable or unfavorable impact on net sales or revenues or income from continuing operations;

- Significant elements of income or loss that arose from continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

Cash and cash equivalents went down from P319 million in September 30, 2011 to P164 million for the fiscal year ending September 30, 2012, due to payments of short-term loan availments. This is P205 million lower than fiscal year ending June 30, 2011. Short term loans was P1.148 billion, P2.738 billion and P3.220 billion for the period ending September 30, 2012 & 2011 and June 30, 2011, respectively.

Total receivables, net this period amounted to P804 million from P559 million in September 2011, an increase of 43% due to the re-entry of institutional customers. This is Php142million higher than ending June 30, 2011.

Total inventories for the fiscal year ending September 30, 2012 was P779 million, 52% lower versus the period ending September 30, 2011 and 70% lower than June 30, 2011. The decrease was due to lower raw sugar inventory, sugar withdrawal by customers, contributed to the substantial decrease.

The 29% increase in prepayments to Php 427 million 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 P332 million from P333 million for period ending September 30 and June 30 2011.

Investment in shares of stock of an associate amounted to Php569 million from Php686 million in previous period due to declaration of cash dividend of an associate, HPCo. this year. Equity in net earnings for the year amounted to P49 million compared to P18 million equity loss in September 2011. The figure as of June 30, 2011 stands at P704 million.

Net pension plan assets of Roxas Holdings, Inc. increased by 1% to P129 million from P128 million due to increase in pension obligation this year. Total benefits paid amounted to P144 million.

Other non-current assets increased to P29 million from P25 million due to reclassification of long-term portion of CADPI employees' loans to current portion.

Accounts payable and accrued expenses increased to P673 million fiscal year ending September 30, 2012 or a 13% increase from P594 million for the period ending September 30, 2011 and 26% higher than the figure of P535 million for the fiscal year ending June 30, 2011 due to accruals bonuses.

Customers's deposit went down from P153 million for the period ending September 30, 2011 to P54 million this ending September 30, 2012. And 53% lower than June 30, 2011 figure of P115 million. This is due to the slowdown in customer's withdrawal of sugar.

Due to the three year grace period granted by creditor banks, the non-current portion of long-term loan borrowings amounting to P6.010 billion was presented as Long Term loans for the fiscal year ending September 30, 2012. The reclassification last year 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, 2012, the Group met the minimum DSCR required under the long-term loan agreements with certain creditor banks.

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

interim period ended September 30, 2011.

The net pension benefit obligation of the sugar subsidiaries increased to P86 million due to the redundancy program initiated by the company.

Deferred income tax liabilities, net increased to P795 million or 2% higher compared to P777 million last year and 3% higher than the period ending June 30, 2011 of P772 million. This was due to recognition of deferred tax liability on the revaluation increment on properties of the holding company.

Total equity posted at P5.414 billion as at September 30, 2012, this is slightly higher than P5.405 billion as of June 30, 2011 and 17% higher versus the period July-September 2011 of P4.640 billion due to the profitability of the company.

Batangas Operations

CADPI's raw production for crop year 2011-2012 increase slightly to 2.803 million Lkg. versus 2.776 million Lkg. in prior crop year. Total tonnage for the period reached 1.549 million tons cane compared to 1.491 million tons cane milled last year. However, sugar recovery dropped from 1.86 Lkg/TC to 1.81 Lkg/TC.

The overall production of Southern Luzon, i.e., Batangas, Cavite and Laguna has dropped by 3%. Our increase in production was mainly due to a more efficient raw sugar factory operations as compared to last year. As a result, production of our competitor mill has dropped by 24% and we were able to increase our cane share of Southern Luzon from 77% to 82%.

Refined sugar production also went up to 2.266 million Lkg. versus 1.970 million Lkg. or 15% increase due to efficient plant operation.

Negros Operations

CAC's raw production for crop year 2011-2012 increase to 3.688 million Lkg. versus 3.332 million Lkg. in prior crop year, due to good weather condition and efficient plant operations. Total tonnage for the period reached 1.877 million tons cane compared to 1.757 million tons cane milled last year. Sugar recovery increased, from 1.897Lkg/TC to 1.965 Lkg/TC, also due to favorable weather condition during the planting season of crop year 2011-2012.

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 pertains to production capacity, ability to source sugar canes and the efficiencies and productivity of manufacturing facilities.
- Refined sugar production – the most important determinant of revenues and computed as the gross volume of refined sugar produced by the CADPI refinery both as direct sales to industrial customers and traders or as tolling manufacturing service, limited by production capacity and by the ability of the Group to market its services to both types of customers.
- Raw sugar milling recovery – a measure of raw sugar production yield compared to unit of input and is computed as the fraction of raw sugar produced (in Lkg bags) from each ton of sugar cane milled (Lkg/TC).

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

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

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

Performance Indicator	2011-2012	2010-2011	2009-2010
Raw sugar production	6.491 M bags	6.109 M bags	6.947 M bags
Refined sugar production	2.258 M bags	2.137 M bags	3.324 M bags
Milling recovery	1.895 Lkg/TC	1.880 Lkg/TC	2.09 Lkg/TC
EBITDA	P1.615 billion	P793 million	P1.011 billion
Return on equity	11%	-7%	5%

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 P91 million in capital expenditures for crop year 2011-2012 of which P67 million is for CADPI for the integrated mill and refinery operations, P22 million for CACI and P2 million for RBC.

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

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

Plan of Operation

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

- Carrying out marketing programs to generate additional revenues from sales of alcohol, sugar and allied products and services
- Increasing mill share to minimize sourcing of raw sugar from third parties; and
- Implementing cost reduction program in its, such as but not limited to the reduction of personnel, fuel cost by reducing downtime, improving plant facilities to enable efficient plant utilization and maximizing the use of cheaper fuel alternatives, etc.

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 an 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 billion 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, 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. 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 slow down 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 the financial and operating results:

Performance Indicator	2010-2011	2009-2010	2008-2009
Raw sugar production	6,109 M bags	6,947 M bags	8,123 M bags
Refined sugar production	2,137 M bags	3,324 M bags	3,965 M bags
Milling recovery	1.880 Lkg/TC	2.09 Lkg/TC	2.02 Lkg/TC
EBITDA	P793 million	P1,011 billion	P669 million
Return on equity	(7%)	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.

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.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

A. Directors and Executive Officers of the Issuer.

Board of Directors.

Antonio J. Roxas is 70 years old and is a Filipino. He has been a member of the Board of Directors since year 1982. Mr. Antonio J. Roxas is the Chairman Emeritus of the company. He is also a director of Roxaco Land Corporation, Roxas & Company, Inc. and Central Azucarera Don Pedro, Inc. Mr. Antonio J. Roxas graduated from the University of Notre Dame in Indiana, USA where he obtained his degree in Bachelor of Science in Commerce and trained at the Standard Chartered Bank of London, the Shell Company in Paris, the Olavarria and Co. and Lowry and Co., Inc. in New York, USA.

Pedro E. Roxas is 56 years old and is a Filipino. He has been a member of the Board of Directors since year 1982. Mr. Pedro E. Roxas is the Chairman of the Board of Directors, the Executive Committee and the Nomination, Election & Governance Committee. He is also 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 likewise 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 70 years old and is a Filipino. He has been a member of the Board of Directors since 29 September 2010 and was elected Chief Executive Officer of the company on 27 October 2011 and also as President of the company on 01 December 2011. He is member of the Executive Committee. Mr. Renato C. Valencia is a director of Metropolitan Bank & Trust Company, the Chairman of i-People, Inc., a director of Anglo Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, and Vice-Chairman of Asia Pacific Network Holdings, Inc. 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, Chairman of Roxas Foundation, Inc., Vice-Chairman and member of the Executive Committee of ELRO Commercial & Industrial Corporation, Vice-Chairman and member of the Executive Committee of Club Punta Fuego, Inc., President of CGB Condominium Corporation, President of Fuego Hotels and Management Corporation, Senior Vice-President of Roxaco Land Corporation and a director of Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., ELRO Land 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 Olgado Roxas is 58 years old and is a Spanish citizen. She has been a member of the Board of Directors since 25 March 2009. Ms. Beatriz Olgado Roxas is a director of Roxas & Company, Inc. and a Trustee and President & CEO of Roxas Foundation, Inc.

Geronimo C. Estacio is 67 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. He was formerly the Dean of the College of Business Administration of the University of the East, a consultant to the Chairman & 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 Philippines Pension Plan, among others. Mr. Geronimo C. Estacio was formerly CFO of Procter & Gamble Philippines and Procter & Gamble Australia/New Zealand. 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 62 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 obtained his degree in Bachelor of Arts in Economics from the University of the Philippines, his degree in BSC Accounting at San Beda College and his Masters in Business Administration at the Ateneo de Manila University.

David L. Balangue is 61 years old and is a Filipino. He has been a member of the Board of Directors since 15 February 2012 and is a member of the Audit & Risk Committee and the Nomination, Election & Governance Committee. Mr. David L. Balangue was formerly the Chairman & Managing Partner of

SyCip Gorres Velayo & Co., CPA's (SGV), a Philippine member firm of Ernst & Young. Mr. David L. Balangue is currently the Chairman of the Makati Commercial Estate Association (MACEA) and the Makati Parking Authority (MAPA). He is a director of Trans-Asia Oil and Energy Development Corporation, Manufacturer's Life Insurance (Philippines) Co., Inc., Manufacturers Financial Plans Inc. and Unistar Credit & Finance Corporation and a consultant at the Philippine Deposit Insurance Co., Inc. and Ayala Land, Inc., among others. Mr. David L. Balangue obtained his degree in Bachelor of Science, major in Accounting, from the Manuel L. Quezon University and his Master of Management, major in Finance, from the Graduate School of Management, Northwestern University in Evanston, Illinois, USA. Mr. David L. Balangue 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.

Senen C. Bacani is 67 years old and is a Filipino. He has been a member of the Board of Directors since 15 February 2012 and is the Chairman of the Compensation Committee. Mr. Senen C. Bacani is currently the President of Ultrex Management & Investments Corp., Chairman & President of La Frutera, Inc., Chairman of Trully Natural Food Corporation, a director of Swift Foods, Inc., AgriNurture, Inc., Philippine Chamber of Agriculture & Food, Inc., Philippine Chamber of Food Manufacturers, Inc., a member of the Board of Advisors of East-West Seed Philippines, Inc. a Private Sector Representative of APEC Policy Partnership on Food Security, ABAC Philippines, a member of the Board of Trustees of the Philippine Rice Research Institute and a Vice-Chairman of the Technical Advisory Committee of the PCARRD (DOST), among others. Mr. Senen C. Bacani obtained his degree in Bachelor of Science in Commerce from the De La Salle University and his Master of Business Administration at the University of Hawaii.

Lorna Patajo-Kapunan is 60 years old and is a Filipino. Atty. Kapunan is the Corporate Secretary of the company. Atty. Lorna P. Kapunan is a Senior Partner of the law firm of Kapunan Garcia & Castillo. Atty. Lorna P. Kapunan obtained her degrees in Bachelor of Arts, major in Political Science and Bachelor of Laws from the University of the Philippines.

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

Board of Advisors:

Eduardo R. Areilza is 36 years old 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.

Vicente S. Perez is 54 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. Mr. Vicente S. Perez was 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. Mr. Vicente S. Perez founded Next Century Partners in 1997, a private equity firm based in Singapore. 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 the Philippines and Singapore. He is the chairman of WWF-Philippines and 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 was Vice-Chairman of the National Renewable Energy Board. Mr. Vicente S. Perez obtained his degree in Business Economics from the University of the Philippines and his Master of Business Administration at the Wharton Business School of the University of Pennsylvania.

Corporate Officers.

Pedro E. Roxas is 56 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 also 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 likewise 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 70 years old and is a Filipino. He has been a member of the Board of Directors since 29 September 2010 and was elected Chief Executive Officer of the company on 27 October 2011 and also as President of the company on 01 December 2011. He is member of the Executive Committee. Mr. Renato C. Valencia is a director of Metropolitan Bank & Trust Company, the Chairman of i-People, Inc., a director of Anglo Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, and Vice-Chairman of Asia Pacific Network Holdings, Inc. 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 65 years old and is a Filipino. He was appointed EVP for Operations & Management Services on 01 December 2011. Mr. Nilo A. FlorCruz is a director of Hawaiian Philippine Company and was formerly the Vice-President for Manufacturing of Victorias Milling Co., Inc. and President and Chairman of the Philippine Sugar Technologist, Inc. He has rendered consultancy work in sugar manufacturing for various entities in the Philippines and abroad. Mr. Nilo A. FlorCruz obtained his degree in Bachelor of Science in Agricultural Chemistry from the University of the Philippines in Los Banos.

Mr. Archimedes B. Amarra is 61 years old and is a Filipino. Mr. Archimedes B. Amarra was appointed EVP for Marketing/Trading, Corporate Planning & Corporate Communications on 01 December 2011. He was formerly a Board Member of the Sugar Regulatory Administration, a member of the Board of Trustees of the Sugar Industry Foundation, Inc., member of the Sugar Advisory Council, the Executive Director of the Philippine Sugar Millers Association, Coordinator of the Philippine Sugar Alliance and Board Member of the Sugar Development Council. He has also rendered consultancy work for various organizations since 1989. Mr. Archimedes B. Amarra obtained his degrees in BSC-Agribusiness Management and BSC-Accounting from the De La Salle College in Manila.

Mr. Jose P. E. Marcelo is 53 years old and is a Filipino. Mr. Jose P. E. Marcelo was appointed EVP & Chief Finance Officer on March 16, 2012. He was formerly an Executive Vice-President and Head, Investment Banking Group, a member of the Executive Committee and Senior Management Committee, a consultant to the Board of Directors of First Metro Investment Corporation and a director of First Metro Asset Management, Inc. Mr. Jose P. E. Marcelo obtained his degree in Bachelor of Science in Economics from the University of the Philippines and his Masters in Business Management from the Asian Institute of Management.

Florencio M. Mamauag, Jr. is 52 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 Science in Commerce, major in Accounting, and Bachelor of Laws at the San Beda College of Manila.

Francisco S. Rondilla is 49 years old and is a Filipino. Mr. Francisco S. Rondilla was appointed as VP for Information Technology & Systems and Methods on 16 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.

Eduardo A. de la Cruz is 50 years old and is a Filipino. Mr. Eduardo A. de la Cruz was appointed as VP Comptroller on 6 August 2012. He was formerly the Financial Comptroller of Ramcar Batteries International Ltd. and a director for Asia, Process and Internal Control of CEMEX. Mr. Eduardo A. de la Cruz obtained his degree in Bachelor of Science in Accounting from Araullo University.

Thelma C. Rodriguez is 59 years old and is a Filipino. Ms Thelma C. Rodriguez was appointed as AVP Internal Audit on 16 July 2012. She was formerly a business consultant to entrepreneurs, the Chief Financial Officer of Advanced Contact Solutions, Inc., VP Finance of ACM Landholdings Inc. and Proprietress of TC Rodriguez Trading, among others. Ms. Thelma C. Rodriguez obtained her degree in Bachelor of Science in Commerce, major in Accounting, from the Ateneo de Davao University and her Master of Business Administration from the Ateneo de Manila University Graduate School of Business.

Significant Employees.

The company is not highly dependent on the services of an employee who is not an Executive Officer so as to be a key in the business.

Family Relationships.

Messrs. Pedro E. Roxas, Ms. Beatriz Olgado Roxas, Antonio J. Roxas and Santiago R. Elizalde are relatives 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, 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 members of its Board of Directors or Executive Officers 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
Compensation of the Executive Officers from July 2010 up to June 2011.				
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			
D CEO and top four executives	2010-11	P 19,405,750	P 4,208,531	
E All officers & directors as group unnamed	2010-11	P 32,127,914	P 8,230,135	P 1,050,000*
Compensation of the Executive Officers from July 2011 to September 2011.				
Pedro E. Roxas – Chairman	July-Sept. 2011			
A Ramon A. Picornell, Jr.-President & CEO	July-Sept. 2011			
B Asuncion S. Aguilar-SVP Finance/Treas.	July-Sept. 2011			
C Florencio M. Mamauag, Jr.-VP Legal & Compliance Officer	July-Sept. 2011			
D CEO and top four executives	July-Sept. 2011	P5,763,645		
E All officers & directors as group unnamed	July-Sept. 2011	P8,354,307	P125,000	
Compensation of Executive Officers for fiscal year beginning October 2011 to September 2012.				
Pedro E. Roxas - Chairman	2011-12			
A Renato C. Valencia - President & CEO	2011-12			
B Nilo A. Floracruz - EVP Operations & Management Services	2011-12			
C Archimedes B. Amarra - EVP Marketing/Trading; Corporate Planning & Corporate Communications	2011-12			
D Jose P. E. Marcelo – EVP Chief Financial Officer				
E CEO and top four executives	2011-12	P13,846,393	P5,449,932	
F All officers & directors as group unnamed	2011-12	P20,977,697	P6,489,701	P7,941,620*
Estimated Compensation of Executive Officers for the ensuing fiscal year.				
Pedro E. Roxas - Chairman	2012-13			
A Renato C. Valencia - President & CEO	2012-13			
B Nilo A. Floracruz – EVP Operations & Management Services	2012-13			
C Archimedes B. Amarra-EVP Marketing/Trading; Corporate Planning & Corporate Communications	2012-13			
D Jose P. E. Marcelo – EVP Chief Financial Officer				
E CEO and top four executives	2012-13	P17,118,984	P6,000,000	
F All officers & directors as group unnamed	2012-13	P 27,878,300	P7,500,000	P8,000,000*

The company changed its fiscal year from July 1 to June 30 of every year to October 1 to September 30 of every year effective year 2011.

* Fees and remuneration of the members of the Board of Directors and Committee of Advisors.

On 3 March 2011, the Securities and Exchange Commission (SEC) approved the amendment of the fiscal year of the company from July 1 of every year to June 30 of the following year to October 1 of every year to

September 30 of the following year.

