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

(Company's Full Name)

7TH FLOOR CG BUILDING
101 AGUIRRE STREET LEGASPI
VILLAGE MAKATI CITY

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

ATTY. FRITZIE P. TANGKIA-FABRICANTE	810-8901

Sept.	30	**SEC Form 20-IS (Definitive)**		
Month	*Day*	Form Type	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

Total Amount of Borrowings

3,523

Total No. of Stockholders

Domestic   Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SEC Reg. No. 834

ROXAS AND COMPANY, INC.
(formerly CADP Group Corporation)
7/F CG Building, 101 Aguirre St.
Legaspi Village, Makati City 1229

810-8901
Telephone Number

30 September 2011
Fiscal Year Ending

Notice of Annual Meeting of Stockholders

- and -

SEC FORM 20 - IS
Information Statement
Pursuant to Rule 20 of the
Securities Regulation Code

ROXAS AND COMPANY, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Meeting of Stockholders of ROXAS AND COMPANY, INC. (formerly CADP Group Corporation) will be held at the Turf Room of the Manila Polo Club, McKinley Road, Forbes Park, Makati City, 1200 Metro Manila on **22 February 2012** at 10:00 in the morning.

The agenda of the Meeting is:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on 17 November 2010
3. Presentation of the Annual Report to Stockholders
4. Ratification of all Acts and Proceedings of the Board of Directors and Management
5. Election of the Board Directors
6. Election of External Auditors
7. Other Matters
8. Adjournment

Only stockholders of record as at the close of business on 03 January 2012 are entitled to notice of, and to vote at, the Annual Meeting of Stockholders. Registration for the meeting shall start at 9:30 in the morning.

IF YOU CANNOT ATTEND THE MEETING, PLEASE EXECUTE AND RETURN THE PROXY FORM TO THE OFFICE OF THE CORPORATE SECRETARY C/O 7F CACHO-GONZALES BUILDING, 101 AGUIRRE STREET, LEGASPI VILLAGE, 1229 MAKATI CITY ON OR BEFORE **15 FEBRUARY 2012**.

By Order of the Board of Directors.

FRITZIE P. TANGKIA-FABRICANTE
Assistant Corporate Secretary

26 December 2011.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20 - IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   ______ Preliminary Information Statement
   ___√__ Definitive Information Statement

2. Name of Registrant as specified in its charter : **ROXAS AND COMPANY, INC.** **(formerly CADP GROUP CORPORATION)**

3. Province, country or other jurisdiction of incorporation or organization : Philippines

4. SEC Identification Number : 834

5. BIR Tax Identification Code : 000-269-435

6. Address of Principal Office : 7/F CG Building, 101 Aguirre St. Legaspi Village, Makati City 1229

7. Registrant's telephone number including area code : (632) 810-8901

8. Date, time and place of meeting of security holders : 22 February 2012 at 10:00 a.m.
   Turf Room, Manila Polo Club
   McKinley Road
   Makati City 1200

9. Approximate date on which the Information Statement is first to be sent or given to security holders : 26 January 2012

10. Securities registered pursuant to Sections 8 and 12 of the Code as of 30 November 2011:

Title of Each Class	Number of Shares of Stock Outstanding And Amount of Debt Outstanding
Common	2,911,885,870
Debt	None registered

11. Are any or all of the Registrant's securities listed on a Stock Exchange?

    Yes __√__ No _____

    If so, disclose name of the Exchange : Philippine Stock Exchange

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

INFORMATION STATEMENT
GENERAL INFORMATION

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

Date	:	22 February 2012
Time	:	10:00 a.m.
Place	:	Turf Room, Manila Polo Club McKinley Road Makati City 1200
Address of Principal Office of the Registrant	:	7/F CG Building, 101 Aguirre St. Legaspi Village, Makati City 1229, M.M.
Approximate date on which the Information Statement is first to be sent or given to security holders	:	26 January 2012

DISSENTER'S RIGHT OF APPRAISAL

A dissenting stockholder shall have the right of appraisal in the instances authorized under Section 81 of the Corporation Code, to be exercised in accordance with the procedure set out in Section 82 of the same Code. There are no matters in the agenda of the meeting which would give rise to the exercise of the right of appraisal.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

The incumbent directors or officers of the Company, since the beginning of the last fiscal year, do not have substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

None of the incumbent directors informed the Company in writing that he intends to oppose any action to be taken during the annual meeting of shareholders.

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

a) The number of shares outstanding and entitled to vote in the stockholders' meeting is 2,911,885,870 common shares.

b) The record date for the purpose of determining the stockholders entitled to vote is 03 January 2012.

c) Holders of common shares are entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code provides that every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name in the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

For all other matters to be acted upon, each share is entitled to one (1) vote.

d) Security ownership of certain record and beneficial owners and management.

(1) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of 30 November 2011:

Title of Class	*Name and Address of Owner/Relationship with Issuer*	*Name of Beneficial Ownership and Relationship with Record Owner*	*Citizenship*	*Number and Nature of Ownership*	*Percent of Class*[1]
Common	Antonio J. Roxas 7/F CG Building 101 Aguirre Street, Legaspi Village, Makati City Director	Antonio J. Roxas	Filipino	643,945,909 (direct)	22.11%
Common	SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	SPCI Holdings, Inc.[2]	Philippine National	642,779,593 (direct)	22.07%
Common	Pedro E. Roxas	Pedro E. Roxas/	Filipino/	536,681,945	18.43%

[1] The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 2,911,885,870 common shares, the total outstanding shares as of 30 November 2011.

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

Title of Class	*Name and Address of Owner/Relationship with Issuer*	*Name of Beneficial Ownership and Relationship with Record Owner*	*Citizenship*	*Number and Nature of Ownership*	*Percent of Class*[1]
	7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman President & CEO	Pesan Holdings, Inc.	Philippine National	(direct & indirect)	
Common	HSBC OBO Manila A/C 000-262931-575 12/F, The Enterprise Center Tower I, 6766 Ayala Avenue Makati City	HSBC[3]	Other Alien	273,234,090 (direct)	9.38%
Common	Pilar Olgado Roxas Unit 3201 Regent Parkway Condominium, 21st Drive, Bonifacio Global City, Taguig	Pilar Olgado Roxas	Filipino	262,706,512 (direct)	9.02%
Common	Marta O. Roxas Dela Rica c/o 7F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City	Marta Olgado Roxas Dela Rica	Spanish	258,180,365 (direct)	8.87%
Common	Beatriz Olgado Roxas Unit 3201 Regent Parkway Condominium, 21st Drive, Bonifacio Global City, Taguig Director	Beatriz Olgado Roxas	Spanish	257,579,335 (direct)	8.85%
TOTAL				**2,875,107,749**	**98.73%**

[3] The Company has no official information as to who is/are the beneficial owner/s of the shares in the name of HSBC OBO Manila.

Except as stated above and in the related footnotes, the Board of Directors and the Management of the Company have no knowledge of any person who, as of 30 November 2011, was directly or indirectly the beneficial owner of, or who has voting power or investment power with respect to, shares comprising more than five percent (5%) of the Company's outstanding common stock.