2. Compensation of Directors.

Art. 19 of the By-Laws of RHI provides that the Board of Directors shall be given 6% of the net income of the corporation before tax to be distributed as fees in the following manner: 2% to the Executive Committee and 4% to the Board of Directors. Presently, each member of the Board of Directors and the Board of Advisors receives a per diem of ₱25,000 for every meeting attended. A director who attends all regular quarterly meetings of the Board of Directors of the corporation is paid a total of ₱100,000.00 annually. Each member of the Audit & Risk Committee, Compensation Committee and Nomination, Election & Governance Committee receives a per diem of ₱25,000 for every meeting attended. Except for the Chairman, the members of the Executive Committee receive a per diem of ₱25,000.00 for every meeting attended. The Executive Committee meets every month. No warrants or options were granted by the corporation to the directors and officers within the past three (3) years.

There are no arrangements pursuant to which any director of the company was compensated, or is to be compensated, directly, or indirectly, during the registrant's last completed fiscal year and the ensuing year for any service as a director. Likewise, there is no employment contract or any compensatory plan or arrangement between the company and an executive officer.

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

- (1) Security ownership of certain record and beneficial owners of more than 5% of Registrant securities as of 29 November 2012.

<i>Title of Class</i>	<i>Name and Address of Owner/Relationship with Issuer</i>	<i>Name of Beneficial Ownership and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class</i>
Common	Roxas & Company, Inc. 7/F CG Building, 101 Aguirre St., Legaspi Vill., Makati City Parent Company	Roxas & Company, Inc.	Filipino	597,606,670 (r & b)	65.70 %
Common	PCD Nominee Corp. 37F The Enterprise Centre Ayala Ave., cor. Paseo de Roxas, Makati City	Various Participants	Filipino	122,592,741 (r)	13.48 %
Common	Pedro E. Roxas 7F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City	Pesan Holdings, Inc./ Pedro E. Roxas/BDO Trust Account/ Pesan – PCD Lodged Shares	Filipino	51,352,560 (r & b)	5.64%

The percentage of ownership of the above named shareholders were arrived at by dividing their shareholdings over the total issued and outstanding shares of 909,552,236 as of 30 November 2012.

The members of the Board of Directors of Roxas & Co., Inc. (RCI) are Antonio J. Roxas, Pedro E. Roxas, Beatriz Olgado Roxas, Carlos R. Elizalde, Francisco Jose R. Elizalde, Eduardo R. Areilza, Ramon Y. Dimacali, Renato C. Valencia and Guillermo D. Luchangco. Collectively, they have the power to decide how the shareholdings of Roxas & Co. in RHI shall be voted. Pedro E. Roxas is authorized to vote the shares of RCI in the annual meeting.

- (2) Security Ownership of Management as of 29 November 2012.

The following are the number of shares owned of record by the directors, the President & Chief Executive Officer (PCEO) and each of the key officers of the company and the percentage of shareholdings of each:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class</i>
Common	Antonio J. Roxas, Chairman Emeritus	Filipino	50,000 (r & b)	0.00 %
Common	Pedro E. Roxas, Chairman of the Board	Filipino	51,352,560 (r & b)	5.64 %
Common	Renato C. Valencia, Director/Pres. & CEO	Filipino	50,000 (r)	.00 %
Common	Santiago R. Elizalde, Director	Filipino	100,000 (r & b)	.01 %
Common	Geronimo C. Estacio, Director	Filipino	50,000 (r)	.00 %
Common	Beatriz Olgado Roxas, Director	Filipino	50,000 (r)	.01 %
Common	Raul M. Leopando, Director	Spanish	50,000 (r)	.00 %
Common	Senen C. Bacani, Director	Filipino	50,000 (r)	.00 %
Common	David L. Balangue, Director	Filipino	50,000 (r)	.03 %
Common	Directors and officers as a Group		51,802,560	5.69%

The above named officers have no rights to acquire additional shares of the company within thirty (30) days hereof from or under any option, warrant, right, conversion privilege or similar obligations, or otherwise.

Changes in Control.

There was no change in control in the company since the beginning of the last fiscal year. The company is not aware of the existence of any change in control agreements.

D. Certain Relationships and Related Transactions.

Mr. Antonio J. Roxas, Ms. Beatriz Olgado Roxas, Mr. Pedro E. Roxas and Mr. Renato C. Valencia are members of the Board of Directors of Roxas and Company, Inc. ("RCI"). RCI is the parent company of RHI.

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

As of 29 November 2012, Roxas and Company, Inc. directly owns 65.70% of the total issued and outstanding capital stock of RHI.

Corporate Governance

In compliance with SEC Memorandum Circular No. 2 dated 05 April 2002, RHI submitted its Manual on Corporate Governance on 30 August 2002. Moreover, RHI submitted its Revised Manual on Corporate Governance on 7 January 2010 in compliance with SEC Memorandum Circular No. 6, Series of 2009.

Since its effectivity, RHI has complied with the principles contained in the Manual insofar as they may be relevant to the company's business. RHI likewise established an evaluation system to measure or determine the level of compliance of its Board of Directors and top-level management with the Manual. Measures are also being undertaken by RHI to ensure full compliance with the leading practices it has adopted in the Manual such as the constitution of the Audit & Risk Committee, Compensation Committee and the Nomination, Election & Governance Committee, the election of the required number of independent directors to its Board of Directors and the amendment of Article 13 of its By-Laws on the qualifications and disqualifications of its directors in order to adopt the provisions of the Manual. RHI has not deviated from or violated the provisions of the Manual. RHI will improve its corporate governance as may be required by law or the exigency of business.

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 15 February 2012, the shareholders of the corporation, in their annual meeting held on 15 February 2012, elected the following persons to the Board of Directors of the corporation for the fiscal year 2012-2013:

Mr. Antonio J. Roxas
 Mr. Pedro E. Roxas
 Ms. Beatriz Olgado Roxas
 Mr. Santiago R. Elizalde
 Mr. Renato C. Valencia
 Mr. Geronimo C. Estacio
 Mr. Raul M. Leopando
 Mr. David L. Balangue
 Mr. Senen C. Bacani

The shareholders elected Messrs. Geronimo C. Estacio and David L. Balangue as independent directors of the corporation.

The shareholders also elected the auditing firm of Sycip Gorres Velayo & Co. as external auditors of the company for the fiscal year 2012-2013.

Thereafter, the newly elected members of the Board of Directors of Roxas Holdings, Inc., in its organizational meeting held on 15 February 2012, elected the following officers of the corporation:

Name	Position
Mr. Pedro E. Roxas	: Chairman of the Board of Directors
Mr. Renato C. Valencia	: President & Chief Executive Officer
Nillo A. Florcruz	: EVP Operations & Management Services
Mr. Archimedes B. Amarra	: EVP Marketing/Trading, Corporate Planning & Corporate Communications
Atty. Lorna P. Kapunan	: Corporate Secretary
Atty. Florencio M. Mamauag, Jr.	: Asst. Corporate Secretary/Compliance

Mr. Sindulfo L. Sumagang	:	Officer/Corporate Information Officer/ VP Legal & VP Human Resources VP Comptroller/Risk Management Officer & Treasurer
Mr. Dean L. Guevarra	:	VP-Resident Manager of CADPI
Mr. Eduardo V. Concepcion	:	VP-Resident Manager of CACI
Mr. Francisco S. Rondilla	:	VP Information Technology & Systems and Methods

The Board of Directors also elected the following persons to the standing committees of the corporation:

Executive Committee:

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

Audit & Risk Committee:

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

Compensation Committee:

Mr. Senen C. Bacani	:	Chairman
Mr. Geronimo C. Estacio	:	Member
Mr. Santiago R. Elizalde	:	Member
Mr. Eduardo R. Areilza	:	Non-Voting Member

Nomination, Election & Governance Committee:

Mr. Pedro E. Roxas	:	Chairman
Mr. Santiago R. Elizalde	:	Member
Mr. David L. Balangue	:	Member

2. On 16 February 2012, the company reported its profits for the first four (4) months of operations.

3. On 16 March 2012, the company has appointed Mr. Jose Pacifico E. Marcelo as EVP & Chief Finance Officer effective 16 March 2012.

Also on 16 March 2012, the company accepted the resignation of Mr. Sindulfo L. Sumagang, VP Controller, Treasurer and Risk Management Officer of the company, effective at the close of business hours on 15 April 2012. In view of his resignation, the company's newly appointed EVP & Chief Finance Officer, Mr. Jose Pacifico E. Marcelo, was designated as Acting Controller and Acting Risk Management Officer.

4. On 19 March 2012, the company has appointed Mr. Jose Pacifico E. Marcelo as its Acting Treasurer in addition to his previous appointment as EVP & Chief Finance Officer, Acting Controller and Acting Risk Management Officer.

5. On 28 March 2012, the company reported that in their special meetings held on 28 March 2012, the Board of Directors and the stockholders of the following dormant subsidiaries of RHI, namely:

CADP Port Services, Inc., CADP Insurance Agency, Inc. and Roxas Power Corporation, resolved to dissolve the said corporations by amending their respective Articles of Incorporation in order to shorten their terms of existence up to 31 March 2012.

The company further reported that, in their special meetings that were also held on 28 March 2012, the Board of Directors and the stockholders of the following subsidiaries of RHI, namely: CADPI, CADP Farm Services, Inc. (CFSI), CADP Consultancy Services, Inc. (CCSI) and Jade Orient Management Services, Inc. (JOMSI), approved the Plan of Merger and Articles of Merger for the merger of CFSI, CCSI and JOMSI with CADPI, CADPI being the surviving corporation and CFSI, CCSI and JOMSI being the absorbed corporations.

6. On 11 April 2012, the company reported that CADPI filed a Petition for Review with the Court of Tax Appeals on 11 April 2012 to appeal the Final Decision on Disputed Assessment of the Commissioner of Internal Revenue in the aggregate amount of Php345,249,425.93 for alleged deficiency internal revenue taxes, inclusive of interest and penalties, for fiscal year ending 30 June 2007. It was further reported that in the opinion of CADPI, the assessment for the alleged internal revenue taxes has no legal and factual basis.

7. On 02 May 2012, the Board of Directors approved the following: (a) the consolidated financial reports of the company for the quarter ending 31 March 2012; (b) the devolvement of its VP-Resident Managers, Mr. Dean L. Guevarra and Mr. Eduardo V. Concepcion, to its operating subsidiaries CADPI and CACI, respectively; (c) the availment of a Php600 million three (3)-year term loan and a Php200 million clean working capital line by CADPI, CACI and/or RHI from Banco de Oro Unibank, Inc. The said long-term loan will be secured by the shareholdings of RHI in Hawaiian-Philippine Company, Inc

8. On 10 May 2012, CADPI Retirement Fund, Inc., a non-stock corporation organized and existing for the purpose of establishing, administering and maintaining a voluntary non-contributory gratuity and retirement plan for the personnel of CADPI, acquired 8,965,758 shares of RHI at a price of Php3.50 per share.

9. On 14 May 2012, the company reported its Php332M income for the first half of fiscal year 2011-2012.

10. On 02 July 2012, the company reported its Php668M income for the first eight months of fiscal year 2011-2012.

11. On 16 July 2012, the company has appointed Ms. Thelma C. Rodriguez as AVP – Internal Audit effective 16 July 2012.

12. On 01 August 2012, the company reported the approval by the management of CADPI of the early retirement of Mr. Dean L. Guevarra, VP-Resident Manager, effective on 30 September 2012. The company further reported that, in view of the retirement of Mr. Dean L. Guevarra, CADPI management has engaged the services of Mr. Ricardo Leon C. Echaus as the new VP-Resident Manager effective on 16 August 2012.

Mr. Ricardo Leon C. Echaus was the General Manager & Resident Manager of the Sugar Mill, Refinery and Power Plant of First Farmers Holding Corporation, a sugar milling and refining company located in Dos Hermanas, Talisay City, Negros Occidental, from year 1996 to year 2012. Mr. Ricardo Leon C. Echaus graduated from the De La Salle University in 1976 with degrees in Bachelor of Arts and Bachelor of Science in Business Administration. He also pursued his graduate studies at the Asian Institute of Management where he obtained his Master in Business Management in 1980. Mr. Ricardo Leon C. Echaus likewise graduated in 1999 from a Course Raw Cane Sugar Manufacturing in Nicholls State University in Thibodaux, Louisiana, U.S.A. and was a member of a Study Tour in 2008 at the Tate & Lyle Sugar Refinery in Thames, London, United Kingdom.

13. On 08 August 2012, the Board of Directors approved the following: (a) the consolidated

financial reports of the company for the quarter ending 30 June 2012; (b) the confirmation of the appointment of Mr. Eduardo A. de la Cruz as VP-Comptroller. Moreover, the company reported its Php751M income for the first nine months of fiscal year 2011-2012.

14. On 13 September 2012, the company reported that its VP-Comptroller, Mr. Eduardo A. de la Cruz, has been appointed as Risk Management Officer effective 13 September 2012, thereby replacing the EVP-Chief Financial Officer, Mr. Jose Pacifico E. Marcelo, who was previously designated as Acting Risk Management Officer of the company on 16 March 2012.

15. On 17 September 2012, the Board of Directors declared cash dividend in the amount of Php0.06 per share payable to all shareholders of record as of 01 October 2012. The cash dividend will be paid on 12 October 2012.

16. On 05 October 2012, the company reported that it has an Audit Charter and that it has adopted a plan to comply with the guidelines set forth in SEC Memorandum Circular No. 4, Series of 2012. The company further reported the results of the assessment of performance of its Audit and Risk Committee.


17. On 12 December 2012, the Board of Directors approved the following: (a) the consolidated financial statements of the company for the fiscal year ending 30 September 2012; (b) the declaration of a cash dividend of Php0.04 per share payable on 15 January 2013 to all shareholders of record as of 28 December 2012; (c) an Employee Stock Option Plan (ESOP) for the employees of the company and the employees of its subsidiaries, CADPI, CACI and Roxol. The Board of Directors approved the reservation of a total of 35 million shares as underlying shares for the ESOP; (d) the holding of the annual meeting of its shareholders on 20 February 2013 at 10:00 o'clock in the morning. The record date of the meeting is 28 December 2012 and the venue of the meeting is at the Turf Room, Manila Polo Club, McKinley Road, Forbes Park, Makati City. The company also reported its record Php667M net income for fiscal year 2011-2012.

Issuer

ROXAS HOLDINGS, INC

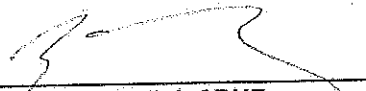
Pursuant to the requirements of the Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.


PEDRO E. ROXAS
Chairman


RENATO C. VALENCIA
President and CEO


JOSE PACIFICO E. MARCELO
EVP & Chief Finance Officer



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


EDUARDO A. DELA CRUZ
VP – Controller & Risk Management Officer

SUBSCRIBED AND SWORN to me before this JAN 25 2013 day of 2013; affiants

exhibited to me their respective Community Tax Certificates/Passport, as follows:

Pedro E. Roxas	07065433	02/29/12	Makati City
Renato C. Valencia	35183261	02/10/12	Muntinlupa City
Jose Pacifico E. Marcelo	EB5626115	06/11/12	Manila City
Florencio M. Mamauag, Jr.	16651657	03/20/12	Cabagan, Isabela
Eduardo Dela Cruz	21993312	12/11/12	Makati City


ANTONIO M. SANTOS
Notary Public Until Dec. 31, 2013
Roll No. 2540 / Lifetime
PTR No. 3207110 Makati City, Jan. 2, 2013
IBP Lifetime Membership No. 36917
MCLE Compliance No. 111-0015877
845 Pasay Road Makati City

Doc No. 246
Page No. 1
Book No. 11



AUDIT & RISK COMMITTEE REPORT


07 January 2013

The Board of Directors Roxas Holdings, Inc.