(2) Security Ownership of Management as of 30 November 2011.

The following table sets forth the number of shares, listed and not listed, owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of 30 November 2011:

Title of Class	*Name of Beneficial Owner*	*Citizenship*	*Number and Nature Of Ownership*	*Percent of Class*
Common	Pedro E. Roxas Executive Chairman President / CEO	Filipino	536,681,945 (direct & indirect)	18.43 %
Common	Antonio J. Roxas Director	Filipino	643,945,909 (direct)	22.11%
Common	Beatriz O. Roxas Director	Spanish	257,579,335 (direct)	8.85%
Common	Carlos Antonio R. Elizalde[4] Director	Filipino	1,200,320 (direct)	0.04%
Common	Francisco Jose R. Elizalde[5] Director	Filipino	1,203,013 (direct)	0.04%
Common	Ramon Y. Dimacali Independent Director	Filipino	1,000 (direct)	0.00%
Common	Guillermo D. Luchangco Independent Director	Filipino	1,000 (direct)	0.00%

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

[5] Please see footnote no. 4.

Common	Eduardo R. Areilza Director	Spanish	1,000 (direct)	0.00%
Common	Renato C. Valencia Director	Filipino	1,000 (direct)	0.00%
Common	Sindulfo L. Sumagang Vice-President / Chief Finance and Risk Management Officer/Treasurer	Filipino	0	0.00%
Common	Peter D. A. Barot Corporate Secretary	Filipino	0	0.00%
Common	Fritzie P. Tangkia-Fabricante Asst. Corp. Secretary	Filipino	0	0.00%
Common	**Directors and Officers As a Group**		**1,440,614,522**	**49.47%**

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

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

e) Change in Control

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

DIRECTORS AND EXECUTIVE OFFICERS

a) Nominees for election to the Board

The following have been nominated for election to the Board of Directors:

Pedro E. Roxas
Antonio J. Roxas
Beatriz O. Roxas
Carlos R. Elizalde
Francisco Jose R. Elizalde
Eduardo R. Areilza
Renato C. Valencia
Ramon Y. Dimacali (Independent Director)
Guillermo D. Luchangco (Independent Director)

All the nominees are incumbent members of the Board of Directors of the Company.

Of the nominees, Messrs. Ramon Y. Dimacali and Guillermo D. Luchangco are eligible for election as independent directors of the Company in accordance with Rule 38.1 of the Implementing Rules and Regulations of the revised Securities Regulation Code. In general, they are not officers or employees of the Company or any of its subsidiaries, and are free from any business or relationships with the Company or any of its subsidiaries which could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors. Each of them has submitted a Certificate of Qualification as an Independent Director to the Securities and Exchange Commission.

Ms. Ma. Fredelyn Comia, a longtime shareholder of the Company, nominated Messrs. Dimacali and Luchangco as independent directors. To the knowledge of the Company, Ms. Comia is not related to her nominees.

b) The following is the procedure for nomination and election of directors:

Article II of the Amended By-Laws of the Company provides:

"Section 2. Qualifications and Disqualifications of Directors. – Any stockholder having at least one thousand (1,000) shares registered in his or her name may be nominated and/or elected as a Director of the Corporation; Provided that any stockholder who possesses any of the disqualifications enumerated in the Manual on Corporate Governance which was approved and adopted by the Board of Directors of the Corporation on 26 September 2002, including any amendments thereto, shall be disqualified from being elected as a Director of the Corporation.

Section 3. Nominations for Directors. – In addition to the right of the Board of Directors of the Corporation to make nominations for the election of Directors, nominations for the election of Directors may be made by any shareholder entitled to vote for the election of Directors if that shareholder complies with all the provisions of this article.

3.1 Nominations shall be received by the Chairman of the Board (which nominations may be sent to such Chairman in care of the Secretary of the Corporation), at least 15 working days prior to any meeting of the shareholders called for the election of Directors.

3.2 Each nomination under Section 3.1, shall set forth (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each nominee, (iii) the number of shares of stock of the corporation which are beneficially owned by such nominee, and (iv) the interests and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the corporation.

3.3 The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director under these By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded."

On the other hand, the Revised Manual on Corporate Governance of the Company provides:

"3.7. Board Committees

The Board shall maintain the following committees to assist it in good corporate governance:

x x x

3.7.2. Nomination Committee.

The Nomination Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

3.7.2.1. It shall review and evaluate the qualifications of, and shortlist, all persons nominated to the Board and other appointments that require Board approval.

3.7.2.2. It shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

3.7.2.3. It shall consider the following guidelines in the determination of the capability of a director to serve as such:

i. The nature of the business of the corporation of which he is a director;
ii. Age of the director;
iii. Number of directorships/active memberships and offices in other corporations or organizations; and
iv. Possible conflict of interest.

Any optimum number of directorships shall be related to the capacity of a director to perform his duties diligently in general.

3.7.2.4. The CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve diligently shall not be compromised.

3.7.2.5. The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; Provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.

The nine (9) nominees for election to the Board of Directors of the Company have been screened and evaluated by the Nomination Committee and were determined to possess all the qualifications and none of the disqualifications of a director of the Company in accordance with applicable laws, rules, regulations, the Company's By-Laws and Revised Manual on Corporate Governance.

c) Board of Directors and Corporate Officers

Pedro E. Roxas is 55 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and the President and Chief Executive Officer of the Company. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and Roxas Foundation and he is a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

Antonio J. **Roxas** is 69 years old and is a Filipino. Mr. Roxas is a member of the Nomination, Election and Governance Committee. He has been a Director of the Company since 18 October 1995. Mr. Antonio J. Roxas is also the Chairman Emeritus of Roxas Holdings, Inc., and a director of Central Azucarera Don Pedro, Inc. Mr. Roxas was educated at the University of Notre Dame in Indiana, USA where he obtained his diploma in Bachelor of Science in Commerce and was trained at the Standard Chartered Bank of London, the Shell Company in Paris and the Olavarria & Co. and Lowry & Co., Inc. of New York, USA.

Ramon Y. Dimacali is 63 years old and is a Filipino. Mr. Dimacali is the Chairman of the Audit and Risk Committee and a member of the Compensation Committee and the Nomination, Election and Governance Committee. He has been a member of the Board of Directors since 20 November 2002. Mr. Dimacali is the President and CEO of Federal Phoenix Assurance Company Inc. and Chairman of Asia Pacific College. He holds key positions in Manchester Ltd. (Interphil Laboratory), IBM Philippines Retirement Board, International Fellowship Program (Ford Foundation), Larger Than Life, Inc., and

Manila Polo Club. He was formerly the President and CEO of IBM Philippines, Inc. Mr. Dimacali was educated at the University of the Philippines where he earned his BS Civil Engineering and his Master in Business Administration. Mr. Dimacali is an independent director of the Company and he has possessed all the qualifications and none of the disqualifications of a director since he was first nominated and elected as a director of the Company.

Carlos R. Elizalde is 43 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

Beatriz O. Roxas is 58 years old and is a Spanish citizen. She was elected to the Board of Directors on 25 June 2009. Ms. Roxas is presently a director of Roxas Holdings, Inc. and Roxas Foundation, Inc.

Francisco Jose R. Elizalde is 45 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

Eduardo R. Areilza is 34 years old, married, and a Spanish citizen. He was elected as a member of the Board of Directors on 25 June 2009. Mr. Areilza obtained his degree in Business Administration in 1999 from the University of CUNEF Madrid, Spain. He is Head of Corporate Development of Bankia, Spain´s largest domestic bank.

Guillermo D. Luchangco is 71 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Investment & Capital Corporation of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Remec Broadband Wireless, Inc. and Science Park of the Philippines, Inc. Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

Renato C. Valencia is 69 years old and is a Filipino. He was elected as a member of the Board of Directors on 07 October 2010. A former Director of RCI prior to its merger with CADP Group Corporation, he is presently the President & CEO of Roxas Holdings, Inc., Director of Metropolitan Bank & Trust Company, Member of the Phil. Coca-Cola System Council, Chairman of i-People, Inc., Director of Anglo-Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, Chairman of Hypercash Payment Systems, Inc., Chairman of Bastion Payment Systems, Inc. and Vice-Chairman of Asia Pacific Network Holdings, Inc.

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

Corporate Officers

Sindulfo L. Sumagang is 49 years old and is a Filipino. He is the Vice President, Chief Finance and Risk Management Officer. He was formerly the Vice President and Chief Finance Officer of BARNEY Food International Inc., a former food subsidiary of Metro Pacific Corporation, LANDCO Pacific Corporation and XCELL Property Ventures Incorporated. Mr. Sumagang is the Founding Member, Treasurer, Chairman of Finance Committee and Compliance Officer for Club Punta Fuego Inc. He is also the Incorporator, Member of the Board of Directors, Treasurer and Chairman of Finance Committee for Fuego Hotels Properties Management, Inc. Mr. Sumagang obtained his degrees in Bachelor of Science in Business Administration (Major in Accounting) from Silliman University and his Executive - Masters in Business Administration at HULT International Business School in Boston, Massachusetts, USA.

Peter D. A. Barot is 49 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

Fritzie P. Tangkia-Fabricante is 35 years old and is a Filipino. Atty. Tangkia-Fabricante is the Assistant Vice-President for Legal Affairs, Assistant Corporate Secretary and Compliance Officer of the Company. She is also the Assistant Vice President for Legal Affairs of Roxaco Land Corporation, the real property arm of the Company. Atty. Tangkia-Fabricante obtained her degree in Bachelor of Laws from the University of the Philippines and her Bachelor of Arts degree from Colegio De San Juan De Letran-Manila.

d) Significant Employees

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

e) Family Relationships

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

Mr. Eduardo R. Areilza is the nephew of siblings Mr. Pedro E. Roxas and Ms. Beatriz O. Roxas. Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, who are brothers, are nephews of Mr. Antonio J. Roxas.

f) Legal Proceedings

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

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

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

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

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

g) Certain Relationships and Related Transactions

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

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

Messrs. Pedro E. Roxas and Antonio J. Roxas and Ms. Beatriz O. Roxas, incumbent directors of the Company, are also directors of RHI, the Company's publicly-listed subsidiary. Mr. Eduardo R. Areilza, an incumbent director of RCI, is a member of RHI's Board of Advisors. As of 31 October 2011, the Company owns 65.70% of the total issued and outstanding capital of RHI.

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

h) Parent Company

As of 31 October 2011, the Company directly owns 65.70% of the total issued and outstanding shares of Roxas Holdings. Inc. (RHI), and 100% of the issued and outstanding shares of Roxaco Land Corporation (Roxaco), Nasugbu Feeds Corporation and United Ventures Corporation.

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

Roxaco owns 100% of the total and outstanding shares of Roxaco Commercial Philippines. It has interests in Fuego Development Corporation (30%), Fuego Land Corporation (30%), Roxaco-ACM Development Corporation (50%), Club Punta Fuego, Inc. (26.36%), Fuego Hotels Properties and Management Corporation (63%) and Brightnote Assets Corporation (10%).

i) Disagreement with the Company

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

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

a) Section 7 of Art. 3 of the Amended By-Laws of the Company provides that the members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two (2%) of the net income of the Company before tax. Presently, the members of the Board of Directors receive a per diem of ₱10,000 for every meeting attended. A director of the Company who attends all regular quarterly meetings receives a total of ₱40,000.00 annually. Each of the members of the three committees--(i) Audit and Risk; (ii) Nomination, Election and Governance; and (iii) Compensation--also receive a per diem of ₱10,000.00 per meeting. No warrants and options have been granted to the directors and officers within the past three (3) years.

b) Compensation of Executive Officers

	Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation*
		2008-09[6]			
CEO	Pedro E. Roxas - Executive Chairman				₱60,000
A	Ramon A. Picornell, Jr. - President & CEO				₱60,000
B	Asuncion S. Aguilar – SVP Finance & Treasurer				

[6] The Company's fiscal year started on 01 July and ended on 30 June of the succeeding year.

	Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation*
C	Florencio M. Mamauag, Jr. – VP Legal & Compliance Officer				
D	Melchor A. Layson – VP Strategic Projects				
E	Dean L. Guevarra - VP Resident Manager – CADP Inc.				
F	Luis Mari L. Zabaljauregui – VP Resident Manager-CACI				
G	Ma. Elizabeth D. Nasol – VP CHR				
H	CEO and Top Four Executives		₱8,010,000	₱1,841,000	
I	All officers & directors as group unnamed		₱9,160,958	₱2,505,152	₱410,000
		2009-10			
	Pedro E. Roxas - Executive Chairman				₱30,000
A	Francisco F. Del Rosario, Jr. - President & CEO[7]				
B	Santiago R. Elizalde – Treasurer				
C	Sindulfo L Sumagang – VP and Chief Finance Officer[8]				
D	Fritzie P. Tangkia-Fabricante – AVP for Legal Affairs / Compliance Officer				
E	CEO and Top Four Executives		₱5,705,727	₱82,500	
F	All officers & directors as group unnamed		₱5,705,727	₱82,500	₱340,000
		2010-11[9]			
A	Pedro E. Roxas – Executive Chairman, President and CEO[10]				₱60,000
B	Sindulfo L Sumagang – VP, CFO and Risk Management Officer, Treasurer				
C	Fritzie P. Tangkia-Fabricante – AVP for Legal Affairs / Compliance Officer				
D	CEO and Top Four Executives		₱3,108,531	₱82,500	
E	All officers & directors as group unnamed		₱3,108,531	₱82,500	₱510,000

[7] Mr. Del Rosario, Jr. resigned from the Company effective 31 August 2010.
[8] Mr. Sumagang was appointed as VP and CFO effective 25 January 2010.
[9] Effective 30 March 2011, the Company's fiscal year starts on 01 October of each year and ends on 30 September of the following year.
[10] With the resignation of Mr. Francisco F. Del Rosario, Jr., Mr. Pedro E. Roxas was designated as Acting President and Chief Executive Officer on 07 October 2010 and was subsequently elected as President and CEO on 17 November 2010.