Further to our compliance with applicable corporate governance laws and rules, we confirm for the fiscal year ending 30 September 2012 that:

1. The Chairman and one of the members of the Audit & Risk Committee are independent directors;
2. During the fiscal year ending 30 September 2012, the Audit & Risk Committee held five (5) meetings which were attended by all of its members when the said meetings were held;
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 provided by SGV & Co. to the RHI Group, and related fees for such services, and concluded that the non-audit fee is minimal and therefore 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 fiscal year ending 30 September 2012 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 fiscal year ending 30 September 2012 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


David L. Balangue
Member

ROXAS HOLDINGS, INC AND SUBSIDIARIES

CERTIFIED CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY
SCHEDULES FOR THE SECURITIES AND EXCHANGE COMMISSION
SEPTEMBER 30, 2012

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

SUBSCRIBED AND SWORN to me this JAN 07 2013 day of 2013; affiants exhibited to me their respective Community Tax Certificates/Passport data as follows:

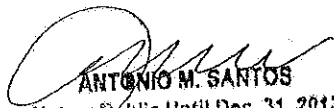
Name	CTC No/Passport No.	Date Issued	Place Issued
Pedro E. Roxas	07065433	02/29/12	Makati City
Renato C. Valencia	35183261	02/10/12	Muntinlupa City
Jose Pacifico E. Marcelo	EB5626115	06/11/12	Manila City

Doc No. 102

Page No. 24

Book no. 5

Series of 2013


ANTONIO M. SANTOS
Notary Public Until Dec. 31, 2013
Roll No. 2540 / Lifetime
PTR No. 0207749 Makati City, Jan. 2, 2013
IBP Lifetime Membership No. 36917
MCLE Continuing Education No. 411-0015877
845 Pasay Road, Makati City

COVER SHEET

P W - 1 5

SEC Registration Number

R O X A S H O L D I N G S , I N C .
 (A S u b s i d i a r y o f R o x a s a n d
 C o m p a n y , I n c .) A N D S U B S I D I A R I E S

(Company's Full Name)

6 t h F l o o r , C a c h o - G o n z a l e s
 B u i l d i n g , 1 0 1 A g u i r r e S t r e e t
 L e g a s p i V i l l a g e , M a k a t i C i t y

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

Atty. Florencio M. Mamaug, Jr.
 (Contact Person)

(02) 810-8901
 (Company Telephone Number)

0 9 3 0
 Month Day
 (Fiscal Year)

A A C F S
 (Form Type)

Month Day
 (Annual Meeting)

Not Applicable
 (Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

2,266
 Total No. of Stockholders

Total Amount of Borrowings

Domestic Foreign

 To be accomplished by SEC Personnel concerned

File Number

LCU

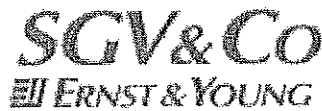
Document ID

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines
Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

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, 2012 and 2011 and June 30, 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 financial statements of Hawaiian-Philippine Company (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 2010 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, 2012 and 2011 and June 30, 2011, and their financial performance and their cash flows for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan
Aileen L. Saringan

Partner

CPA Certificate No. 72557

SEC Accreditation No. 0096-AR-2 (Group A),
March 18, 2010, valid until March 17, 2013

Tax Identification No. 102-089-397

BIR Accreditation No. 08-001998-58-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3174828, January 2, 2012, Makati City

December 12, 2012



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

CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	<u>September 30</u>		June 30,
	2012	2011	2011
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4 and 27)	₱164,408	₱318,756	₱368,788
Receivables (Notes 5, 15 and 27)	804,345	558,872	662,349
Inventories (Note 6)	779,336	1,639,077	2,637,110
Prepayments and other current assets (Note 7)	427,277	332,093	332,613
Total Current Assets	2,175,366	2,848,798	4,000,860
Noncurrent Assets			
Property, plant and equipment (Notes 9 and 14):			
At cost	8,377,787	8,944,423	9,133,125
At appraised values	2,773,906	2,543,719	2,714,110
Investment property (Note 10)	175,742	170,391	-
Investment in shares of stock of an associate (Note 8)	569,472	685,944	703,926
Net pension plan assets (Note 16)	128,711	127,697	131,098
Deferred income tax assets - net (Note 23)	147,632	-	-
Other noncurrent assets (Note 5)	29,134	24,829	24,761
Total Noncurrent Assets	12,202,384	12,497,003	12,707,020
TOTAL ASSETS	₱14,377,750	₱15,345,801	₱16,707,880
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings (Notes 11 and 27)	₱1,148,000	₱2,738,000	₱3,220,000
Accounts payable and accrued expenses (Notes 12 and 27)	673,399	594,315	535,150
Customers' deposits (Note 13)	53,691	153,478	114,845
Income tax payable	-	366	358
Dividends payable (Notes 24 and 27)	49,497	16,069	16,069
Current portion of long-term borrowings (Notes 9, 14 and 27)	148,031	827,683	818,527
Noncurrent portion of long-term borrowings presented as current (Notes 9, 14 and 27)	-	5,599,282	5,824,749
Total Current Liabilities	2,072,618	9,929,193	10,529,698
Noncurrent Liabilities			
Long-term borrowings - net of current portion (Notes 9, 14 and 27)	6,010,780	-	-
Net pension benefit obligation (Note 16)	85,738	-	1,158
Deferred income tax liabilities - net (Note 23)	794,654	776,606	771,509
Total Noncurrent Liabilities	6,891,172	776,606	772,667
Total Liabilities	8,963,790	10,705,799	11,302,365

(Forward)



	<u>September 30</u>		June 30,
	<u>2012</u>	2011	2011
Equity (Note 24)			
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 (Note 9)	1,734,341	1,573,210	1,573,210
Share in revaluation increment on land of an associate (Note 8)	207,492	207,492	207,492
Retained earnings	1,860,496	1,248,365	2,010,837
Treasury shares - at cost	(768,860)	(768,860)	(768,860)
	<u>5,379,120</u>	<u>4,605,858</u>	<u>5,368,330</u>
Noncontrolling interests (Note 24)	34,840	34,144	37,185
Total Equity	<u>5,413,960</u>	<u>4,640,002</u>	<u>5,405,515</u>
TOTAL LIABILITIES AND EQUITY	<u>₱14,377,750</u>	<u>₱15,345,801</u>	<u>₱16,707,880</u>

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	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
REVENUE (Note 18)	₱7,674,493	₱1,402,594	₱7,909,898	₱6,202,967
COST OF GOODS SOLD (Note 19)	5,956,519	1,843,063	7,683,788	5,302,740
GROSS PROFIT (LOSS)	1,717,974	(440,469)	226,110	900,227
Selling expenses (Note 20)	(74,990)	(9,794)	(30,946)	(24,585)
General and administrative expenses (Note 20)	(830,205)	(157,508)	(570,411)	(595,690)
Equity in net earnings (loss) of an associate (Note 8)	49,115	(17,982)	176,964	132,263
Interest expense (Notes 11 and 14)	(474,245)	(183,120)	(614,543)	(319,480)
Interest income (Note 4)	6,269	915	5,438	5,710
Other income - net (Note 22)	112,636	48,534	68,391	296,651
INCOME (LOSS) BEFORE INCOME TAX	506,554	(759,424)	(738,997)	395,096
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)				
Current	37,794	992	19,903	54,660
Deferred	(198,640)	5,097	(17,143)	28,996
	(160,846)	6,089	2,760	83,656
NET INCOME (LOSS)	₱667,400	(₱765,513)	(₱741,757)	₱311,440
Attributable to:				
Equity holders of the parent company	₱666,704	(₱762,472)	(₱738,290)	₱307,698
Noncontrolling interests	696	(3,041)	(3,467)	3,742
	₱667,400	(₱765,513)	(₱741,757)	₱311,440
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 25)	₱0.73	(₱0.84)	(₱0.81)	₱0.34

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	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
NET INCOME (LOSS)	₱667,400	(₱765,513)	(₱741,757)	₱311,440
OTHER COMPREHENSIVE INCOME (LOSS)				
Increase (decrease) in revaluation increment on land (Note 9)	230,187	—	229,109	(58,756)
Income tax effect	(69,056)	—	(68,733)	17,627
	161,131	—	160,376	(41,129)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱828,531	(₱765,513)	(₱581,381)	₱270,311
Attributable to:				
Equity holders of the parent company	₱827,835	(₱762,472)	(₱577,914)	₱275,872
Noncontrolling interests	696	(3,041)	(3,467)	(5,561)
	₱828,531	(₱765,513)	(₱581,381)	₱270,311

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 YEARS ENDED SEPTEMBER 30, 2012 AND JUNE 30, 2011 AND 2010 AND THE THREE MONTHS ENDED SEPTEMBER 30, 2011 (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 Interest in Subsidiaries	Revaluation Increment on Land	Revaluation Increment on Land of an Associate (Note 8)	Share in Revaluation Increment on Land of an Associate (Note 8)	Retained Earnings	Treasury Shares	Total	Noncontrolling Interests (Notes 1 and 24)	Total
BALANCES AS OF JUNE 30, 2009	₱1,168,976	₱554,960	₱577,148	₱44,567	₱1,444,660	₱207,492	₱2,441,429	₱5,670,372	₱768,860	₱5,670,372	₱46,232	₱5,716,604
Net income for the year	-	-	-	-	-	-	307,698	307,698	-	307,698	3,742	311,440
Other comprehensive loss	-	-	-	-	(31,826)	-	-	(31,826)	-	(31,826)	(9,303)	(41,129)
Total comprehensive income (loss)	-	-	-	-	(31,826)	-	307,698	275,872	-	275,872	(5,561)	270,311
Acquisition of noncontrolling interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(10)	(10)
BALANCES AS OF JUNE 30, 2010	1,168,976	554,960	577,148	44,567	1,412,834	207,492	2,749,127	5,946,244	(768,860)	5,946,244	40,661	5,986,905
Net loss for the year	-	-	-	-	-	-	(738,290)	(738,290)	-	(738,290)	(3,467)	(741,757)
Other comprehensive income	-	-	-	-	160,376	-	-	160,376	-	160,376	-	160,376
Total comprehensive loss	-	-	-	-	160,376	-	(738,290)	(577,914)	-	(577,914)	(3,467)	(581,381)
Acquisition of noncontrolling interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(9)	(9)
BALANCES AS OF JUNE 30, 2011	1,168,976	554,960	577,148	44,567	1,573,210	207,492	2,010,837	5,368,330	(768,860)	5,368,330	37,185	5,405,515
Net loss for the period	-	-	-	-	-	-	(762,472)	(762,472)	-	(762,472)	(3,041)	(765,513)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	(762,472)	(762,472)	-	(762,472)	(3,041)	(765,513)
BALANCES AS OF SEPTEMBER 30, 2011	1,168,976	554,960	577,148	44,567	1,573,210	207,492	1,248,365	4,605,858	(768,860)	4,605,858	34,144	4,640,002
Net income for the year	-	-	-	-	-	-	666,704	666,704	-	666,704	696	667,400
Other comprehensive income	-	-	-	-	161,131	-	-	161,131	-	161,131	-	161,131
Total comprehensive income	-	-	-	-	161,131	-	666,704	827,835	-	827,835	696	828,531
Cash dividend (₱0.06 per share)	-	-	-	-	-	-	(54,573)	(54,573)	-	(54,573)	-	(54,573)
BALANCES AS OF SEPTEMBER 30, 2012	₱1,168,976	₱554,960	₱577,148	₱44,567	₱1,734,341	₱207,492	₱1,860,496	₱5,379,120	(₱768,860)	₱5,379,120	₱34,840	₱5,413,960

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		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	₱506,554	(₱759,424)	(₱738,997)	₱395,096
Adjustments for:				
Depreciation (Note 9)	689,799	170,435	546,994	407,025
Loss (gain) on disposal of property and equipment	(530)	13,981	7,782	(972)
Recovery from insurance claim (Note 22)	(20,676)	(27,650)	–	(141,341)
Equity in net loss (earnings) of an associate (Note 8)	(49,115)	17,982	(176,964)	(132,263)
Unrealized fair value adjustment on investment properties (Note 10)	(5,351)	–	–	–
Interest income (Note 4)	(6,269)	(915)	(5,438)	(5,710)
Interest expense (Notes 11 and 14)	474,245	183,120	614,543	319,480
Unrealized foreign exchange gain	(4,753)	–	–	–
Movement in net pension plan assets and liabilities (Note 16)	84,724	2,243	(30,582)	(31,016)
Operating income (loss) before changes in working capital	1,668,628	(400,228)	217,338	810,299
Decrease (increase) in:				
Receivables	(245,473)	103,477	170,452	254,388
Inventories	800,014	919,239	(1,134,101)	(308,678)
Prepayments and other current assets	(30,950)	7,275	(40,976)	(46,104)
Increase (decrease) in:				
Accounts payable and accrued expenses	172,938	58,578	(102,413)	(271,133)
Customers' deposits	(99,787)	38,633	(8,264)	(62,704)
Provision for inventory losses and obsolescence (Note 6)	59,727	78,794	370,128	24,050
Cash generated from (used in) operations	2,325,097	805,768	(527,836)	400,118
Interest received	6,269	915	5,438	5,710
Income taxes paid, including creditable withholding and final taxes	(102,394)	(7,739)	(82,064)	(85,475)
Net cash from (used in) operating activities	2,228,972	798,944	(604,462)	320,353
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment (Note 9)	(168,957)	(38,152)	(349,667)	(2,538,628)
Proceeds from sale of property and equipment	5,523	12,849	2,949	5,805
Proceeds from recovery from insurance claims (Note 22)	20,676	27,650	–	141,341
Dividends received (Note 8)	165,587	–	91,360	71,373
Disposal of (additions to) other noncurrent assets	(4,305)	(68)	2,581	(521)
Net cash from (used in) investing activities	18,524	2,279	(252,777)	(2,320,630)

(Forward)



	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) short-term borrowings (Note 11)	(P1,590,000)	(P482,000)	P770,096	(P487,096)
Proceeds from long-term borrowings (Note 14)	501,568	–	925,000	2,671,000
Payments of long-term borrowings (Note 14)	(769,722)	(216,311)	(51,724)	–
Interest paid (Notes 11 and 14)	(522,545)	(152,944)	(594,163)	(268,447)
Dividends paid (Note 24)	(21,145)	–	–	(25,005)
Acquisition of noncontrolling interest in a subsidiary (Note 24)	–	–	(9)	(10)
Net cash from (used in) financing activities	(2,401,844)	(851,255)	1,049,200	1,890,442
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD				
	(154,348)	(50,032)	191,961	(109,835)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
	318,756	368,788	176,827	286,662
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)				
	P164,408	P318,756	P368,788	P176,827

See accompanying Notes to Consolidated Financial Statements.



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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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, 2012 and 2011, the Company is 65.70% owned by Roxas and Company, Inc. (RCI), its ultimate parent company and 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 2,266, 2,299 and 2,613 equity holders as of September 30, 2012 and 2011 and June 30, 2011, 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 24d).



Effective June 29, 2009, upon approval of Philippine SEC on June 23, 2009, CADPGC merged with Roxas and Company, Inc., 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 Roxas and Company Inc. 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 was expected to record heavy expenses in preparing its mills for the milling operations, the Group incurred a consolidated net loss of ₱765.5 million. Despite the losses, 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).

When the new management took over in December 2011, the Group started to implement new business strategies and action plans to improve its operations and ensure long-term viability of its business.

The Group is currently reviewing its existing operating units in order to more clearly define accountabilities, tighten internal monitoring and decentralize management decisions.

Management directed all cost and profit centers to implement cost efficiency measures which resulted in a reduction in certain overhead expenses by at least 10% from last year and an increase in margins for this fiscal year 2012 (see Notes 16 and 17). Management also directed the plants to achieve operating efficiencies which also contributed to the increase in margins this fiscal year.

Management also negotiated with its creditor banks which resulted in the change of the interest rate from a fixed rate to a floating rate and additional three-year grace period on principal payments (see Note 14).

As a result of these strategies, the Group recorded a consolidated net income of ₱667.4 million for the fiscal year ended September 30, 2012, a turnaround from a consolidated net loss of ₱741.8 million for the year ended June 30, 2011 and ₱765.5 million for the three months ended September 30, 2011. Moreover, the Group has met the required DSCR and has been compliant with its loan covenants as of September 30, 2012 (see Note 14).



Approval of the Consolidated Financial Statements

The consolidated financial statements as at September 30, 2012 and 2011 and June 30, 2011 and for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011 have been approved and authorized for issue by the Company's BOD on December 12, 2012.

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 properties, which are 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 statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related notes are for three months, and accordingly, are not entirely comparable with amounts for September 30, 2012 and June 30, 2011 and 2010 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 previous financial year except for the early adoption of Amendments to Philippine Accounting Standards (PAS) 12, *Income Taxes - Deferred Tax: Recovery of Underlying Asset*, which was adopted beginning October 1, 2011. The amendments to this standard clarify the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, Investment Property, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

The Group has both investment properties at fair value and land properties accounted for under the revaluation model. These assets are all classified as ordinary assets for income tax purposes. As the jurisdiction in which the Group operates does not have a different tax charge for 'sale' or 'use'



basis of assets classified as ordinary assets for income tax purposes, the amendment has no impact on the consolidated financial statements of the Group.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to September 30, 2012

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 years are on a fiscal year basis.

Effective 2013

- 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.

Effective 2014

- PFRS 10, *Consolidated Financial Statements*, replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. 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 that were in PAS 27. The Group is currently assessing the impact that this standard will have on the financial position and performance.
- PFRS 11, *Joint Arrangements*, replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture to equity accounting for this investment. The Group expects that this standard will have no impact on the consolidated financial position and performance.
- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a. The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c. The net amounts presented in the statement of financial position;



- d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and will have no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests with Other Entities*, includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group is currently assessing the impact that this standard will have on the disclosures in the consolidated financial statements.
- PFRS 13, *Fair Value Measurement*, establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation will not impact the Group's financial position and performance.
- Amendments to PAS 19, *Employee Benefits*, range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group will obtain the services of an external actuary to compute the impact to the financial statements upon adoption of the standard.

- PAS 27, *Separate Financial Statements (as revised in 2011)*. As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This interpretation will not impact the Group's financial position and performance.



- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*. As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, *PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the impact that this standard will have on the financial position and performance.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs (2009-2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after October 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*, clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.
- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that the adoption of this amendment will not have any impact on its financial position or performance.
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects interim financial reporting disclosures only and has no impact on the Group's financial position or performance.

Effective in 2015

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, clarifies the meaning of "currently has a legally enforceable right to set-off" and also the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.



Effective in 2016

- PFRS 9, *Financial Instruments - Classification and Measurement*, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The Group has made an evaluation of the impact of the adoption of this standard. The Group decided not to early adopt PFRS 9 for its 2012 reporting ahead of its effectivity date on January 1, 2015 (October 1, 2015 for the Group) and therefore the consolidated financial statements as of September 30, 2012 and 2011 and June 30, 2011 do not reflect the impact of the said standard. Based on this evaluation, loans and receivables and other financial liabilities, both carried at amortized cost, will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at amortized cost, thus, has no impact to the Group's financial position and performance.

The Group shall conduct another impact assessment at the end of the 2013 reporting period using the consolidated financial statements as of and for the year ended September 30, 2012. Given the amendments on PFRS 9, the Group at present, does not plan to early adopt in 2013 financial reporting. It plans to reassess its current position once the phases of PFRS 9 on impairment and hedge accounting become effective.

The Group's decision whether to early adopt PFRS 9 for its 2013 financial reporting will be disclosed in the consolidated financial statements as of and for the year ending September 30, 2013.

Effectivity date to be determined

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales



and the corresponding costs, and the related contracts receivables, deferred income tax assets and retained earnings accounts. The adoption of this Philippine Interpretation will be accounted for retrospectively, and will result in restatement of prior period financial statements. The Group is in the process of quantifying the impact of the adoption of this Philippine Interpretation on the Group's financial position and performance.

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, 2012 and 2011 and June 30, 2011:

	Effective Percentage of Ownership
CADPI ⁽¹⁾	100.00
CACI	100.00
CADP Insurance Agency, Inc. (CIAI) ⁽²⁾	100.00
CCSI	100.00
CFSI	100.00
JOMSI	100.00
NAVI	77.38
Roxol Bioenergy Corporation (RBC) ⁽¹⁾	100.00
CADP Port Services, Inc. (CPSI) ⁽³⁾	100.00
Roxas Power Corporation (RPC) ⁽³⁾	50.00

⁽¹⁾ On August 31, 2012, RHI assigned 238,417,831 RBC shares in favor of CADPI out of its 300 million RBC shares. As a result, RHI's direct ownership interest in RBC was reduced from 100% to 20.53% while CADPI acquired 79.47% ownership interest in RBC, thus, making RBC a subsidiary of CADPI.