* Director’s fees.

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

c) Estimated Compensation and Bonus for FY 2011-2012

The estimated compensation and bonus of the directors and present officers of the Company for fiscal year 2011-2012 are as follows:

		Salary	Bonus	Other Annual Compensation
A	Pedro E. Roxas – Executive Chairman, President & CEO			₽ 50,000
B	Sindulfo L. Sumagang – VP/CFO, Treasurer			
C	Fritzie P. Tangkia-Fabricante – AVP for Legal Affairs / Compliance Officer			
CEO AND top 4 executives		₽ 7,488,474	₽ 576,036	550,000
All Officers and directors as group		₽ 7,488,474	₽ 576,036	₽ 600,000

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

ELECTION OF EXTERNAL AUDITORS

Sycip Gorres Velayo & Co. is recommended for election as external auditor for the fiscal year 2011-2012. The auditing firm has been the external auditor of the Company since 2007. Representatives of the firm are expected to be present at the annual meeting of stockholders on 22 February 2012 and they will have the opportunity to make a statement, if they so desire, and are expected to be available to respond to appropriate questions.

Ms. Josephine H. Estomo is the SGV partner assigned to handle the account of the Company since fiscal year 2007-2008. Including the audit conducted for the short period covering 01 July 2011 up to 30 September 2011, Ms. Estomo has handled the Company’s account for five (5) years. Under Rule 68(3)(b)(iv) of the IRR of the revised SRC and SEC Memorandum Circular No. 2, series of 2002, the external auditors of the Company should be rotated every five (5) years or earlier or the handling partner shall be changed. In accordance with the said rule, the Company will ask SGV to assign a new partner to handle the Company’s external audit.

<u>External Audit Fees and Services</u>

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor are as follows:

		2009-2010	2010-2011
1.	Audit of registrant's annual financial statements:	₱ 700,000	₱ 700,000
2.	Other assurance and related services	₱ 2,450,000[11]	₱ 200,000
3.	Aggregate fees billed for professional services for tax accounting, compliance and other tax services	none	none
4.	All other fees	none	none

Policies and Procedures

The Company's Audit and Risk Committee (ARC) meets with the external auditors at the beginning of every fiscal year to discuss the Company's audit plans and programs for the year. After the audit plans and programs are approved, the ARC then determines the reasonableness of the fees proposed by the external auditors for audit and other related services. The ARC also meets to approve the quarterly financial statements of the Company before they are presented to the Board for approval and thereafter submitted to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) as part of the Company's compliance with the requirements of SEC Memorandum Circular No. 6, Series of 2009 and the Company's revised Manual on Corporate Governance.

The ARC also meets with the external auditors to consider and approve the yearly audited financial statements of the Company before they are submitted for the consideration and approval of the Board of Directors and, thereafter, submitted to the Bureau of Internal Revenue, the SEC and the PSE as part of the Company's compliance with the requirements of the revised Securities Regulation Code.

Additionally, the ARC is also tasked under its Charter to (a) review the internal audit plan to ensure conformity with the objectives of the Company; (b) organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; (c) review the reports of the internal auditors; and (d) establish and identify the reporting line of the internal auditor to enable him to properly perform his duties and responsibilities.

There had been no disagreements with SGV & Co. on accounting or financial disclosures during the last four (4) fiscal years.

FINANCIAL AND OTHER INFORMATION

Financial Statements and Other Information

[11] The amount pertains to professional fees for the merger / long form report, pro-forma financial statements, and briefings with the Company's financial advisor.

The Financial Statements and Other Financial Disclosures are contained in the Consolidated Financial Statements and are found in **Annex "A"** hereof while Management's Discussion and Analysis or Plan of Operations are found in **Annex "B"**.

Description of the General Nature and Business of the Company

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

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

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

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

RHI's Batangas-based subsidiary, Central Azucarera Don Pedro, Inc. (CADPI), 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, RHI's Negros Occidental-based subsidiary, Central Azucarera dela Carlota, Inc. (CACI), supplies the raw sugar requirements of traders who deal with local and export consumers.

Business Units and Operations

The Company directly owns (a) 100% of Roxaco Land Corporation (Roxaco), the real estate company of the Roxas Group, and (b) 65.70% of the total issued and outstanding shares of RHI, under which are the various sugar-operating companies.

<u>Sugar-Related Businesses</u>

Roxas Holdings, Inc.'s wholly-owned sugar manufacturing subsidiaries are Central Azucarera Don Pedro, Inc. (CADPI) and Central Azucarera de la Carlota, Inc. (CACI). RHI also has a 45% equity investment in Hawaiian Philippine Company (HPCo.), a sugar mill in Silay, Negros Occidental [referred to as the "Sugar Group"].

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

RHI'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).

Real Estate

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

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

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

FHPMC is a management company with expertise in managing hotels, resorts and full and limited service companies. Roxaco has a 63% equity interest in FHPMC.

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

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

On 02 December 2009, Roxaco entered into a Joint Venture Agreement with VJ Properties, Inc. for the development of a 57,972 square-meter property in Tagaytay City into a boutique resort-type of residential subdivision known as Anya Resort and Residences (Tagaytay). Roxaco has a 65% share in the net proceeds from the sale of 14 pre-selected lots, and a 60% share in the net proceeds from the sale of the remaining 40 lots.

Principal Products and Services

Sugar-Related Businesses

Sugar

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

Bioethanol

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

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

The principal products, markets, relative contribution to sales and revenues of CADPI, CACI and Roxol are as follows:

CADPI		CACI		Roxol	
Raw sugar	29%	Raw sugar	88%	Anhydrous alcohol	100%
Refined sugar	68%	Refined sugar	12%	Ethyl alcohol	0%
Molasses	2%	Molasses	1%		
Tolling	3%				

Farm Services

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

Real Estate

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

Its joint venture projects include:

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

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

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

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

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

(vi) The Orchards at Balayan, a 6-hectare property located in Balayan, Batangas. This is an open-lot residential subdivision developed by Roxaco in joint venture with Marilo Corporation; and

(vii) Anya Resort and Residences, a 57,907 square meter-property located in Tagaytay City. This is a low density boutique resort-type of residential subdivision being developed by Roxaco in joint venture with landowner VJ Properties, Inc.

On its own, Roxaco developed the following projects:

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

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

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

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

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

(vi) Landing Townhomes, a 1.2-hectare property, shall be the first townhouse development in Nasugbu, Batangas. It will consist of 114 two-storey residential units to be offered for sale and 32 commercial units to be offered either for sale or for rent.

Business Development

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

<u>Sugar-Related Businesses</u>

Since 2007, Roxas Holdings, Inc. (RHI) 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, RHI 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, RHI 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, RHI ventured into allied businesses including bioethanol. Roxol Bioenergy Corporation (ROXOL), the company set up for this purpose, has commenced the commissioning and testing of its plant in preparation for its eventual full commercial operation. Roxol's plant, located in Negros Occidental, is 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, and at the same time, supply the potable alcohol requirements of the beverage and industrial markets.