⁽²⁾ CIAI was incorporated on May 8, 1997 and has not yet started commercial operations.

⁽³⁾ CPSI was incorporated on July 17, 2008 while RPC was incorporated on July 16, 2008. Both companies 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 stock 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 stock 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 Company's Executive Committee, the 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 period.

- 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 at September 30, 2012 and 2011 and June 30, 2011.



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, 2012 and 2011 and June 30, 2011, 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, 2012 and 2011 and June 30, 2011 (see Note 27).

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, 2012 and 2011 and June 30, 2011.

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, 2012 and 2011 and June 30, 2011.

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 and 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.



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

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred 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 the statement of comprehensive income and presented in the consolidated statement of changes 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 the consolidated statement of income.



Determination of fair values

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 the 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 amortization 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 on 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 for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. The asset revaluation reserve was fully transferred to retained earnings as of June 30, 2010.

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:



	<u>Number of Years</u>
Building and improvements	18 to 30
Machineries and equipment:	
Factory machinery and installations	17 to 25
Safety equipment	5
Service vehicles	3 to 6
Transportation equipment	3 to 6
Office furniture, fixtures and equipment	3 to 5

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

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.

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.



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 quedans, 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 which represents ownership title over the molasses inventories.

Revenue from tolling services

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

Rental income

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

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

Selling and 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 income tax

Current income 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 income 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.



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 of operating segments

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

The Company determined that its operating segments are organized and managed separately on a per company basis, with each company representing an operating segment. Reportable operating segments as of September 30, 2012 and 2011 and June 30, 2011 and for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011 are RHI, CADPI, CACI and RBC (see Note 28).

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 sheets.

The classifications of the various financial assets and financial liabilities of the Group are disclosed in 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 in 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 an agricultural property amounting to ₱170.4 million as investment property as of September 30, 2011 due to the change in use from owner-occupied property previously used in farm operations by NAVI to farm land rental (see Note 10).

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, to record specific allowances against amounts due to reduce receivable amounts expected to be collected. 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, 2012 and 2011 and June 30, 2011, the Group's receivables amounted to ₱804.3 million, ₱558.9 million and ₱662.3 million, respectively, net of allowance for impairment of receivables of ₱121.6 million as of September 30, 2012 and ₱21.2 million as of September 30, 2011 and June 30, 2011 (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, 2012 and 2011 and June 30, 2011, the Group's inventories carried at NRV amounted to ₱510.5 million, ₱1,570.0 million and ₱2,376.4 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 ₱10.5 million, ₱28.9 million and ₱47.0 million as of September 30, 2012 and 2011 and June 30, 2011, respectively, pertains to allocated cost from the total production costs of milled raw and refined sugar.

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, 2012 and 2011 and June 30, 2011, the Group's creditable withholding taxes amounted to ₱217.8 million, ₱153.5 million and ₱146.8 million, net of allowance for losses amounting to ₱12.2 million, ₱12.4 million, and ₱10.2 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, 2012 and 2011 and June 30, 2011 amounted to ₱2,773.9 million, ₱2,543.7 million and ₱2,714.1 million, respectively (see Note 9).

The resulting increase in the valuation of these assets based on the valuations made by an independent appraiser 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.

In 2012, the Group reassessed and changed the estimated useful lives of certain machineries and equipment which resulted to additional depreciation expense amounting to ₱14.7 million (see Note 9). Impact on the Group's future depreciation expense until 2016 amounted to ₱34.0 million. There was no change in the useful lives of the property, plant and equipment for the periods ended September 30, 2011 and June 30, 2011.

The total carrying value of the Group's depreciable property, plant and equipment as of September 30, 2012 and 2011 and June 30, 2011 amounted to ₱8,377.8 million, ₱8,944.4 million and ₱9,133.1 million, respectively (see Note 9).

Determination of fair value of 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 ₱175.7 million and ₱170.4 million as of September 30, 2012 and 2011, respectively (see Note 10).

Assessment of impairment of nonfinancial assets and estimation of recoverable amount

The Group assesses at the end of each reporting period whether there is any indication that the nonfinancial assets listed below 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. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

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

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



Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	September 30		June 30,
	2012	2011	2011
	<i>(In Thousands)</i>		
Property, plant and equipment (Note 9)	₱11,151,693	₱11,488,142	₱11,847,235
Investment property (Note 10)	175,742	170,391	-
Investment in shares of stock of an associates (Note 8)	569,472	685,944	703,926

For the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011, the Group has not recognized any impairment loss.

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 rates, expected rates of return on plan assets and rates 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, 2012 and 2011 and June 30, 2011 amounted to ₱128.7 million, ₱127.7 million and ₱131.1 million, respectively. On the other hand, net pension benefit obligation amounted to ₱85.7 million and ₱1.2 million as of September 30, 2012 and June 30, 2011, respectively. There is no net pension obligation as of September 30, 2011. Pension costs amounted to ₱135.5 million, ₱51.7 million and ₱75.9 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱12.9 million for the three months ended September 30, 2011 (see Note 16).

Estimation of provisions and contingencies

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

The Group is involved in various other labor disputes, litigations, claims, and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of certain tax assessments, the Group recorded provisions amounting to ₱85.0 million, ₱36.6 million of which was paid as of September 30, 2012 (see Notes 17 and 20). No provision is deemed necessary as of September 30, 2011 and June 30, 2011.



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 ₱288.7 million, ₱101.0 million and ₱110.4 million as of September 30, 2012 and 2011 and June 30, 2011, 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 ₱24.4 million, ₱408.2 million and ₱211.0 as of September 30, 2012 and 2011 and June 30, 2011, 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,
	2012	2011	2011
	<i>(In Thousands)</i>		
Cash on hand and in banks	₱121,628	₱318,756	₱238,788
Short-term placements	42,780	-	130,000
	₱164,408	₱318,756	₱368,788

Short-term placements earn interest per annum of 1.0%, 1.3% and 1.3% for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and 1.3% for the three months ended September 30, 2011. 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 ₱2.4 million, ₱5.4 million and ₱5.7 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱0.9 million for the three months ended September 30, 2011.

5. Receivables

Receivables consist of:

	September 30		June 30,
	2012	2011	2011
	<i>(In Thousands)</i>		
Trade	₱626,367	₱334,571	₱518,518
Due from:			
Related parties (Note 15)	112,928	38,763	44,160
Employees	58,865	26,281	34,305
Planters and cane haulers	40,979	85,151	26,497
Advances for raw sugar purchases	9,942	-	9,942
Others	76,832	95,355	50,174
	925,913	580,121	683,596
Less allowance for impairment	121,568	21,249	21,247
	₱804,345	₱558,872	₱662,349



- a. Due from employees include noninterest-bearing salary, housing and educational loans that are collected through salary deduction.
- b. 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, 2012 and 2011 and June 30, 2011, current portion of these receivables amounted to ₱2.6 million, ₱1.8 million and ₱2.6 million, net of unearned interest income amounting to ₱0.3 million, ₱0.5 million and ₱0.7 million, respectively.
- c. Details and movement of allowance for impairment of receivables, determined using specific assessment, follow:

	June 30, 2010	Provision (Note 20)	June 30, 2011	Provision (Note 20)	September 30, 2011	Provision (Note 20)	September 30, 2012
	<i>(In Thousands)</i>						
Trade	₱2,915	₱537	₱3,452	₱-	₱3,452	₱95,426	₱98,878
Due from planters and cane haulers	8,035	-	8,035	-	8,035	3,847	11,882
Due from employees	1,276	66	1,342	-	1,342	-	1,342
Others	8,418	-	8,418	2	8,420	1,046	9,466
	₱20,644	₱603	₱21,247	₱2	₱21,249	₱100,319	₱121,568

6. Inventories

Inventories consist of:

	September 30		June 30,
	2012	2011	2011
	<i>(In Thousands)</i>		
At cost:			
Refined sugar	₱247,477	₱55,825	₱251,804
Materials in transit	21,348	13,280	8,910
At NRV:			
Raw sugar	25,003	1,037,443	1,797,287
Molasses	168,281	48,984	129,838
Alcohol	34,816	149,911	85,438
Materials and supplies	282,411	333,634	363,833
	₱779,336	₱1,639,077	₱2,637,110



Details and movements of allowances for product inventory losses and obsolescence of materials and supplies as of September 30 follow:

	June 30, 2010	Provisions	Reversal/ Write Offs	June 30, 2011	Provisions	Reversal/ Write Offs	September 30, 2011	Provisions	Reversal/ Write Offs	September 30, 2012
	<i>(In Thousands)</i>									
Raw sugar, alcohol and molasses	₱-	₱364,556	₱-	₱364,556	₱49,813	(₱325,624)	₱88,745	₱47,529	(₱130,545)	₱5,729
Materials and supplies	29,116	5,572	(5,427)	29,261	28,981	(1,070)	57,172	12,198	(27,602)	41,768
	₱29,116	₱370,128	(₱5,427)	₱393,817	₱78,794	(₱326,694)	₱145,917	₱59,727	(₱158,147)	₱47,497

In 2012, the Group wrote-off certain inventories amounting to ₱158.1 million based on physical losses. These inventories were previously provided with an allowance. Reversal of the allowance for three months ended September 30, 2011 and the year ended June 30, 2011 amounting to ₱326.7 million and ₱5.4 million, respectively, was due to the sale and disposal of these inventories during the said periods.

Cost of inventories recognized as expense and included in "Cost of goods sold" amounted to ₱3,674.7 million, ₱4,923.3 million and ₱3,071.3 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱1,292.6 million for the three months ended September 30, 2011 (see Note 19).

7. Prepayments and Other Current Assets

Prepayments and other current assets consist of:

	September 30		June 30, 2011
	2012	2011	
	<i>(In Thousands)</i>		
Input VAT and other prepaid taxes	₱167,580	₱137,155	₱129,244
Creditable withholding taxes - net	217,776	153,542	146,787
Others	41,921	41,396	56,582
	₱427,277	₱332,093	₱332,613

- a. Provision for impairment on creditable withholding taxes amounted to ₱1.2 million for the year ended September 30, 2012 and ₱2.2 million for the three months ended September 30, 2011.
- b. Allowance for impairment on creditable withholding taxes amounted to ₱12.2 million, ₱12.4 million and ₱10.2 million as of September 30, 2012 and 2011 and June 30, 2011, respectively.
- c. Input VAT arises from purchases of equipment and services relating to the Expansion Project and RBC Ethanol Plant construction (see Note 9).
- d. Other current assets consist of deposit to suppliers for purchase of fuel for the Group's ethanol production as of September 30, 2012 and 2011 and June 30, 2011.



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,
	2012	2011	2011
	<i>(In Thousands)</i>		
Acquisition cost	P127,933	P127,933	P127,933
Accumulated equity in net earnings:			
Beginning of the period	350,519	368,501	282,897
Equity in net earnings (loss) for the period	49,115	(17,982)	176,964
	399,634	350,519	459,861
Less dividends received	165,587	-	91,360
End of the period	234,047	350,519	368,501
Share in revaluation increment	207,492	207,492	207,492
	P569,472	P685,944	P703,926

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 are as follows:

	September 30		June 30,
	2012	2011	2011
	<i>(In Thousands)</i>		
<i>As of September 30, 2012, 2011 and June 30, 2011</i>			
Current assets	P381,285	P490,319	P644,003
Noncurrent assets	976,893	949,780	934,455
Current liabilities	389,675	204,798	341,961
Noncurrent liabilities	117,523	125,800	130,500
Net assets	850,980	1,109,501	1,105,997
<i>For the years ended September 30, 2012 and June 30, 2011 and the three months ended September 30, 2011</i>			
Revenue	P1,237,535	P447,949	P1,730,207
Net income (loss)	108,927	(39,882)	392,469
Other comprehensive income	-	-	-
Total comprehensive income	108,927	(39,882)	392,469



9. Property, Plant and Equipment

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

September 30, 2012						
	Buildings and Improvements	Machineries And Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
<i>(In Thousands)</i>						
Cost						
Beginning balances	₱2,752,532	₱11,838,124	₱32,935	₱67,309	₱51,280	₱14,742,180
Additions	5,547	43,072	-	450	79,087	128,156
Retirement/disposals	-	(18,686)	(185)	(281)	-	(19,152)
Ending balances	2,758,079	11,862,510	32,750	67,478	130,367	14,851,184
Accumulated Depreciation						
Beginning balances	852,670	4,875,487	17,433	52,167	-	5,797,757
Depreciation	113,427	565,347	5,134	5,891	-	689,799
Retirement/disposals	-	(13,850)	(108)	(201)	-	(14,159)
Ending balances	966,097	5,426,984	22,459	57,857	-	6,473,397
Net Book Value	₱1,791,982	₱6,435,526	₱10,291	₱9,621	₱130,367	₱8,377,787

September 30, 2011						
	Buildings and Improvements	Machineries and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
<i>(In Thousands)</i>						
Cost						
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
Accumulated Depreciation						
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
Net Book Value	₱1,899,862	₱6,962,637	₱15,502	₱15,142	₱51,280	₱8,944,423

June 30, 2011						
	Buildings and Improvements	Machineries and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
<i>(In Thousands)</i>						
Cost						
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
Accumulated Depreciation						
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
Net Book Value	₱1,709,246	₱6,146,179	₱16,789	₱16,945	₱1,243,966	₱9,133,125



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

	September 30		June 30,
	2012	2011	2011
	<i>(In Thousands)</i>		
Beginning balance at appraisal values	₱2,543,719	₱2,714,110	₱2,485,001
Revaluation increase	230,187	-	229,109
Transfer to investment property (Note 10)	-	(170,391)	-
Ending balance at appraisal values	₱2,773,906	₱2,543,719	₱2,714,110
At cost	₱48,847	₱48,847	₱58,715

a. Construction in progress

Uncompleted projects as of September 30, 2012 and 2011 pertain mainly to regular plant improvements and capital expenditures. Construction in progress as of June 30, 2011 pertains mainly to the construction of bioethanol plant.

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 completed in fiscal year 2011 (see Notes 11 and 14).

RBC Plant Construction Project

On June 27, 2008, in line with the 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, the balance in the construction in progress relating to RBC plant amounted to ₱1,173.6 million. RBC has started operating the plant during the three months ended September 30, 2011, thus has reclassified its construction in progress amounting to ₱1,173.9 million in 2011.

b. Capitalization of borrowing costs

Interests from short and long-term borrowings amounting to ₱43.8 million and ₱174.6 million for the years ended June 30, 2011 and 2010, respectively, incurred to finance the Expansion Project were capitalized to property, plant and equipment. No capitalization of interest was made for the year ended September 30, 2012 and 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, 2012 and 2011 and June 30, 2011 amounted to ₱434.1 million, ₱477.0 million and ₱487.7 million with corresponding deferred income tax liability of ₱130.2 million, ₱143.1 million and ₱146.3 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.



c. Noncash additions to property, plant and equipment

The Group has outstanding liabilities for regular capital expenditures, purchase of equipment relating to the Expansion Project and RBC Plant construction amounting to ₱28.2 million, ₱69.0 million and ₱98.6 million as of September 30, 2012 and 2011 and June 30, 2011, respectively.

d. Depreciation

Depreciation charged to operations follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One year)	2010 (One Year)
	<i>(In Thousands)</i>			
Cost of goods sold (Note 19)	₱648,704	₱157,538	₱525,964	₱381,961
General and administrative expenses (Note 20)	41,095	12,897	21,030	25,064
	₱689,799	₱170,435	₱546,994	₱407,025

As of September 30, 2012 and 2011 and June 30, 2011, fully depreciated property, plant and equipment with an aggregate cost of ₱2,182.6 million, ₱1,722.8 million and ₱1,691.3 million, respectively, are still being used in operations.

e. 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, 2012 and 2011, the fair value of the investment property amounting to ₱175.7 million and ₱170.4 million, respectively, 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 significant 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 years ended September 30, 2012 and June 30, 2011 and the three months ended September 30, 2011, 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 8.5% to 4.5%, 4.5% to 6.0% and 4.0% to 6.5% and have terms ranging from 28 days to 32 days, 29 to 90 days and 29 to 32 days for the years ended September 30, 2012 and June 30, 2011 and for the three months ended September 30, 2011.

As of September 30, 2012 and 2011 and June 30, 2011, the balance of the short-term loans amounted to ₱1,148.0 million, ₱2,738.0 million and ₱3,220.0 million, respectively.

Total interest expense recognized from short-term borrowings amounted to ₱122.6 million, ₱123.4 million and ₱159.3 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱69.8 million for the three months ended September 30, 2011 (see Note 9).

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	September 30		June 30, 2011
	2012	2011	
	<i>(In Thousands)</i>		
Trade suppliers	₱90,564	₱84,003	₱47,139
Accrued expenses:			
Interest (Notes 11 and 14)	47,563	95,863	65,687
Contractors	4,055	4,055	5,428
Outside services	837	1,515	1,447
Payroll and other benefits	46,749	37,404	14,468
Purchases	126,852	89,704	87,078
Retention payable	-	45,357	91,147
Due to planters	58,191	13,633	15,242
Payable to government agencies for taxes and contributions	121,216	82,101	50,934
Provision for loss (Note 17)	48,838	-	-
Others	128,534	140,680	156,580
	₱673,399	₱594,315	₱535,150

Retention payable pertains to payable to the contractor of Ethanol Project, which will be paid when the construction of the plant is completed. For the periods ended September 30, 2012 and 2011, payment of retention payable to contractor amounted to ₱45.8 million and ₱45.4 million, respectively.

Accrued purchases consist principally of accruals for purchases of goods and services, which include utilities, freight and handling and repairs and maintenance.

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, alcohol and molasses which are expected to be completed in the next 12 months. Customers' deposits amounted to ₱53.7 million, ₱153.5 million and ₱114.8 million as of September 30, 2012 and 2011 and June 30, 2011, respectively (see Note 17).

14. Long-term Borrowings

Long-term borrowings consist of:

	September 30		June 30, 2011
	2012	2011	
	<i>(In Thousands)</i>		
Banco de Oro Unibank, Inc (BDO)	₱4,313,983	₱4,530,413	₱4,695,000
Syndicated Loan Agreement:			
Bank of the Philippine Islands (BPI)	896,552	931,035	965,517
Rizal Commercial Banking Corporation (RCBC)	448,276	465,517	482,759
BPI - Asset Management and Trust Group (AMTG)	-	500,000	500,000
BPI	500,000	-	-
	6,158,811	6,426,965	6,643,276
Current portion	(148,031)	(827,683)	(818,527)
Noncurrent portion presented as current	-	(5,599,282)	(5,824,749)
Noncurrent portion	₱6,010,780	₱-	₱-

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.



On March 20, 2012, RHI, CADPI and CACI entered into an amendment to facility agreement with BDO for the modification of the Group's interest rate option and principal repayment schedule. The amendment became effective on May 5, 2012 and provides for an interest rate per annum equivalent to the higher of: (a) the sum of three-month PDST-F rate plus 1.50% spread plus Gross Receipts Tax (GRT), or; (b) the sum of the *Bangko Sentral ng Pilipinas* (BSP) reverse repurchase overnight rate (RRP rate) plus 1.50% spread plus GRT.

The amendment also provides for an option to convert the relevant interest rate to fixed interest rate per annum, equivalent to the higher of: (a) the sum of seven-year PDST-F rate plus 1.50% spread plus GRT, or; (b) the sum of BSP RRP overnight rate plus 1.50% spread plus GRT.

The amendment also revised the repayment schedule of the BDO loans. The outstanding balance of the loan shall be paid by RHI, CADPI and CACI over a seven-year amortization period on an equal quarterly basis, commencing on November 5, 2014.

In February 2012, RHI availed a three-year loan amounting to ₱1.6 million. The principal and interest of the loan is payable in equal monthly installments starting on February 22, 2012.

In various dates in 2012 and August 2011, RHI paid loans from BDO amounting to ₱42.0 million and ₱31.4 million, respectively.

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 BDO, BPI and RCBC amounting to ₱365.9 million, ₱167.2 million and ₱83.6 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 BDO, BPI and RCBC amounting to ₱1,050.5 million, ₱329.3 million and ₱166.2 million, respectively. Loans availed from BDO carry fixed interest rate of 8.84% and are payable in 28 monthly installments beginning August 5, 2011. 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.



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% and for the modification of the Group's interest rate option and principal repayment schedule on March 31, 2012.

On February 6, 2012, CADPI and CACI entered into a Second Amendment with BPI and RCBC for the modification of the interest rate and principal repayment schedule. The amendment became effective on February 5, 2012. The amendment provides for a floating interest rate with a one-time option to convert the relevant interest rate to a fixed interest rate per annum. The floating interest rate in this second amendment is similar to the interest rate in the March 20, 2012 amendment in the BDO loans. The one-time option to convert the interest rate to a fixed interest rate per annum provides for a fixed interest rate equivalent to: (a) benchmark rate plus one and 36/100 percent for BPI loans, and; (b) benchmark rate plus 1.50% for RCBC loans. For purposes of the amendment, the benchmark rate is similar to that used for the March 20, 2012 amendment to the BDO loans.

On June 14, 2012, CADPI availed additional loans from BPI amounting to ₱500.0 million, the proceeds of which are used pay off CADPI's long-term loan with BPI-AMTG. The loan carries interest rate per annum equivalent to the higher of: (a) the sum of the base rate plus one-and-a-half percent (1.50%), or; (b) the BSP RRP overnight rate plus one-and-a-half percent (1.50%). GRT shall be for the account of CADPI. The loan is payable in 15 equal consecutive quarterly installments on each repayment date, with the first installment commencing on no later than November 5, 2014.

In various dates in 2012, CADPI paid loans from BDO, BPI and RCBC amounting to ₱107.8 million, ₱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. In May 2011, CADPI paid loans from BPI and RCBC amounting to ₱22.1 million and ₱11.1 million, respectively.

CACI

On May 5, 2008, CACI availed loans from BDO, BPI and RCBC amounting to ₱395.3 million, ₱129.8 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.

As discussed, 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% and for the modification of the Group's interest rate option and principal repayment schedule on March 31, 2012. On February 6, 2012, CADPI and CACI entered into a Second Amendment with BPI and RCBC for the modification of the interest rate and principal repayment schedule.



In various dates in 2012, CACI paid the loans from BDO, BPI and RCBC amounting to ₱68.2 million, ₱12.4 million and ₱6.1 million, respectively. In August 2011, CACI paid loans from BDO, BPI and RCBC amounting to ₱51.5 million, ₱12.4 million and ₱6.1 million, respectively. In May 2011, CACI paid loans from BPI and RCBC amounting to ₱12.4 million and ₱6.1 million, respectively.

RBC

On June 17, 2011, RBC availed a long-term loan from 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 for the year-ended June 30, 2011. Debt arrangement fees were fully amortized as of June 30, 2011.

Borrowing costs

Interests from long-term borrowings recognized as expense amounted to ₱351.6 million, ₱491.1 million and ₱160.2 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱113.3 million for the three months ended September 30, 2011, respectively, net of capitalized amounts of ₱136.6 million for the year ended June 30, 2010.

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, the Company, 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 the Company's land and CADPI's properties with an aggregate carrying value of ₱2.2 billion, ₱2.1 billion and ₱2.1 billion and ₱3.8 billion, ₱4.1 billion and ₱4.2 billion, respectively, as of September 30, 2012 and 2011 and June 30, 2011 and (b) CACI's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱4.0 billion as of September 30, 2012 and 2011 and June 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, 2012.

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 a current liability 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 presented 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 a result of the renegotiation made with the banks as discussed above and positive results of operations achieved in 2012, the Group has complied with its loan covenants as of September 30, 2012, thus, has reclassified the noncurrent portion of the long-term debt to noncurrent liability as of September 30, 2012.

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

	September 30		June 30,
	2012	2011	2011
		<i>(In Thousands)</i>	
Less than one year	₱148,031	₱6,426,965	₱6,643,276
Between one and two years	232,850	-	-
Between two and five years	3,699,718	-	-
Over five years	2,078,212	-	-
	₱6,158,811	₱6,426,965	₱6,643,276

15. Related Party Transactions

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

Transaction with Parent Company

As of September 30, 2012 and 2011 and June 30, 2011, the Group's outstanding receivable from RCI amounted to ₱52.0 million, ₱51.6 million and ₱50.4 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. These advances are non-interest bearing and payable on demand.

Transactions with CADP Retirement Fund, Inc. (CADPRFI)

- a. As of September 30, 2012 and 2011 and June 30, 2011, the Group has outstanding receivables from CADPRFI amounting to ₱61.0 million, ₱12.8 million and ₱6.3 million, respectively, which represents advance payment made by CADPI and redundated employees.
- b. As of September 30, 2012 and 2011 and June 30, 2011, the Group, as a lessee, has a one-year lease agreement with CADP Retirement Fund, Inc. (CADPRFI), which is renewable annually



at the option of CADPRFI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted ₱4.0 million and ₱0.2 million for the years ended September 30, 2012 and June 30, 2011 and ₱1.0 million for the three months ended September 30, 2011.

Transactions and Balances with Related Parties Eliminated During Consolidation

Intercompany transactions and balances of the Company with its subsidiaries

The Company's outstanding receivables from and payables to its subsidiaries are as follows:

	<u>September 30</u>		June 30,
	2012	2011	2011
	<i>(In Thousands)</i>		
Due from related parties:			
CADPI	₱-	₱-	₱12,890,700
RBC	-	200,962,717	202,106,529
NAVI	14,749,657	14,749,582	14,749,582
CFSI	14,925,662	13,935,112	13,935,112
CIAI	599,155	493,462	493,362
RPC	446,325	312,440	303,398
CPSI	352,885	220,868	220,768
JOMSI	156,800	151,725	151,725
CCSI	273,787	-	-
	₱31,504,271	₱230,825,906	₱244,851,176
Other receivables:			
CADPI	₱148,490,000	₱30,000,000	₱30,240,000
CACI	107,958,971	101,790,000	69,320,000
RBC	89,457	-	-
	₱256,538,428	₱131,790,000	₱99,560,000
Due from related parties:			
CADPI	₱101,761,635	₱24,904,030	₱-
CACI	291,556,869	307,559,069	307,548,375
CCSI	-	236,523	1,736,523
	₱393,318,504	₱332,699,622	₱309,284,898
Other payables - CADPI	₱59,599	₱-	₱-

Following are the specific terms and conditions of the transactions with the above mentioned subsidiaries:

a. Transactions with CADPI

- i. Consultancy agreement with CADPI effective July 1, 2005 whereby the Company (as consultant) will provide the following:
 - services, assistance and/or advice in CADPI's various management systems;
 - technical services and/or assistance in the purchase of equipment and raw materials;
 - representation and marketing services, through the Company's network of contacts and representatives; and,
 - management consultancy services and technical assistance as may be requested by CADPI from time to time.



The consultancy agreements are effective for one year, unless earlier terminated by both parties, and are renewable annually at the option of both parties under such terms and conditions mutually acceptable to both parties. Such agreement is still in force and effect as of September 30, 2012.

- ii. Contract of lease with CADPI for the rental of the Company's parcel of land located in Barrio Lumbangan, Nasugbu, Batangas where the sugar manufacturing plant and residential staff houses of CADPI are located. Original term of the lease is for 10 crop years commencing on December 1, 2002. In January 2010, the lease agreement was terminated and replaced by a one year lease agreement under such terms and conditions mutually acceptable to both parties. Such agreement is still in force and effect as of September 30, 2012
 - iii CADPI assigns to the Company its ₱238.4 million receivables from RBC in consideration of the Company's assignment to CADPI of 238.4 million RBC shares which is equivalent to 79.47% of the total outstanding shares of RBC.
- b. The Company also entered into a consultancy agreement with CACI with terms and conditions similar to that of CADPI's as discussed in letter a.
- c. Due from RBC in 2011 was used to finance the construction of RBC's bioethanol plant and is non-interest bearing and payable on demand. The Company paid the remaining ₱225.0 million unpaid subscriptions to RBC using the Company's advances to RBC as of August 31, 2012 in the amount of ₱193.7 million plus a portion of the advances that CADPI has assigned to the Company to the extent of ₱31.3 million.
- d. Receivables extended to other subsidiaries were used to support the operating requirements of these subsidiaries. These receivables are non-interest bearing and payable on demand.

Intercompany transactions and balances among subsidiaries

Outstanding due to and from related parties are as follows:

		<u>September 30</u>		June 30,
		2012	2011	2011
<i>(In Thousands)</i>				
Due to:	Due from:			
CADPI	CACI*	₱450,857	₱611,874	₱562,602
CADPI	RBC*	30,500	814,246	718,597
CADPI	CFSI*	102,160	106,317	99,768
CADPI	CCSI**	4,013	3,013	3,010
CADPI	NAVI**	15,972	15,792	15,792
CADPI	JOMSI**	2,444	2,443	2,443
CACI	CFSI*	6,725	6,715	3,714
CACI	CCSI**	73	73	33
CACI	JOMSI**	28,683	28,538	28,538
CACI	NAVI**	10,385	9,928	9,928
NAVI	CACI**	5,643	-	-

(Forward)



		September 30		June 30,
		2012	2011	2011
<i>(In Thousands)</i>				
RBC	CACI**	₱18,737	₱90,766	₱76,889
RBC	CFSI**	5,000	5,153	5,069
NAVI	JOMSI**	1,423	1,423	1,423
		₱682,615	₱1,696,281	₱1,527,806

* Short-term receivables bearing average interest rate of 6.5% and 6.8% for the years ended September 30, 2012 and June 30, 2011, respectively, and 6.5% for three months ended September 30, 2011.

** Short-term non-interest bearing advances.

- a. CADPI's outstanding due from CACI pertains to receivables on sale of raw sugar and tolling services by CADPI which is settled through deliveries of raw sugar and payment of services by CACI, respectively. Due from CACI as of September 30, 2012 and 2011 and June 30, 2011 also include amounts to finance CACI's plant expansion project and balance on sale of equipment recognized in the year ended June 30, 2011.
- b. In 2005, CADPI entered into a service agreement whereby CACI shall provide CADPI with the following:
 - services, assistance and/or advice in the procurement of raw sugar for its refinery operations;
 - a steady supply of bagasse for its use in its milling operations;
 - assist in the export sales of sugar by providing opportunities for sugar swapping;
 - provide various farm technology on cane development; and
 - other services and technical assistance as may be requested by the Company from time to time.

The agreements are effective for one year, unless earlier terminated by the parties, and are renewable annually at the option of the parties under such terms and conditions mutually acceptable to the parties. Such agreement is still in force and effect as of September 30, 2012.
- c. CADPI's outstanding due from RBC pertain mainly to loan extension of CADPI to finance RBC's plant construction and start up operation. It also includes receivable arising from CADPI's sale of raw and refined molasses to RBC.
- d. CADPI and CACI also entered into management agreement with CCSI with terms and conditions similar to that of services provided by the Company as discussed in letter a.i.
- e. CADPI has a contract of lease with CFSI for the rental of farm tractors and implements starting January 1, 2010. The lease is renewable annually at the option of the Company under such terms and conditions mutually acceptable by the parties.
- f. CACI's outstanding due from NAVI and JOMSI represent cash advance to support their operations which are settled through deliveries of raw sugar to CACI.
- g. Effective July 1, 2012, CACI leases a portion of land from NAVI at 20 Lkg (equivalent to 50 kilogram bag per unit) of sugar at the prevailing market/bidding composite sugar price at the time of payment but in no case shall the price be less than ₱800/Lkg. The lease period commenced on September 1, 2008 and shall have a life of ten (10) years or until August 31, 2018. Prior to such lease arrangement, NAVI's sugar canes are milled with CACI



based on a sharing arrangement of 65% and 35% for the NAVI and CACI, respectively, of the resulting sugar and molasses produced.

- h. CACI's due to RBC represents interest-bearing cash advance which are settled through deliveries of molasses by CACI.
- i. CACI's outstanding due from CFSI and CCSI are for materials and cash advances for working capital.
- j. NAVI's outstanding due from JOMSI are noninterest-bearing and will be liquidated through deliveries of raw sugar and molasses.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made under normal commercial terms and conditions. Outstanding balances at year-end are unsecured and settlement occurs in cash, unless otherwise indicated above. There have been no guarantees provided or received for any related party receivables or payables.

As of September 30, 2012 and 2011 and June 30, 2011, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Key Management Compensation

Key management compensation for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011 follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>			
Salaries and wages	P43,510	P8,254	P35,802	P32,128
Employee and other benefits	2,779	2,063	9,558	8,230
	P46,289	P10,317	P45,360	P40,358

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,
	2012	2011	2011
	<i>(In Thousands)</i>		
Present value of obligation	P36,557	P155,425	P187,874
Fair value of plan assets	93,150	231,694	238,896

(Forward)



	September 30		June 30,
	2012	2011	2011
	<i>(In Thousands)</i>		
Surplus	₱56,593	₱76,269	₱51,022
Unrecognized actuarial loss	72,118	51,428	80,076
Net pension plan assets	₱128,711	₱127,697	₱131,098

Plan assets cannot be returned to RHI unless on circumstances discussed in Note 2. The net pension plan assets as of September 30, 2012 and 2011 and June 30, 2011 amounting to ₱128.7 million, ₱127.7 million and ₱131.1 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,
	2012	2011	2011
	<i>(One Year)</i>	<i>(Three Months)</i>	<i>(One Year)</i>
	<i>(In Thousands)</i>		
Beginning of the period	₱155,425	₱187,874	₱169,899
Current service cost	9,722	2,431	9,165
Interest cost	11,968	3,617	14,951
Benefits paid	(156,546)	(38,497)	(21,252)
Transferred liability to CADPI and CACI	(7,043)	—	—
Curtailment loss (see Note 1)	36,310	—	—
Actuarial loss (gain)	(13,279)	—	15,111
End of the period	₱36,557	₱155,425	₱187,874

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

	September 30		June 30,
	2012	2011	2011
	<i>(One Year)</i>	<i>(Three Months)</i>	<i>(One Year)</i>
	<i>(In Thousands)</i>		
Beginning of the period	₱231,694	₱238,896	₱248,544
Expected return on plan assets	13,902	3,583	17,398
Benefits paid	(156,546)	(38,497)	(21,252)
Contributions	50,188	—	—
Actuarial gain (loss)	(46,088)	27,712	(5,794)
End of the period	₱93,150	₱231,694	₱238,896

The Company's plan assets consist of:

	September 30, 2012		September 30, 2011		June 30, 2011	
	Percentage	Amount	Percentage	Amount	Percentage	Amount
	<i>(In Thousands)</i>		<i>(In Thousands)</i>		<i>(In Thousands)</i>	
Stocks and other securities	122%	₱112,845	60%	₱139,079	56%	₱134,178
Government securities	3%	3,000	20%	45,637	24%	56,622
Cash and cash equivalents	8%	7,613	20%	45,687	19%	45,634
Receivables	1%	1,377	0%	1,291	1%	2,462
Payable and accrued liabilities	(34%)	(31,685)	—	—	—	—
	100%	₱93,150	100%	₱231,694	100%	₱238,896



The Company has no expected contributions for the fiscal year ending September 30, 2013.