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

Real Estate

Since most of the real property development projects of Roxaco are already completed, Roxaco is looking into undertaking other projects for expansion and development. These include a second residential open lot and house and lot project also in Nasugbu and Phase II for The Orchards at Balayan Subdivision, also in Batangas. Roxaco will continue developing Anya Resort and Residences into a boutique resort with the construction of various resort amenities and residential villas.

Distribution Methods of the Products or Services

Sugar-Related Businesses

The Sugar Group sells and distributes sugar and molasses to local markets through direct selling to various traders and consumers. It is not chiefly 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. It is also capable of producing and directly selling potable and industrial alcohol to local or domestic markets, particularly the pharmaceutical and alcohol companies. It is not dependent on one or few major customers and/or related parties in the distribution of its products.

Real Estate

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

Competition

Sugar-Related Businesses

The Roxas sugar group supplies sugar to various traders and entities engaged in pharmaceutical, food and beverage businesses. CADPI and CACI 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.

Real Estate

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

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

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

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

Sources and Availability of Raw Materials and Names of Principal Suppliers of CADPI and CACI

Sugar-Related Businesses

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

CACI secures its sugar cane from various planters/traders in Negros Occidental. Its affiliates, Najalin Agri Ventures, Inc. supply about 5% of the sugar cane requirements of the company. Its major suppliers of materials are: Petron Corporation, Hawaiian Philippine Company, Fabcon Philippines, Inc., Atom Chemical Company, Inc., J&P Asia Enterprises, E&E Mktg. & Lumber Dealer, DM Trading and Industrial Services, Inc., Venus Trucking Services, Inc., Regan Industrial Sales, Inc., Falcon Yarn Manufacturing Corp., D'Sure Marketing, MMC Engineering Works Dealer, Mabini Limers and Farmers Multipurpose Cooperative, Nalco Philippines, Inc., Bacolod Welding Mfg. Corp., Negros Integrated Ind. Corp., Agro Ind'l. & Mill Supp. Corp., Allied Specialty Chemical Corporation, G&S Trading, Up-town Industrial Sales, Inc., Negros A-1 Gas Corporation, Pryce Gases, Inc.

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

Real Estate

Roxaco secured the services of Triple A contractors like J.C. Rodriguez Construction Corporation and BSP & Company, Inc. for its major real estate developments.

Transactions with and/or Dependence on Related Parties

Sugar-Related Businesses

Likewise, the Sugar Group is not dependent on one or few customers or related parties in the distribution/sale of its products. It supplies sugar to various users and traders. Demands from these customers are evenly distributed.

Roxol's principal customer for its ethanol product is Seaoil Philippines, Inc.

Real Estate

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

Patents, Trademarks and Copyrights

The Company and its real property arm, Roxaco, have no existing patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements.

However, the Sugar Group, particularly CADPI, CACI, Roxol and CFSI have the following registered trademarks:

Company	Trademarks
Roxas Holdings, Inc.	• RHI doing business as CADP Group and Device
Central Azucarera Don Pedro, Inc.	• Central Azucarera Don Pedro, Inc. and Device • Nature Sweet (Stylized) • Don Pedro Emblem • G Special Raw Sugar
Central Azucarera de La Carlota, Inc.	• Central Azucarera de La Carlota, Inc. • Cane Best • Primeraw Special Raw Sugar
Roxol Bioenergy Corporation	• Roxol Bioenergy Corporation and Device
CADP Farm Services, Inc.	• CADP Farm Services, Inc. and Device

Need for Government Approvals of Principal Products or Services

Sugar-Related Businesses

The sugar business in the Philippines is regulated by policies and rules and regulations issued by 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).

Real Estate

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

Effect of Existing or Probable Governmental Regulations

Sugar-Related Businesses

The sugar industry in the Philippines is governed by certain policies and rules and regulations issued by the government. These are:

The U. S. Quota System

The main goal of the U. S. 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 U. S. This quota amounted to about 15% of total U.S. sugar consumption until 1974 when the quota was suspended. It was reinstated in 1982 and since then, the prices paid for sugar exported to the U.S. have always been higher than the price at which sugar could otherwise be exported.

The SRA Quota or the Quedan Allocation System

The major regulating influence in the Philippine sugar industry is SRA Sugar Order Number 1, Series of 1987, which deals, specifically, with the allocation of Philippine sugar. Specifically, the Order allocated the country's total domestic sugar into the following categories: "A" for export to the U.S., "B" for domestic sugar, and "C" for reserve sugar. Finally, there is category "D" for export to other foreign markets. The allocation is determined by the SRA Board at the beginning of every crop year and the same ultimately affects the total amount of raw sugar available for domestic refineries and for direct consumption.

Value Added Tax System

The present value added tax (VAT) system imposes a 12% VAT on refined sugar. The manufacturer of refined sugar is allowed a presumptive input VAT of 3% on raw sugar purchases in addition to the 12% input tax on the value of purchases 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.

Executive Order No. 313

As part of the Philippine's commitment as a member of the newly-formed World Trade Organization, Executive Order No. 313 issued on March, 1996 modified the tariff rates on certain imported agricultural products, including sugar.

Two rates of import duties are provided where a minimum Access Volume (MAV) of the particular agricultural product is allowed to be imported with a lower tariff rate. The In-Quota rate of duty is applied for importation within the MAV provided, while the schedule of the MAV, the In-Quota tariff and the Out-Quota tariff rates for imported raw cane sugar is provided for under E.O. 313.

Executive Order No. 420

Executive Order No. 420 modified the rates of duty on sugar as provided for 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 tariffs on the said products were placed at 65% from 1997 up to 1998 after which, sugar could be placed under the sensitive list which would allow the gradual phase down of tariffs. Additionally, it provides 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 sector/industry to be efficient and globally competitive.

Executive Order No. 431

Executive Order No. 431 issued on August 5, 1997 provides for the creation of the National Coordinating Council for the Philippine sugar industry. The council is tasked to promote effective government of private sector coordination in pursuing the national efforts to enhance the development and global competitiveness of the local sugar industry.

Executive Order No. 268

Executive Order No. 268 issued on 9 January 2004 modified the rates of duty on other sugars as classified under (Heading 17.02) 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).

Executive Order No 295

Executive Order 295 issued on 3 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 Executive 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.

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.

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 (5%) percent 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 (5%) percent 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.

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.

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.

Real Estate

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

The Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, provides that revenue from construction of real estate is recognizable only upon completion of the project, except when (a) such contract qualifies as construction contract which is to be accounted for under PAS 11, *Construction Contracts*, or (b) it involves rendition of services in which case revenue is recognized based on stage of completion. The Securities and Exchange Commission has deferred the application of IFRIC 15 to January 2015.

Research and Development

The Company did not spend on research and development activities during the past three (3) years because it has reorganized and transformed itself into a holding and investment company.