As of September 30, 2012 and 2011 and June 30, 2011, pension plan assets, which are managed by a trustee, include investments in equity securities of RHI with a fair value amounting to ₱88.0 million, ₱96.2 million and ₱86.6 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:

	<u>September 30</u>		June 30,
	2012	2011	2011
	<i>(In Thousands)</i>		
Present value of obligations	₱455,337	₱421,509	₱445,524
Fair value of plan assets	(352,673)	(356,957)	(387,704)
Deficit	102,664	64,552	57,820
Unrecognized actuarial loss	(16,926)	(64,552)	(56,662)
Net pension benefit obligation	₱85,738	₱-	₱1,158

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

	<u>September 30</u>		June 30,
	2012	2011	2011
	(One Year)	(Three Months)	(One Year)
	<i>(In Thousands)</i>		
Beginning of the period	₱421,509	₱445,524	₱423,920
Current service cost	22,614	5,785	22,248
Interest cost	33,838	9,055	38,890
Benefits paid	(193,429)	(43,156)	(59,413)
Curtailment loss (see Note 1)	52,126	-	2,199
Transferred liability from RHI	7,043	-	-
Actuarial loss	111,636	4,301	17,680
End of the period	₱455,337	₱421,509	₱445,524



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

	September 30		June 30,
	2012 (One Year)	2011 (Three Months)	2011 (One Year)
	<i>(In Thousands)</i>		
Beginning of the period	₱356,957	₱387,704	₱334,273
Expected return on plan assets	22,165	5,953	20,915
Contributions	40,783	10,699	82,277
Benefits paid	(193,429)	(43,156)	(59,413)
Actuarial gain (loss)	126,197	(4,243)	9,652
End of the period	₱352,673	₱356,957	₱387,704

The subsidiaries' plan assets consist of:

	September 30, 2012		September 30, 2011		June 30, 2011	
	Percentage	Amount (In Thousands)	Percentage	Amount (In Thousands)	Percentage	Amount (In Thousands)
Debt instruments and other securities	59%	₱208,041	52%	₱188,500	45%	₱175,533
Government securities	2%	7,320	4%	12,638	3%	12,598
Investment property	17%	58,653	15%	52,479	14%	52,479
Cash and cash equivalents	20%	70,220	9%	32,428	11%	43,396
Receivables	6%	19,615	20%	71,105	27%	103,872
Payable and accrued liabilities	(4%)	(11,176)	-	(193)	-	(174)
	100%	₱352,673	100%	₱356,957	100%	₱387,704

CADPI and CACI are expected to contribute a total of ₱27.0 million to their respective fund for the year ending September 30, 2013.

Pension Costs

The consolidated pension costs recognized follow:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>			
Current service cost	₱32,336	₱8,216	₱31,413	₱24,986
Interest cost	45,806	12,672	53,841	50,793
Expected return on plan assets	(36,067)	(9,536)	(38,313)	(32,047)
Actuarial loss (gain) recognized	4,942	1,591	2,556	(499)
Amortization of net transitional liability	-	-	-	32,627
Curtailment loss (see Note 1)	88,436	-	2,199	-
	₱135,453	₱12,943	₱51,696	₱75,860

The actual return on plan assets was ₱116.2 million and ₱7.9 million for the year ended September 30, 2012 and the three months ended September 30, 2011, 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 the beginning of each period follows:



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

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 and previous periods are as follows:

	September 30		June 30		
	2012	2011	2011	2010	2009
	<i>(In Thousands)</i>				
Present value of obligations	₱491,894	₱576,934	₱633,398	₱593,819	₱485,679
Plan assets	445,823	588,651	626,600	582,817	514,225
Surplus (deficit)	(46,071)	11,717	(6,798)	(11,002)	28,546
Experience adjustments on plan assets loss (gain)	-	-	(12,585)	-	23,005
Experience adjustments on plan obligation gain (loss)	-	4,301	(23,617)	(25,025)	-

Redundancy Program

In December 2011, the Group implemented a redundancy and right-sizing program to reduce the Group's operating costs and expenses (see Note 1). As of September 30, 2012, the Group has paid ₱351.0 million to all redundated employees.

17. Commitments and Contingencies

- 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.
- The Group has in its custody the following sugar owned by quedan holders:

	September 30, 2012		September 30, 2011		June 30, 2011	
	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	273	₱372	550	₱744	1,548	₱2,135
Refined sugar	218	390	309	675	612	1,481
	491	₱762	859	₱1,419	2,160	₱3,616

*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 trusted sugar or their sales proceeds.

- CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of September 30, 2012 and 2011 and June 30, 2011, CADPI has outstanding sales contracts for refined sugar with a total value of ₱149.3 million, ₱1,478.6 million and ₱2,035.1 million, equivalent to 66,497 LKg, 571,635 LKg and 784,673 LKg, respectively.

CADPI received cash deposits from customers for the above transactions as of September 30, 2012 and 2011 and June 30, 2011, 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 ₱0.4 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱0.1 million for the three months ended September 30, 2011, 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 ₱123.7 million, ₱126.6 million and ₱105.5 million for the years ended September 30, 2012 and June 30, 2011 and 2010.

e. 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.

As of December 12, 2012, the Group has not recorded any carbon emission credits.

f. There are no other pending labor and other legal cases and claims in the ordinary course of the Group's business as at September 30, 2012 and 2011 and in the opinion of management and legal counsel, the ultimate outcome of all but one of these cases will not have a material effect on the financial position and performance of the Group. Consequently, no provision related to these legal cases was made in the consolidated financial statements except for the disputed claims for which the Group has provided ₱85.0 million, ₱36.6 million of which was paid as of September 30, 2012 (see Note 20).

g. As of September 30, 2012 and 2011 and June 30, 2011, the Group has unused lines of credit from local banks amounting to ₱892.0 million, ₱862.0 million and ₱745.0 million, respectively (see Notes 11 and 14).

18. Revenue

The components of revenue are as follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>			
Refined sugar	₱3,648,085	₱762,580	₱3,770,277	₱3,716,206
Raw sugar	3,008,261	549,454	3,533,816	1,853,949
Alcohol	672,166	63,400	39,096	-
Molasses	196,267	3,753	315,569	318,235
Tolling fees	125,927	22,767	218,276	290,268
Others	23,787	640	32,864	24,309
	₱7,674,493	₱1,402,594	₱7,909,898	₱6,202,967



19. Cost of Goods Sold

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>			
Purchased sugar (Note 6)	₱2,758,851	₱404,781	₱4,813,283	₱2,776,875
Cost of transporting canes to mill (Notes 6 and 17)	888,670	13,740	1,124,367	641,979
Direct labor (Note 21)	399,912	84,731	355,642	373,027
Net changes in inventories (Note 6)	27,155	874,050	(1,014,375)	(347,547)
Tolling fees	-	-	3,796	12,086
Manufacturing overhead:				
Depreciation (Note 9)	648,704	157,538	525,964	381,961
Materials and consumables	276,778	32,805	238,264	266,560
Fuel and oil	250,690	29,190	423,573	408,900
Repairs and maintenance	244,355	78,138	376,137	372,401
Taxes and licenses	150,942	29,533	146,879	120,566
Outside services	89,016	24,607	129,120	113,089
Communication, light and water	72,364	22,560	71,840	58,461
Rent (Notes 15 and 17)	51,224	4,762	72,182	73,748
Others	38,131	7,834	46,988	38,185
Provision for inventory losses and obsolescence (Note 6)	59,727	78,794	370,128	12,449
	₱5,956,519	₱1,843,063	₱7,683,788	₱5,302,740

Other manufacturing overhead pertains mainly to insurance expense.

20. Operating Expenses

Selling Expenses

Selling expenses mainly pertain to delivery charges and other fees.

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>			
Salaries, wages and other employee benefits (Note 21)	₱294,921	₱65,247	₱243,321	₱237,514
Provision for impairment of receivables and creditable withholding taxes (Notes 5 and 7)	101,506	2,243	603	5,945
Provision for loss (Note 17)	85,003	-	-	-
Outside services	75,581	16,069	43,710	41,261

(Forward)



	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>			
Taxes and licenses	₱63,423	₱12,409	₱60,249	₱69,673
Depreciation (Note 9)	41,095	12,897	21,030	25,064
Insurance	29,505	12,069	36,487	25,302
Rent (Notes 15 and 17)	22,919	5,313	25,091	18,404
Materials and consumables	21,367	7,140	38,992	38,484
Travel and transportation	19,367	3,490	17,223	20,131
Repairs and maintenance	11,357	1,643	13,235	14,546
Communication, light and water	9,817	2,254	9,241	8,259
Corporate social responsibility	2,354	741	5,777	7,334
Representation and entertainment	1,390	220	1,129	1,744
Others	50,600	15,773	54,323	82,029
	₱830,205	₱157,508	₱570,411	₱595,690

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

21. Personnel Costs

The components of employee benefits are as follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>			
Salaries and wages (Notes 19 and 20)	₱404,550	₱84,731	₱355,642	₱373,027
Allowances and other employee benefits (Notes 19 and 20)	154,830	52,304	191,625	161,654
Pension costs (Note 16)	135,453	12,943	51,696	75,860
	₱694,833	₱149,978	₱598,963	₱610,541

22. Other Income - Net

The components of other income are as follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands)</i>			
Recovery from insurance claims	₱20,676	₱27,650	₱-	₱141,341
Sugar and molasses handling fees	11,335	1,640	3,261	20,481
Sale of scrap	10,393	1,201	37,769	58,013
Gain (loss) on disposal of property and equipment	530	(13,981)	(7,782)	972
Foreign exchange gains (losses) - net	(7,767)	4,769	(5,070)	2,824
Others	77,469	27,255	40,213	73,020
	₱112,636	₱48,534	₱68,391	₱296,651



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

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		June 30,	
	2012	2011	2011	2011
	Net Deferred Income Tax Assets ⁽¹⁾	Net Deferred Income Tax Liabilities ⁽²⁾	Net Deferred Income Tax Liabilities	Net Deferred Income Tax Liabilities
<i>(In Thousands)</i>				
Deferred income tax assets on:				
Allowance for:				
Impairment of receivables (Note 5)	₱34,721	₱-	₱5,772	₱5,772
Sugar inventory losses (Note 6)	766	-	-	5,475
Inventory obsolescence (Note 6)	11,747	-	12,603	7,128
Allowance for unrealized CWT	3,663	-	-	-
Various accruals	15,033	-	-	-
Pension benefit obligation (Note 16)	25,721	-	-	-
Unamortized past service cost	53,918	819	56,371	59,139
Unrealized foreign exchange loss	1,426	-	-	-
NOLCO	89,357	675	7,364	13,430
Unrealized gross profit on inventory	-	-	14,657	14,657
Excess MCIT	46,511	4,363	4,254	4,762
	282,863	5,857	101,021	110,363
Deferred income tax liabilities on:				
Revaluation increment on properties (Note 24)	(4,995)	(761,898)	(696,231)	(696,231)
Unamortized capitalized interest (Note 9)	(130,236)	-	(143,087)	(146,300)
Pension plan assets (Note 16)	-	(38,613)	(38,309)	(39,329)
Unrealized foreign exchange gain	-	-	-	(12)
	(135,231)	(800,511)	(877,627)	(881,872)
Net deferred income tax assets (liabilities)	₱147,632	(₱794,654)	(₱776,606)	(₱771,509)

⁽¹⁾ The recognized net deferred income tax assets pertain to CADPI and CACI

⁽²⁾ The recognized net deferred income tax liabilities pertain to RHI, RBC 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	Balances as of the Beginning of the Period	Applied	Expired	Balances as of the End of the Period	Tax Effect	Available Until
<i>(In Thousands)</i>						
June 30, 2010	₱44,285	₱5,586	₱38,699	₱-	₱-	September 30, 2012
June 30, 2011	337,221	313,026	-	24,195	7,259	September 30, 2013
September 30, 2011	883,628	577,333	-	306,295	91,889	September 30, 2014
September 30, 2012	13,001	-	-	13,001	3,900	September 30, 2015
	₱1,278,135	₱895,945	₱38,699	₱343,491	₱103,048	



MCIT

Incurring for the Period Ended	Balances as of the Beginning of the Period	Applied	Expired	Balances as of the End of the Period	Available Until
<i>(In Thousands)</i>					
June 30, 2010	₱1,479	₱1,468	₱11	₱-	September 30, 2012
June 30, 2011	9,018	-	-	9,018	September 30, 2013
September 30, 2011	753	-	-	753	September 30, 2014
September 30, 2012	49,049	-	-	49,049	September 30, 2015
	₱60,299	₱1,468	₱11	₱58,820	

- 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		June 30,
	2012	2011	2011
<i>(In Thousands)</i>			
NOLCO	₱43,384	₱1,230,676	₱322,776
Excess MCIT	7,946	7,248	7,629
Provision for sugar losses	3,176	88,745	346,306
Provision for inventory obsolescence	2,611	15,162	5,500
Allowance for impairment of receivables	5,831	2,009	2,008
Pension benefit obligation	-	-	1,158

Deferred income tax assets pertaining to NOLCO, MCIT and other deductible temporary differences amounting to ₱24.4 million, ₱408.2 million and ₱211.0 million as of September 30, 2012 and 2011 and June 30, 2011, 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 rate and provision for income tax presented in the consolidated statements of income follows:

	September 30		June 30	
	2012	2011	2011	2010
	(One Year)	(Three Months)	(One Year)	(One Year)
<i>(In Thousands)</i>				
Provision for (benefit from) income tax at statutory rate	₱151,966	(₱227,827)	(₱221,700)	₱118,529
Adjustments resulting from:				
Application of temporary differences and NOLCO for which no deferred income tax asset was previously recognized	(379,925)	(52,128)	-	(1,359)
Expiration of excess MCIT credits	14	1,256	411	-
Unrecognized deferred income tax assets arising from temporary differences and NOLCO	48,352	279,450	272,178	7,352
Realization of revaluation increment		-	-	-

(Forward)



	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
<i>(In Thousands)</i>				
Tax effects of:				
Equity in net loss (earnings) of an associate (Note 8)	(P14,734)	P5,395	(P53,089)	(P39,679)
Interest and dividend income subjected to final tax	(249)	(92)	(102)	(381)
Depreciation on appraisal increase	—	—	—	952
Unallowable interest expense	191	35	85	323
Deficiency taxes	25,501	—	—	—
Others	8,038	—	4,977	(2,081)
Provision for (benefit from) income tax	(P160,846)	P6,089	P2,760	P83,656

24. Equity

a. Share capital and treasury shares

Details of share capital and treasury shares follow:

	September 30, 2012		September 30, 2011		June 30, 2011	
	Number of shares	Amount <i>(In Thousands)</i>	Number of shares	Amount <i>(In Thousands)</i>	Number of shares	Amount <i>(In Thousands)</i>
Authorized common shares "Capital A" at P1 par value each	1,500,000,000	P1,500,000,000	1,500,000,000	P1,500,000	1,500,000,000	P1,500,000
Issued common shares "Class A"	1,168,976,425	P1,168,976	1,168,976,425	P1,168,976	1,168,976,425	P1,168,976
Treasury shares	(259,424,189)	(768,860)	(259,424,189)	(768,860)	(259,424,189)	(768,860)
Issued and outstanding	909,552,236	P400,116	909,552,236	P400,116	909,552,236	P400,116

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 P768.9 million. There was no reacquisition of shares for the years ended September 30, 2012 and June 30, 2011 and for the three months ended September 30, 2011.

b. Track record of registration

On March 16, 1994, the Company registered with the SEC one billion shares consisting of 600 million Class "A" shares and 400 million Class "B" shares with a par value of One Peso (Php1.00) per share equivalent to One Billion Pesos (P1,000,000,000) representing the entire capital stock of the Company. Moreover, the SEC licensed the sale or offer for sale the Company's 477,750,000 shares (inclusive of its present subscribed capital stock of 382,200,000 shares) out of which 95,550,000 shall be sold for P3.00 per share.

On September 4, 1995, the SEC licensed the sale or offer for sale of 174,400,000 shares in an initial public offering at an offer price between P5.00 to P8.00 per share. The aforesaid shares consist of 100 million shares from the Company's registered but unlicensed and unissued capital stock for primary offering and 74,400,000 shares owned by selling shareholders for secondary offering.



On January 28, 1997, the Company declared stock dividends at the rate of thirty percent (30%) payable to stockholders of record as of February 28, 1997.

On November 24, 1999 and December 15, 1999, the Company declared stock dividends at the rate of thirty percent (30%) consisting of 225,322,500 common shares at ₱1.00 per share payable to stockholders of record as of February 15, 2000.

On January 30, 2003, the SEC approved the Company's increase of authorized capital stock ("ACS") from ₱1,000,000,000 to ₱1,500,000,000 divided into 1,500,000,000 shares of common stock with a par value of ₱1.00 per share. Of the ₱1,500,000,000 ACS up to 192,779,459 common shares with a total par value of ₱192,779,459 have been subscribed and fully paid through a declaration of stock dividends at the rate of twenty percent (20%) to stockholders of record as of February 28, 2003.

On April 3, 2003, the Philippine Stock Exchange ("PSE") approved the listing of additional 192,779,459 common shares, with a par value of ₱281.00 per share, representing the abovementioned 20% stock dividend declaration. Moreover, the Company's listed shares were reduced by 188 common shares representing fractional shares arising from the 30% stock dividend declared in 1997 and 30% stock dividends declared in 2000, which were paid for in cash.

c. 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 ₱1.0 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 CACT's 200 million common shares at ₱1 per share. The basis of valuation of the CACT shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised value.

d. 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).

e. Retained earnings

Restricted retained earnings

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

	September 30		June 30,
	2012	2011	2011
		<i>(In Thousands)</i>	
Treasury shares	₱768,860	₱768,860	₱768,860
Pension plan asset - net of deferred income tax effect (Note 16)	90,098	89,388	91,769
	₱858,958	₱858,248	₱860,629

Further, unrestricted retained earnings include accumulated earnings of consolidated subsidiaries and unconsolidated associate amounting to ₱350.4 million, ₱11.6 million and ₱110.1 as of September 30, 2012 and 2011 and June 30, 2012, 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 follow:

Date Approved	Per Share	Total Amount <i>(In Thousands)</i>	Stockholders of Record Date	Date Paid/Issued
September 17, 2012	₱0.06	₱54,573	October 1, 2012	October 12, 2012

There was no dividend declaration by the Company for the three months ended September 30, 2011 and years ended June 30, 2011 and 2010.



f. 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
October 2011 through September 2012		
First	₱2.34	₱2.34
Second	3.85	3.40
Third	2.50	2.50
Fourth	2.60	2.60
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

25. Earnings (Loss) Per Share

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

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	<i>(In Thousands, except ELPS)</i>			
Net income (loss) for the period attributable to the equity holders of the parent company	₱666,704	(₱762,472)	(₱738,290)	₱307,698
Divided by weighted average number of common shares outstanding	₱909,552	₱909,552	₱909,552	₱909,552
Basic/diluted ELPS	₱0.73	(₱0.84)	(₱0.81)	₱0.34

There are no potential dilutive common shares as at September 30, 2012 and 2011 and June 30, 2011 and 2010.

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 years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011.

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		June 30,
	2012	2011	2011
	<i>(In Thousands, except ratio)</i>		
Total liabilities	₱8,963,790	₱10,705,799	₱11,302,365
Total equity	5,413,960	4,640,002	5,405,515
Total liabilities and equity	₱14,377,750	₱15,345,801	₱16,707,880
Debt-to-equity ratio	1.66:1.00	2.31:1.00	2.09:1.00

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, 2012						Total
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	
	(In Thousands)						
Short-term borrowings*	P103,258	P1,048,000	P-	P-	P-	P-	P1,151,258
Accounts payable and accrued expenses**	552,183	-	-	-	-	-	552,183
Dividends payable	49,497	-	-	-	-	-	49,497
Current portion of long-term borrowings	148,031	-	-	-	-	-	148,031
Long-term borrowings, net of current portion*	-	-	536,111	2,974,329	1,358,316	2,178,624	7,047,380
	P852,969	P1,048,000	P536,111	P2,974,329	P1,358,316	P2,178,624	P8,948,349
Cash in banks and cash equivalents	P157,708	P-	P-	P-	P-	P-	P157,708
Trade receivables	56,435	439,445	31,609	-	-	-	527,489
Due from related parties	-	112,928	-	-	-	-	112,928
Due from employees	4,835	44,450	8,238	-	-	-	57,523
Other receivables	74,059	352	-	-	-	-	74,411
	P293,037	P597,175	P39,847	P-	P-	P-	P930,059

* Includes expected interest payments for short-term and long term borrowings amounting to P3.3 million and P1,036.6 million, respectively.

** Excludes payable to government agencies amounting to P121.2 million.

	September 30, 2011						Total
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	
	(In Thousands)						
Short-term borrowings*	P-	P2,741,986	P-	P-	P-	P-	P2,741,986
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
	P6,714,352	P2,982,882	P-	P-	P-	P-	P9,697,234
Cash in banks and cash equivalents	P316,873	P-	P-	P-	P-	P-	P316,873
Trade receivables	26,244	304,875	-	-	-	-	331,119
Due from related parties	38,763	-	-	-	-	-	38,763
Due from employees	-	20,952	3,987	-	-	-	24,939
Other receivables	76,641	352	-	-	-	-	76,993
	P458,521	P326,179	P3,987	P-	P-	P-	P788,687

* Includes expected interest payments for short-term of P4.0 million.

** Excludes payable to government agencies amounting to P82.1 million.

	June 30, 2011						Total
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	
	(In Thousands)						
Accounts payable and accrued expenses*	P447,031	P37,185	P-	P-	P-	P-	P484,216
Dividends payable	16,069	-	-	-	-	-	16,069
Short-term borrowings**	-	3,226,481	-	-	-	-	3,226,481
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
	P7,106,376	P3,263,666	P-	P-	P-	P-	P10,370,042

	June 30, 2011						Total
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	
	(In Thousands)						
Cash in banks and cash equivalents	P367,000	P-	P-	P-	P-	P-	P367,000
Trade receivables	69,300	445,766	-	-	-	-	515,066
Advances to related parties	44,160	-	-	-	-	-	44,160
Advances to employees***	-	28,964	3,999	-	-	-	32,963
Other receivables	-	36,113	-	-	-	-	36,113
	P480,460	P510,843	P3,999	P-	P-	P-	P995,302

* Excludes payable to government agencies amounting to P50.9 million

** Includes expected interest payments for short-term P6.5 million.

*** Includes noncurrent portion of advances to employees amounting to P4.0 million and excludes nonfinancial assets amounting to P9.7 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,
	2012	2011	2011
	<i>(In Thousands)</i>		
Cash in banks and time deposits, excluding cash on hand	₱157,708	₱316,873	₱367,000
Trade receivables	527,489	331,119	515,066
Due from related parties	112,928	38,763	44,160
Due from employees	57,523	24,939	32,963
Other receivables	74,411	76,993	36,113
	₱930,059	₱788,687	₱995,302

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, 2012 and 2011 and June 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, 2012							Total
	Neither past due nor impaired			Past due but not impaired			Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days		
	<i>(In Thousands)</i>							
Cash in bank and time deposits*	₱157,708	P-	P-	P-	P-	P-	P-	₱157,708
Trade receivables	272,078	37,710	--	88,637	39,398	89,666	98,878	626,367
Due from related parties	112,928	--	--	--	--	--	--	112,928
Due from employees	29,193	27,024	--	--	--	1,306	1,342	58,865
Other receivables***	67,147	6,465	--	--	--	799	9,466	83,877
Total	₱639,054	₱71,199	P-	₱88,637	₱39,398	₱91,771	₱109,686	₱1,039,745

* Excludes cash on hand amounting to ₱6.7 million.

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



	September 30, 2011							Total
	Neither past due nor impaired			Past due but not impaired			Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days		
	(In Thousands)							
Cash in bank and time deposits*	₱316,873	P-	P-	P-	P-	P-	P-	₱316,873
Trade receivables	241,962	1,432	-	1,909	37,495	48,321	3,452	334,571
Due from related parties	38,763	-	-	-	-	-	-	38,763
Due from employees	2,510	22,245	-	3	4	177	1,342	26,281
Other receivables***	4,133	70,286	-	59	374	2,141	8,420	85,413
Total	₱604,241	₱93,963	P-	₱1,971	₱37,873	₱50,639	₱13,214	₱801,901

* Excludes cash on hand amounting to ₱1.9 million.
 ** Excludes deposits for raw sugar purchases amounting to ₱9.9 million.

	June 30, 2011							Total
	Neither past due nor impaired			Past due but not impaired			Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days		
	(In Thousands)							
Cash in bank and time deposits*	₱367,000	P-	P-	P-	P-	P-	P-	₱367,000
Trade receivables	247,103	69,300	-	132,419	39,914	26,330	3,452	518,518
Advances to related parties	44,160	-	-	-	-	-	-	44,160
Advances to employees**	3,252	29,777	-	-	-	-	1,276	34,305
Other receivables	-	35,258	-	-	-	789	8,418	44,465
Total	₱661,515	₱134,335	P-	₱132,419	₱39,914	₱27,119	₱13,146	₱1,008,448

* Excludes cash on hand amounting to ₱1.8 million.
 ** Excludes advances to employees subject to liquidation amounting to ₱1.7 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 ₱100.3 million, ₱0.6 million and ₱2.0 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱2,171 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.



Fair value interest rate risk

As of September 30, 2011 and June 30, 2011, 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.

Cash flow interest rate risk

As of September 30, 2012, the Group is also exposed to cash flow interest rate risk arising from its variable-rate long-term borrowings, which were originally issued at fixed rates (see Note 14). 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 on non-trading financial liabilities held at September 30, 2012 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	+1.00%	(P61,588)
	-1.00%	61,588

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\$0.2 million, US\$2.4 million and US\$0.1 million as of September 30, 2012 and 2011 and June 30, 2011, respectively. As of September 30, 2012 and 2011 and June 30, 2011, the exchange rates were P41.8, P43.72 and P43.33 per US\$1.00, respectively.

Net foreign exchange gains or losses recognized in the consolidated statements of income amounted to P7.8 million gain, P5.1 million loss and P2.8 million gain for the years ended September 30, 2012, June 30, 2011 and 2010, respectively, and P4.8 million gain for the three months ended September 30, 2011.

Reasonably possible changes in the US\$ to Philippine peso exchange rates were determined by the Group from historical volatility from January to September of 2012 and 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>
September 30, 2012	+5.00%	(P6,825)
	-5.00%	6,825



	Movement in US\$-Philippine peso exchange rates	Net effect in income (loss) before income tax <i>(In Thousands)</i>
September 30, 2011	+4.45%	(P5,946)
	-4.45%	5,946
June 30, 2011	+3.75%	(4,008)
	-3.75%	4,008

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				June 30, 2011	
	2012		2011		Carrying Value	Fair Value
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:						
Cash on hand	P6,700	P6,700	P1,883	P1,883	P1,788	P1,788
Loans and receivables:						
Cash in banks and time deposits	157,708	157,708	316,873	316,873	367,000	367,000
Trade receivables	527,489	527,489	331,119	331,119	515,066	515,066
Due from related parties	112,928	112,928	38,763	38,763	44,160	44,160
Due from employees	57,523	57,523	24,939	24,939	32,963	32,963
Other receivables	74,411	74,411	76,993	76,993	36,113	36,113
	P936,759	P936,759	P790,570	P790,570	P997,090	P997,090
Financial Liabilities:						
Other financial liabilities:						
Accounts payable and accrued expenses	P552,163	P552,163	P512,214	P512,214	P484,216	P484,216
Advances from related parties	-	-	-	-	-	-
Due to planters	-	-	-	-	-	-
Dividends payable	49,497	49,497	16,069	16,069	16,069	16,069
Short-term borrowings	1,148,000	1,148,000	2,738,000	2,738,000	3,220,000	3,220,000
Current portion of long-term borrowings	148,031	148,031	827,683	827,683	818,527	818,527
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	6,010,780	6,010,780	-	-	-	-
	P7,908,471	P7,908,471	P9,693,248	P9,693,248	P10,363,561	P10,363,561

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 - The rate was obtained from *Bangko Sentral ng Pilipinas*, representing bank average lending rates. As of September 30, 2012, as a result of the loan modification for fixed interest bearing to variable interest rate, the carrying value approximates the fair value in view of the recent and regular repricing based on current market rates of long-term borrowings.

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, 2012 and 2011 and June 30, 2011.

28. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the Company's Executive Committee, 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 as of September 30, 2012 and 2011 and 13,000 metric tons as of June 30, 2011. 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, 2012 and 2011 and June 30, 2011, 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.

Other segments of the Group which are not reported separately pertain mainly to consultancy business, dealer and trader of agricultural products, farm services 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 Executive Committee 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 and NAVI's investment property which are carried at cost in its stand-alone 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. NAVI's investment property is adjusted to its fair value 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 of CACI and CADPI amounted to ₱731.0 million and ₱1,352.7 million, ₱1,160.5 million and ₱681.5 million and ₱1,005.0 million and ₱676.0 million for the years ended September 30, 2012, June 30, 2011 and 2010, respectively, and ₱388.6 million and ₱206.2 million for the three months ended September 30, 2011.

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, 2012 (One Year)						
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
	<i>(In Thousands)</i>						
Revenue (Note 18)							
External customers:							
Refined sugar	₱-	₱2,943,118	₱704,967	₱-	₱-	₱-	₱3,648,085
Raw sugar	-	1,170,698	1,837,563	-	-	-	3,008,261
Tolling fees	-	125,927	-	-	-	-	125,927
Molasses	-	127,441	30,538	38,288	-	-	196,267
Others	-	-	-	672,166	23,787	-	695,953
	-	4,367,184	2,573,068	710,454	23,787	-	7,674,493
Inter-segment	98,500	194,860	269,212	11	2,460	(565,043)	-
	98,500	4,562,044	2,842,280	710,465	26,247	(565,043)	7,674,493
Costs and expenses (Notes 19 and 20)	(147,395)	(4,051,645)	(2,529,663)	(745,083)	(31,779)	656,598	(6,848,967)
Inventory losses (Note 6)	-	(3,230)	(697)	(8,820)	-	-	(12,747)
Interest income	561	50,556	3,136	1,979	329	(50,292)	6,269
Interest expense	(39,859)	(274,565)	(127,443)	(79,971)	(2,699)	50,292	(474,245)
Others (Note 22)	282,347	63,872	42,300	555	198	(276,636)	112,636
Income (loss) before income tax	194,154	347,832	229,913	(120,875)	(7,704)	(185,081)	457,439
Provision for income tax (Note 23)	(17,225)	100,937	79,678	(34)	(197)	(2,313)	160,846
Segment profit (loss)	176,929	447,969	309,591	(120,909)	(7,901)	(187,394)	618,285
Equity in net earnings of an associate (Note 8)	-	-	-	-	-	49,115	49,115
Consolidated net profit (loss)	₱176,929	₱447,969	₱309,591	(₱120,909)	(₱7,901)	(₱138,279)	₱667,400



September 30, 2012 (One Year)							
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
	<i>(In Thousands)</i>						
Other Information							
Major costs and expenses:							
Depreciation and amortization	P3,962	P346,825	P253,798	P83,061	P2,153	P-	P689,799
Fuel and oil	-	124,580	28,645	93,096	4,369	-	250,690
Materials and consumables	2,905	162,163	68,001	64,437	639	-	298,145
Repairs and maintenance	917	152,018	92,329	5,196	5,251	-	255,711
Additions to noncurrent assets							
Property, plant and equipment	2,689	57,975	41,952	25,335	206	-	128,157
Investment in an associate	259,907	-	-	-	-	309,565	569,472
Assets and Liabilities							
Current assets							
Current assets	P484,023	P1,966,054	P689,152	P493,780	P84,530	(P1,542,173)	P2,175,366
Noncurrent assets	6,695,497	4,927,814	3,677,676	1,579,962	197,196	(4,875,761)	12,202,384
Total assets	P7,179,520	P6,893,868	P4,366,828	P2,073,742	P281,726	(P6,417,934)	P14,377,750
Current liabilities							
Current liabilities	P538,429	P1,448,507	P1,177,107	P224,566	P211,479	(P1,527,470)	P2,072,618
Noncurrent liabilities	1,319,690	3,072,870	1,504,304	952,494	48,157	(6,343)	6,891,172
Total liabilities	P1,858,119	P4,521,377	P2,681,411	P1,177,060	P259,636	(P1,533,813)	P8,963,790

September 30, 2011 (Three Months)							
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
	<i>(In Thousands)</i>						
Revenue (Note 18)							
External customers:							
Refined sugar	P-	P762,580	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
Inter-segment	67,500	1,500	31,550	-	2,460	(103,010)	-
Costs and expenses (Notes 19 and 20)	67,547	1,111,890	259,537	63,400	3,230	(103,010)	1,402,594
Interest income	(38,840)	(1,380,010)	(537,525)	(162,832)	(10,828)	119,670	(2,010,365)
Interest expense	492	22,760	165	1,154	101	(23,757)	915
Others (Note 22)	(11,548)	(92,266)	(78,500)	(23,178)	(1,385)	23,757	(183,120)
Income (loss) before income tax	(479)	9,357	39,355	(26)	327	-	48,534
Provision for income tax (Note 23)	17,172	(328,269)	(316,968)	(121,482)	(8,555)	16,660	(741,442)
Segment profit (loss)	(6,408)	(55)	546	(7)	(165)	-	(6,089)
Equity in net loss of an associate (Note 8)	10,764	(328,324)	(316,422)	(121,489)	(8,720)	16,660	(747,531)
Consolidated net profit (loss)	P10,764	(P328,324)	(P316,422)	(P121,489)	(P8,720)	(P1,322)	(P765,513)
Other Information							
Major costs and expenses:							
Depreciation and amortization	P1,063	P85,740	P62,608	P20,475	P549	P-	P170,435
Fuel and oil	-	1,294	2,735	25,161	-	-	29,190
Materials and consumables	627	23,174	5,890	9,657	597	-	39,945
Repairs and maintenance	327	39,347	37,071	173	2,863	-	79,781
Additions to noncurrent assets							
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
Assets and Liabilities							
Current assets							
Current assets	P483,320	P3,324,628	P989,631	P538,411	P75,345	(P2,562,537)	P2,848,798
Noncurrent assets	6,465,727	4,115,417	3,801,600	1,450,236	199,220	(3,535,197)	12,497,003
Total assets	P6,949,047	P7,440,045	P4,791,231	P1,988,647	P274,565	(P6,097,734)	P15,345,801
Current liabilities							
Current liabilities	P1,069,351	P5,453,789	P3,413,445	P2,336,481	P196,419	(P2,540,292)	P9,929,193
Noncurrent liabilities	680,650	61,583	8,822	-	48,157	(22,606)	776,606
Total liabilities	P1,750,001	P5,515,372	P3,422,267	P2,336,481	P244,576	(P2,562,898)	P10,705,799

June 30, 2011 (One Year)							
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
	<i>(In Thousands)</i>						
Revenue (Note 18)							
External customers:							
Refined sugar	P-	P3,770,277	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
Inter-segment	230,703	5,113,315	2,721,761	39,096	34,132	(229,109)	7,909,898
Costs and expenses (Notes 19 and 20)	304,359	118,908	1,160,523	-	29,095	(1,612,885)	-
Interest income	535,062	5,232,224	3,882,284	39,096	63,227	(1,841,994)	7,909,898
Interest expense	(147,960)	(5,454,507)	(3,847,278)	(220,681)	(97,883)	1,483,164	(8,285,145)
Equity in net profit of an associate	2,416	130,421	3,047	3,209	385	(134,040)	5,438

(Forward)