CADPI contributes ₱2.00 per Lkg. of sugar produced to the Philippine Sugar Research Institute Foundation, Inc. (PHILSURIN) in compliance with SRA Sugar Order No. 2, series of 1995. During the last five (5) years, CADPI contributed about P26.33 million to research and development and this amount constitutes 0.03% of its revenues. For the last crop year, CADPI contributed ₱1.94 million or about 0.09% of the revenue.

Likewise, CACI also contributes ₱2.00 per Lkg. to PHILSURIN. For the last crop year the company allocated ₱2.33 million or about 0.06% of the total revenue. During the last five (5) years, CACI contributed about ₱17.93 million to research and development and this amount constitutes 0.10%of its revenues.

Costs and Effects of Compliance with Environmental Laws

Sugar-Related Businesses

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. CADPI 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 22 April 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 IIII of the Company was adjudged as one of the recipients of the Ten Outstanding Pollution Control Officers (PCO) Award (TOPCO) for the year 1998.

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

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

2. Activated Sludge Wastewater Treatment System with Sessil Trickling Filter.

3. Wet Scrubbers for the steam boilers.

For the short period ending September 30, 2011, CADPI spent about ₱4.06 million in its pollution management program.

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

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

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

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

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

For the short period ending September 30, 2011, CACI spent about ₱4.219 million for the maintenance and improvement of its pollution control program.

Roxol shall implement a zero-discharge system through the wastewater methane capture component of its ethanol plant which is covered by Environmental Compliance Certificate No. ECC-R6-0809-254-9999 issued by the DENR. Roxol has spent about ₱222.5M for its waste treatment facility consisting of the following components: (i) Upflow anaerobic Sludge Blanket (UASB); (ii) Degasser; (iii) Lamella clarifier; (iv) Covered lagoons; (v) Evaporator and dryer; (vi) Boiler wet scrubber; (vii) Cooling tower; and (viii) Condensate polishing unit.

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

Real Estate

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

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

Total Number of Employees and Number of Full-Time Employees

As of 30 September 2011, the Company had three (3) executives and three (3) employees.

Roxaco, on the other hand, had four (4) executives and twenty-six (26) employees. Nine (9) of these Roxaco employees are based in Nasugbu, Batangas and one (1) in a satellite office in Balayan, Batangas. The rest are based in its administrative and corporate offices in Makati City.

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

CADPI had 613 regular employees as of 30 September 2011. The company has a standing Collective Bargaining Agreement (CBA) with the Batangas Labor Union (BLU) for a period of five (5) years from 01 July 2006 to 30 June 2011. The company is currently negotiating a new collective bargaining agreement with BLU.

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

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

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

Property

The Company is the owner of a big tract of land located in Nasugbu, Batangas with land area of more or less 2,900 hectares, and with total appraised values of ₱4.625 billion as of 30 November 2011. Of these, 2,676.2195 hectares were covered by the Comprehensive Agrarian Reform Program (CARP).

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

In total, RCI has around 235.3977 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARP, including the 21.1236-hectare property declared exempt by the Supreme Court in its Decision dated 05 September 2011 in GRN 169331.

The Company is likewise the registered owner of a 1,030 sqm condominium unit located at the 7th Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₱364,438.00 while fair market value remained at ₱ 46.35 Million as of 30 November 2011. This property and 7,770 sqm of land in Nasugbu, Batangas are presently mortgaged to secure certain loan obligations.

Sugar-Related Businesses

RHI is the owner of a parcel of land located in Nasugbu, Batangas valued at ₱2.130 billion. The land is now currently leased to CADPI for a period of one (1) year from January 2011 to December 2011, subject to renewal on terms that are mutually agreeable to both parties. The land is also presently mortgaged to secure certain loan obligations.

RHI likewise invested in properties in Bacolod, Negros Occidental and in Barrio Remanente, Nasugbu Batangas with aggregate value of ₱19.334 million.

CADPI is the owner of sugar milling and refining facilities, machineries and furniture and fixtures, transportation equipment and tools located in Nasugbu, Batangas. As of 30 September 2011, these properties were valued, net of depreciation, at ₱4.111 billion. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

CACI is the owner of parcels land located in Barangay Consuelo, La Carlota City and in the Municipalities of La Castellana and Pontevedra in Negros Occidental including improvements machineries and installations, furniture and fixtures, transportation equipment and tools. As of 30 September 2011, these properties are valued, net of depreciation, at ₱3.791 billion. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

Roxol is the owner of a bioethanol plant, parcels of land located in Brgys. La Granja, Esperanza and Cubay, La Carlota City, Negros Occidental and improvements, machineries, fixtures and transportation equipments. As of 30 September 2011, these properties, including construction-in-progress are valued, net of depreciation, at ₱1.5 billion. These properties are presently mortgaged to banking institutions to secure certain loan obligations.

CFSI is the owner of parcel of land in Brgy. Cubay, La Carlota City, Negros Occidental including various farm implements and transportation equipment. As of 30 September 2011 these properties are valued, net of depreciation, at ₱26.00 million.

NAVI is the owner of a parcel of land in Brgy. Nagasi, La Carlota City, Negros Occidental including various buildings, improvements, machinery and other equipement. As of September 30, 2011, the properties are valued, net of depreciation, at ₱170.7 million.

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

Real Estate

As of 30 November 2011, Roxaco's real estate inventories, consisting of real estate properties for sale, raw land and land improvements, were valued at ₱326.590 million (historical cost). Of these, properties with total area of 677,522 sqm and carrying costs of ₱179.356 million were used as collateral to secure certain loan obligations of the Company.

Legal Proceedings

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

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

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

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural lands in Nasugbu, Batangas to non-agricultural lands[12]. However, the Court noted that RCI "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption".

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

Consistent with the 2009 Supreme Court Decision that "Roxas and Co. can only look to the provisions of the Tourism Act, and not to PP 1520, for possible exemption," RCI filed in April 2010 with the Tourism

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

Infrastructure and Enterprise Zone Authority ("TIEZA") an application to declare fourteen (14) Specific Geographic Areas located in the RCI landholdings as Tourism Enterprise Zones ("TEZs"). This application was based on the Tourism Act of 2009.

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

On 20 September 2011, RCI received from the Supreme Court a Decision dated 05 September 2011[13] affirming the exemption of a 21.1236-hectare property from CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.

There are three[14] other CARP-related cases that are pending with the Provincial Adjudicator (PARAD) of Western Batangas and the Department of Agrarian Reform (DAR).

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

Sugar-Related Businesses

In the ordinary course of its business, RHI and its sugar-manufacturing subsidiaries are engaged in litigation either as complainant or defendant. RHI believes that these cases do not have any material adverse effect on it.

Real Estate

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

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

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

Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders, through solicitation of proxies or otherwise, during the short period (July 2011 to September 2011) covered by this report.

PART II – SECURITIES OF THE REGISTRANT

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

1. Market Information.

The Company has 2,911,885,870 common shares listed and traded in the Philippine Stock Exchange under the trading symbol "RCI".