June 30, 2011 (One Year)							
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
	<i>(In Thousands)</i>						
Interest expense	(P60,371)	(P400,066)	(P219,896)	(P63,254)	(P4,997)	P134,041	(P614,543)
Others (Note 22)	(139)	34,577	32,513	(121)	2,059	(498)	68,391
Income (loss) before income tax	329,008	(457,352)	(149,330)	(241,751)	(37,209)	(359,327)	(915,961)
Provision for income tax (Note 23)	(71,693)	6,677	(15,706)	(13)	(438)	78,413	(2,760)
Segment profit (loss)	257,315	(450,675)	(165,036)	(241,764)	(37,647)	(280,914)	(918,721)
Equity in net earnings of an associate (Note 8)	-	-	-	-	-	176,964	176,964
Consolidated profit (loss)	P257,315	(P450,675)	(P165,036)	(P241,764)	(P37,647)	(P103,950)	(P741,757)
Other Information							
Major costs and expenses							
Depreciation and amortization	P4,146	P298,651	P239,696	P2,722	P1,779	P-	P546,994
Fuel and oil	-	320,670	102,903	-	-	-	423,573
Materials and consumables	4,217	167,705	79,037	4,899	21,398	-	277,256
Repairs and maintenance	1,429	213,577	155,202	2,591	16,574	-	389,373
Additions to noncurrent assets							
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
Assets and Liabilities							
Current assets	P450,212	P3,886,221	P1,390,649	P584,503	P80,032	(P2,390,757)	P4,000,860
Noncurrent assets	6,470,683	4,223,635	3,858,576	1,471,485	199,856	(3,517,215)	12,707,020
Total assets	P6,920,895	P8,109,856	P5,249,225	P2,055,988	P279,888	(P5,907,972)	P16,707,880
Current liabilities	P1,057,623	P5,795,288	P3,554,441	P2,282,334	P191,857	(P2,351,845)	P10,529,698
Noncurrent liabilities	674,991	61,569	9,398	-	49,315	(22,606)	772,667
Total liabilities	P1,732,614	P5,856,857	P3,563,839	P2,282,334	P241,172	(P2,374,451)	P11,302,365
June 30, 2010 (One Year)							
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
	<i>(In Thousands)</i>						
Revenue (Note 18)							
External customers							
Refined sugar	P-	P3,593,629	P122,577	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	-	-	21,309	-	24,309
Inter-segment	235,454	4,288,592	1,870,960	-	43,415	(968,828)	6,202,967
	235,454	4,351,268	2,537,120	-	47,953	(968,828)	6,202,967
Costs and expenses (Notes 19 and 20)							
Interest income	(135,655)	(4,136,079)	(2,456,596)	(31,503)	(61,048)	897,866	(5,923,015)
Interest expense	1,217	692	3,577	684	221	(681)	5,710
Others (Note 22)	(61,454)	(121,757)	(135,536)	(5,703)	(2,086)	7,056	(319,480)
Income (loss) before income tax	40,024	301,493	28,329	(35,303)	(353)	(71,357)	262,833
Provision for income tax (Note 23)	9,405	(91,359)	(8,494)	(19)	4,686	2,125	(83,656)
Segment profit (loss)	49,429	210,134	19,835	(35,322)	4,333	(69,232)	179,177
Equity in net earnings of an associate (Note 8)	-	-	-	-	-	132,263	132,263
Consolidated net income (loss)	P49,429	P210,134	P19,835	(P35,322)	P4,333	P63,031	P311,440
Other Information							
Major costs and expenses							
Depreciation and amortization	P3,723	P207,877	P191,943	P2,581	P901	P-	P407,025
Fuel and oil	-	385,906	22,994	-	-	-	408,900
Materials and consumables	5,308	203,982	79,328	4,429	11,997	-	305,044
Repairs and maintenance	1,156	207,164	169,540	430	8,657	-	386,947
Additions to noncurrent assets							
Property, plant and equipment	29,204	1,285,989	1,488,303	641,703	21,269	(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
Assets and Liabilities							
Current assets	P380,809	P3,730,047	P906,905	P294,433	P95,972	(P2,296,285)	P3,111,881
Noncurrent assets	6,258,161	4,490,225	3,994,788	1,233,258	199,722	(3,602,820)	12,573,334
Total assets	P6,638,970	P8,220,272	P4,901,693	P1,527,691	P295,694	(P5,899,105)	P15,685,215
Current liabilities	P389,197	P2,154,713	P1,326,666	P1,512,273	P162,845	(P2,296,215)	P3,249,479
Noncurrent liabilities	1,318,806	3,361,886	1,724,605	-	51,481	(7,947)	6,448,831
Total liabilities	P1,708,003	P5,516,599	P3,051,271	P1,512,273	P214,326	(P2,304,162)	P9,698,310

29. Other Matters

Registration with the Board of Investments (BOI)

On October 24, 2008, the BOI approved the registration of RBC 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, RBC is required

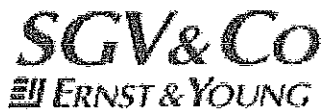


to achieve certain production and sales volume for both anhydrous and hydrous ethanol. As a registered enterprise, RBC is entitled to certain tax incentives, which include, among others: (1) income tax holiday (ITH) of six years for its anhydrous ethanol and for four years for its hydrous ethanol, from 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.

Events after the Reporting Date

On December 12, 2012, the Company's BOD approved a cash dividend of ₱0.04 per share payable on January 15, 2013 to all shareholders of record as of December 28, 2012. Further, the Company's BOD also approved an Employee Stock Option Plan (ESOP) for the employees of the Company and its subsidiaries, CADPI, CACI and RBC. The BOD approved the reservation of a total of 35 million shares as underlying shares for the ESOP.





SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines
Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001.
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

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 its subsidiaries as at September 30, 2012 and for the year then ended, included in this Form 17-A and have issued our report thereon dated December 12, 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, 2012 and the schedule of all Philippine Financial Reporting Standards adopted, are the responsibility of Roxas Holdings, Inc.'s management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan
Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-2 (Group A),
March 18, 2010, valid until March 17, 2013
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174828, January 2, 2012, Makati City

December 12, 2012



SECOND SECTION

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of September 30, 2012:

PFRSs	Adopted/Not adopted/Not applicable
PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i>	Adopted
PFRS 2, <i>Share-based Payment</i>	Not Applicable
PFRS 3, <i>Business Combinations</i>	Adopted
PFRS 4, <i>Insurance Contracts</i>	Adopted
PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Not Applicable
PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Not Applicable
PFRS 7, <i>Financial Instruments: Disclosures</i>	Adopted
PFRS 8, <i>Operating Segments</i>	Adopted
PAS 1, <i>Presentation of Financial Statements</i>	Adopted
PAS 2, <i>Inventories</i>	Adopted
PAS 7, <i>Statement of Cash Flows</i>	Adopted
PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Adopted
PAS 10, <i>Events after the Reporting Period</i>	Adopted
PAS 11, <i>Construction Contracts</i>	Adopted
PAS 12, <i>Income Taxes</i>	Adopted
PAS 16, <i>Property, Plant and Equipment</i>	Adopted
PAS 17, <i>Leases</i>	Adopted
PAS 18, <i>Revenue</i>	Adopted
PAS 19, <i>Employee Benefits</i>	Adopted
PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Not Applicable
PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>	Adopted
PAS 23, <i>Borrowing Costs</i>	Adopted
PAS 24, <i>Related Party Disclosures</i>	Adopted
PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i>	Adopted
PAS 27, <i>Consolidated and Separate Financial Statements</i>	Adopted
PAS 28, <i>Investments in Associates</i>	Adopted
PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
PAS 31, <i>Interests in Joint Ventures</i>	Not Applicable
PAS 32, <i>Financial Instruments: Presentation</i>	Adopted
PAS 33, <i>Earnings per Share</i>	Adopted
PAS 34, <i>Interim Financial Reporting</i>	Adopted
PAS 36, <i>Impairment of Assets</i>	Adopted
PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted
PAS 38, <i>Intangible Assets</i>	Adopted
PAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Adopted
PAS 40, <i>Investment Property</i>	Adopted
PAS 41, <i>Agriculture</i>	Adopted
Philippine Interpretation IFRIC-1, <i>Changes in Existing</i>	Not Applicable

PFRSs	Adopted/Not adopted/Not applicable
<i>Decommissioning, Restoration and Similar Liabilities</i>	
Philippine Interpretation IFRIC-2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Not Applicable
Philippine Interpretation IFRIC-4, <i>Determining whether an Arrangement contains a Lease</i>	Adopted
Philippine Interpretation IFRIC-5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Not Applicable
Philippine Interpretation IFRIC-6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not Applicable
Philippine Interpretation IFRIC-7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
Philippine Interpretation IFRIC-9, <i>Reassessment of Embedded Derivatives</i>	Adopted
Philippine Interpretation IFRIC-10, <i>Interim Financial Reporting and Impairment</i>	Adopted
Philippine Interpretation IFRIC-12, <i>Service Concession Arrangements</i>	Not Applicable
Philippine Interpretation IFRIC-13, <i>Customer Loyalty Programmes</i>	Not Applicable
Philippine Interpretation IFRIC-14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Adopted
Philippine Interpretation IFRIC-16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Not Applicable
Philippine Interpretation IFRIC-17, <i>Distributions of Non-cash Assets to Owners</i>	Not Applicable
Philippine Interpretation IFRIC-18, <i>Transfers of Assets from Customers</i>	Not Applicable
Philippine Interpretation IFRIC-19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Not Applicable
Philippine Interpretation SIC-7, <i>Introduction of the Euro</i>	Not Applicable
Philippine Interpretation SIC-10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Not Applicable
Philippine Interpretation SIC-12, <i>Consolidation - Special Purpose Entities</i>	Adopted
Philippine Interpretation SIC-13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Not Applicable
Philippine Interpretation SIC-15, <i>Operating Leases - Incentives</i>	Adopted
Philippine Interpretation SIC-21, <i>Income Taxes - Recovery of Revahued Non-Depreciable Assets</i>	Adopted
Philippine Interpretation SIC-25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Adopted
Philippine Interpretation SIC-27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Adopted
Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i>	Not Applicable
Philippine Interpretation SIC-31, <i>Revenue - Barter</i>	Not Applicable

PFRSs	Adopted/Not adopted/Not applicable
<i>Transactions Involving Advertising Services</i>	
<i>Philippine Interpretation SIC-32, Intangible Assets - Web Site Costs</i>	Not Applicable

**ROXAS HOLDINGS, INC.
AND SUBSIDIARIES**

**FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2012**

Ratios	Sept. 2012	Interim- Sept. 2011	Jun. 2012
Debt to Equity Ratio (2.33)	1.66	2.31	2.09
Debt Service Coverage Ratio (1.25)	2.44	(1.02)	0.63
Banco De Oro	2.44	(1.02)	0.63
Bank of the Philippine Islands & Rizal Commercial Banking Corporation	12.33%	-16.50%	-13.72%
Return on Equity	4.64%	-5.32%	-4.44%
Return on Asset	2.66	3.31	3.09
Asset to Equity	5.96	0.01	0.01
Book Value per Share	1.05	0.29	0.38
Current Ratio			

SCHEDULE A

**ROXAS HOLDINGS, INC.
AND SUBSIDIARIES**

**FINANCIAL ASSETS
SEPTEMBER 30, 2012
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)**

Description	September 30, 2012		September 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash on hand	6,700	6,700	1,883	1,883
Loans and receivables:				
Cash in banks and time deposits	157,708	157,708	316,873	316,873
Trade receivables	527,489	527,489	331,119	331,119
Due from related parties	112,928	112,928	38,763	38,763
Due from employees	57,523	57,523	24,939	24,939
Other receivables	74,411	74,411	76,993	76,993
Total	936,759	936,759	790,570	790,570

SCHEDULE B

**ROXAS HOLDINGS, INC.
AND SUBSIDIARIES**

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
SEPTEMBER 30, 2012
(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 year
Various employees (educational loans/advances)	44,676	451,308	(378,088)	-	117,896	-	117,896

SCHEDULE C

**ROXAS HOLDINGS, INC.
AND SUBSIDIARIES**

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING CONSOLIDATION OF FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of period
Roxas Holdings, Inc.	-	60	-	-	60	-	60
Central Azucarera Don Pedro, Inc.	30,000	147,700	(13,910)	-	163,790	-	163,790
Central Azucarera Dela Carlota, Inc.	103,696	242,252	(90,230)	-	255,718	-	255,718
Roxol Bioenergy Corporation	673	156,322	(155,309)	(2)	1,684	-	1,684
CADP Farm Services, Inc.	10,621	6,471	-	-	17,092	-	17,092
Najalin Agri Ventures, Inc.	-	2	-	-	2	-	2
Total	144,990	552,807	(259,449)	(2)	438,346	-	438,346

Refer to Note 15 of the 2012 consolidated financial statements for additional information.

SCHEDULE D

**ROXAS HOLDINGS, INC
AND SUBSIDIARIES**

INTANGIBLE ASSETS - OTHER ASSETS
SEPTEMBER 30, 2012
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Description	Beginning Balance	Additions	Charged to costs and expenses	Charged to other accounts	Other changes- additions (deductions)	Ending Balance
Goodwill	9,796	-	-	-	-	9,796
Software development costs	-	7,684	-	-	-	7,684
	9,796	7,684	-	-	-	17,480

SCHEDULE E

**ROXAS HOLDINGS, INC
AND SUBSIDIARIES**

LONG-TERM BORROWINGS
SEPTEMBER 30, 2012
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Title of issues and types 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)	148,031	896,552	
BPI - Loan Agent		500,000	
Rizal Commercial Banking Corporation	148,031	448,276	
Banco de Oro Unibank, Inc. (BDO)		4,165,952	
	148,031	6,010,780	

Refer to Note 14 of the 2012 consolidated financial statements for additional information on long-term borrowings.

SCHEDULE F

**ROXAS HOLDINGS, INC
AND SUBSIDIARIES**

**INDEBTEDNESS OF TO RELATED PARTIES
SEPTEMBER 30, 2012
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)**

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

SCHEDULE G

**ROXAS HOLDINGS, INC
AND SUBSIDIARIES**

**GUARANTEES OF SECURITIES OF OTHER ISSUERS
SEPTEMBER 30, 2012
(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 H

**ROXAS HOLDINGS, INC
AND SUBSIDIARIES**

**SHARE CAPITAL
SEPTEMBER 30, 2012**

Title of issue	Number of shares authorized	Number of shares issued and outstanding under 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 (P1 par value)	1,500,000,000	909,552,236	-	632,693,666	59,083,379	217,775,191

Please refer to Note 24 of the 2012 consolidated financial statements for additional information on share capital.

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

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

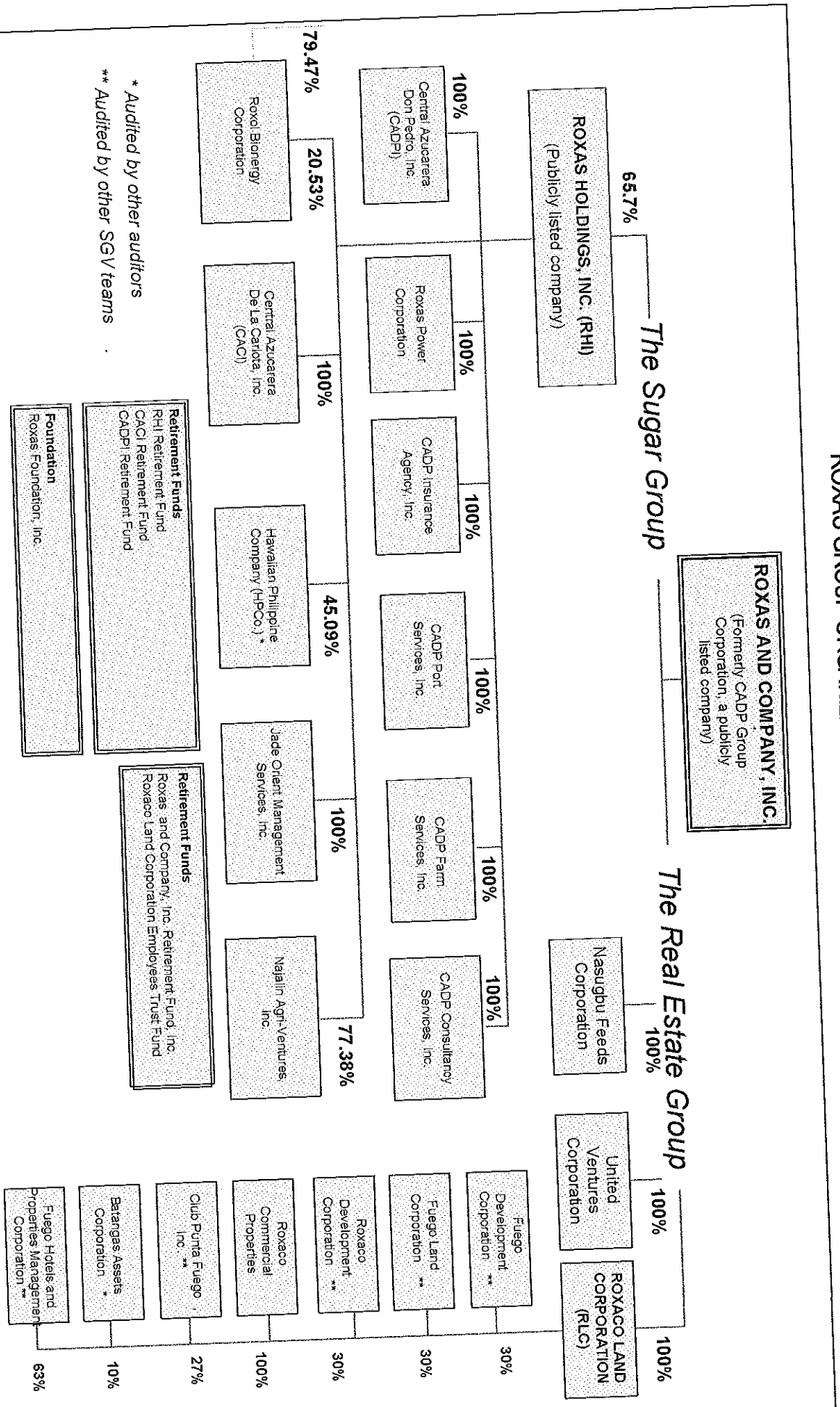
SEPTEMBER 30, 2012

(Amounts in Thousands)

Retained earnings, beginning	₱2,920,929
Less: Restricted retained earnings	(2,349,039)
Deferred income tax assets	(11,627)
Unrestricted retained earnings, as adjusted to available for dividend declaration, beginning	560,263
Net income actually earned/realized during the year:	
Add: Net income during the period closed to retained earnings	176,929
Movement of deferred income tax assets	5,771
Dividend declaration for the year	(54,573)
Additional appropriation of retained earnings during the year	(23,374)
Total unrestricted retained earnings available for dividend declaration, end	₱665,016



ROXAS GROUP ORGANIZATIONAL STRUCTURE



* Audited by other auditors
 ** Audited by other SGV teams