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

July 2009 to June 2010

Quarter	High	Low
1st	2.16	1.90
2nd	2.06	1.80
3rd	1.08	1.08
4th	2.16	1.90

July 2010 to September 2011

Quarter	High	Low
1st	1.58	.95
2nd	1.64	1.10
3rd	1.40	1.11
4th	1.12	1.11
July – Sept 2011	1.12	1.10

The Company's shares were being traded at ₱1.10 per share as of 30 September 2011.

(a) Holders. There were 3,523 holders of the Company's listed shares as of 30 November 2011. The top twenty (20) holders of the Company's common shares as of said date were:

	STOCKHOLDERS	NATIONALITY	TOTAL SHARES	%
1	Antonio J. Roxas	Filipino	643,945,909	22.11%
2	SPCI Holdings, Inc.	Philippine National	642,779,593	22.07%

3	Pesan Holdings, Inc.	Philippine National	340,527,520[15]	11.69%
4	HSBC OBO A/C 000-262931-575	Other Alien	273,234,090	9.38%
5	Pilar Olgado Roxas	Filipino	262,706,512	9.02%
6	Marta O. Roxas Dela Rica	Spanish	258,180,365	8.87%
7	Beatriz O. Roxas	Spanish	257,579,335	8.85%
8	Pedro E. Roxas	Filipino	194,120,649[16]	6.67%
9	PCD Nominee Corporation	Philippine National	8,320,330	0.29%
10	Rizal Commercial Banking Corporation	Philippine National	3,048,161	0.10%
11	Antonio Roxas Chua	Filipino	2,379,610	0.08%
12	Mari Carmen Roxas de Elizalde	Filipino	1,361,241	0.05%
13	Santiago R. Elizalde	Filipino	1,210,930	0.04%
14	Francisco Jose R. Elizalde	Filipino	1,203,013	0.04%
15	Carlos Antonio R. Elizalde	Filipino	1,200,320	0.04%
16	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.04%
17	Equitable Securities FAO Inigo Elizalde	Filipino	933,810	0.03%
18	Severo A. Tuason & Company, Inc.	Filipino	537,000	0.02%
19	Dolores Teus De M Vara De Rey	Filipino	488,020	0.02%
20	Concepcion Teus Vda. De M Vara De Rey	Filipino	445,650	0.02%
	SUBTOTAL		**2,895,380,458**	**99.43%**
	OTHER STOCKHOLDERS		16,505,412	0.57%
	GRAND TOTAL		**2,911,885,870**	**100.00%**

2. Dividends.

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

Declaration Date	*Dividend Per Share*	*Record Date*	*Payment Date*
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	₱ 0.06	19 October 2006	10 November 2006

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

[16] This does not include the 762,217 shares beneficially owned by Mr. Pedro E. Roxas but owned on record by the PCD Nominee Corporation, the top 9 stockholder.

21 June 2007	₽ 0.06	13 July 2007	31 July 2007
20 September 2007	₽ 0.04	15 October 2007	8 November 2007
26 June 2008	₽ 0.06	15 July 2008	31 July 2008
02 October 2008	₽ 0.06	15 October 2008	30 October 2008

3. Recent Sales of Unregistered Securities.

(a) Securities Sold.

There was no recent sale of unregistered or exempt securities.

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

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

(b) Exemption from Registration Claimed.

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

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

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

4. Description of Registrant's Securities.

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

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

CORPORATE GOVERNANCE

The Board approved the Company's Revised Manual on Corporate Governance on 08 December 2009 in conformity with Memorandum Circular No. 6, Series of 2009 issued by the Securities and Exchange Commission. Since the effectivity of the Company's original Manual on Corporate Governance on 01 January 2003, the Company has complied with the principles contained in the Manual, both the original and the revised, insofar as they may be relevant to the Company's business. The Company likewise established an evaluation system to measure or determine the level of compliance of its Board of Directors and top-level management with the Manual. The evaluation system basically consists of determining the Company's compliance with certain best practices act such as the observance of the basic rights of shareholders, equitable treatment of shareholders, recognizing the shareholders' role in corporate governance, timely disclosure and transparency and Board responsibility. Measures are also being undertaken by the Company to ensure full compliance with the leading practices it has adopted in the Manual such as the constitution of the Audit & Risk Committee, Compensation Committee, and Governance, Nomination and Election Committee, the election of the required number of independent directors to its Board of Directors, the amendment of Section 2 of Article II of its By-Laws dealing on the qualifications and disqualifications of its directors in order to adopt the provisions of the Manual which deal on the qualifications and disqualifications of directors. The Company has not deviated from or violated the provisions of the Manual. The Company undertakes to improve its corporate governance practices as may be required by law or the exigency of the business.

OTHER MATTERS

Action With Respect to Reports

The following reports/minutes of meetings will be submitted for ratification/approval by the stockholders in the Annual Stockholders' Meeting scheduled on 22 February 2012:

a) Chairman's Report and the Consolidated Audited Financial Statements for the fiscal year ended 30 June 2011 and for the short period ending 30 September 2011;

b) Minutes of the Annual Meeting of Stockholders held on 17 November 2010.

   The minutes of meeting of the 17 November 2010 annual meeting of shareholders will be made available to all shareholders on the day of the annual meeting. Essentially, the minutes of the annual meeting contains the following:

   (i) reading and approval of the minutes of the 18 November 2009 annual meeting of shareholders;

   (ii) presentation and approval of the 30 June 2010 annual report to shareholders;

   (iii) approval and ratification of all acts and resolution of the Board of Directors since the annual meeting of shareholders on 18 November 2009;

   (iv) the elected members of the Board of Directors for fiscal year 2010-2011; and

(v) the external auditor for fiscal year 2010-2011.

c) Acts/Resolutions of the Board of Directors since the 17 November 2010 annual meeting of shareholders, which include the following:

(i) Acts/resolutions approved during the 17 November 2010 Organizational Meeting of the Board of Directors. The Board elected the following as officers of the Company:

Pedro E. Roxas	-	Executive Chairman/President & CEO
Sindulfo L. Sumagang	-	Treasurer
Atty. Peter D. Barot	-	Corporate Secretary
Atty. Fritzie P. Tangkia-Fabricante	-	Assistant Corporate Secretary Compliance Officer Corporate Information Officer
Celeste Jovenir	-	Alternate Corporate Information Officer

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

Audit Committee

Ramon Y. Dimacali	-	Chairman (Independent Director)
Eduardo R. Areilza	-	Member
Francisco Jose R. Elizalde	-	Member

Compensation Committee

Guillermo D. Luchangco	-	Chairman (Independent Director)
Ramon Y. Dimacali	-	Member (Independent Director)
Pedro E. Roxas	-	Member

Nomination Committee

Pedro E. Roxas	-	Chairman
Antonio J. Roxas	-	Member
Ramon Y. Dimacali	-	Member (Independent Director)

(ii) Acts/resolutions approved during the 10 February 2011 regular meeting of the Board: (a) approval of the financial reports for the quarter ending 31 December 2010; (b) amendment of Article VI, Section 1 of RCI's By-Laws by changing RCI's fiscal year from 01 July-30 June to 01 October-30 September; (c) amendment of Article II, Section 1 of RCI's By-Laws by changing the annual stockholders' meeting from 3rd Wednesday of November of each year to 4th Wednesday of February; and (d) the integration of the Risk, Election and Governance Committees with the existing committees, to wit:

From	To

Audit Committee	Audit and Risk Committee
Nomination Committee	Nomination, Election and Governance Committee
Compensation Committee	Compensation Committee

(iii) Acts/resolutions approved during the 10 May 2011 regular meeting of the Board: (a) approval of the financial reports for the quarter ending 31 March 2011; (b) approval of the Risk Management Policy; and (c) the appointment of Mr. Sindulfo L. Sumagang as Risk Management Officer of the Company;

(iv) Acts/resolutions approved during the 07 October 2011 regular meeting of the Board: (a) the setting of the annual meeting of shareholders on 22 February 2012; and (b) fixing the record date of the annual meeting to 03 January 2012;

(v) Acts/resolutions approved during the 13 October 2011 special meeting of the Board: (a) approval of the Audited Consolidated Financial Statements ending 30 June 2011; and (b) approval of the budget for the fiscal year October 2011 to September 2012;

(vi) Acts and resolutions approved during the 05 December 2011 regular meeting of the Board: (a) approval of the Audited Consolidated Financial Statements for the short period from 01 July 2011 to 30 September 2011; and

(vii) Acts and resolutions approved during the 05 January 2012 special meeting of the Board: (a) designation of Messrs. Pedro E. Roxas and/or Sindulfo L. Sumagang as the Company's authorized representatives for purposes of securing the approval of the SEC and the Optical Media Board for the replication and distribution of the Company's Information Statement (SEC Form 20-IS) and Annual Report (SEC Form 17-A) in compact disc format.

(viii)Acts and resolutions approved during the 16 January 2012 special meeting of the Board: (a) approval of the revised Audited Financial Statements of the Company (Parent and Consolidated) for the short period from 01 July 2011 to 30 September 2011; and (b) designation of Mr. Pedro E. Roxas as the company's representative for purposes of surrendering and delivering the stock certificates representing the PLDT's Subscriber Investment Plan (SIP) shares owned on record by the company, and receiving the redemption proceeds thereof.

VOTING PROCEDURES

(a) The vote required for the:-

(1) Approval of the Minutes of Previous Stockholders' Meeting - majority of the shares represented at the meeting
(2) Approval of the Chairman's and President's Report - majority of the shares represented at the meeting

(3) Approval of the Audited Financial Statements - majority of the shares represented at the meeting

(4) Approval of All Acts and Resolutions of the Board of Directors and Management - majority of the shares represented at the meeting

(5) Election of Directors - plurality of vote of the stockholders owning or representing a majority of the outstanding shares

(6) Election of External Auditors - plurality of the shares represented at the meeting

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

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

SIGNATURE

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

ROXAS AND COMPANY, INC.

By:

FRITZIE P. TANGKIA-FABRICANTE
AVP for Legal Affairs / Assistant Corporate Secretary

26 January 2012.

Roxas & Company, Inc.

A N N E X "A"

STATEMENT OF MANAGEMENT'S RESPONSIBILITY AND AUDITED FINANCIAL STATEMENTS

ANNEX "A"

Roxas & Company, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Roxas and Company, Inc. .is responsible for all information and representations contained in the financial statements for the three month ended September 30, 2011 and years ended June 30, 2011 and 2010. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

SGV and Co., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

PEDRO E. ROXAS
Executive Chairman

SINDULFO L. SUMAGANG
VP - CFO

VIRGINIA R. ALCAIDE
Finance Manager

SUBSCRIBED AND SWORN to before me this 18th day of January 2012, affiants exhibited to me their respective Community Tax Certificates, as follows:

Pedro E. Roxas	03240330	February 28,2011	Makati City
Sindulfo L. Sumagang	15308639	March 31, 2011	Las Pinas City
Virginia R. Alcaide	22247006	February 28,2011	Manila

Doc. No. 53;
Page No. 12;
Book No. III;
Series of 2012.

ATTY. FRITZIE P. TANGKIA
Appointment No. M-308
Notary Public for Makati City
Until December 31, 2012
7th Floor CG Building, 101 Aguirre Street
Legaspi Village, Makati City
Roll of Attorneys No. 45352
PTR No. MKT 3189727/01-06-12/Makati City
IBP No. 879398/01-06-12/Pangasinan
MCLE Compliance No. III-0013510/04-22-10

COVER SHEET

PW-834

SEC Registration Number

ROXAS AND COMPANY, INC.
AND SUBSIDIARIES

(Company's Full Name)

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

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

Mr. Sindulfo R. Sumagang

(Contact Person)

(02) 810-8901

(Company Telephone Number)

0 9	3 0
Month	*Day*

(Fiscal Year)

AACFS

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and subsidiaries, which comprise the consolidated balance sheets as at September 30, 2011 and June 30, 2011 and 2010, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended June 30, 2011, and a summary of significant accounting policies and other explanatory information. The financial statements as of and for the years ended June 30, 2010 and 2009 of Hawaiian Philippine Company (HPCo), a 45.09%-owned associate accounted for under equity method, were audited by other auditors whose report was furnished to us, and our opinion on the 2010 and 2009 consolidated financial statements, in so far as it relates to the amounts included for HPCo, is based solely on the report of the other auditors. Roxas and Company, Inc.'s investment in HPCo represents 2.9% of the consolidated total assets as of June 30, 2010, and its share in HPCo's net income in 2010 and 2009 represents 2.1% and 1.3% of the consolidated revenue and 63.3% and 135.6% of the consolidated net income, respectively.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained and the report of the other auditors on the 2010 and 2009 financial statements of HPCo are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

SYCIP GORRES VELAYO & CO.

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

January 16, 2012

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	September 30,	June 30	
	2011	2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱359,182**	₱403,279	₱236,614
Receivables (Notes 5, 16 and 28)	**629,060**	724,180	940,944
Inventories (Note 6)	**1,639,077**	2,637,110	1,873,137
Real estate for sale and development - at cost (Notes 7 and 15)	**328,481**	329,351	331,371
Prepayments and other current assets (Note 8)	**382,037**	379,576	269,144
Total Current Assets	**3,337,837**	4,473,496	3,651,210
Noncurrent Assets			
Installment contract receivables - net of current portion (Note 5)	**16,880**	24,707	36,206
Property, plant and equipment (Notes 11 and 15):			
At cost	**8,951,462**	9,140,544	9,305,639
At appraised values	**2,544,233**	2,714,624	2,485,515
Investment properties (Notes 10, 15 and 18)	**4,806,110**	4,635,719	4,634,267
Investment in shares of stock of associates (Note 9)	**830,889**	848,871	760,232
Net pension plan assets (Note 17)	**132,249**	136,060	145,458
Deferred income tax assets - net (Note 24)	**1,067**	170	4,977
Other noncurrent assets (Note 5)	**33,360**	33,309	35,578
Total Noncurrent Assets	**17,316,250**	17,534,004	17,407,872
TOTAL ASSETS	**₱20,654,087**	₱22,007,500	₱21,059,082
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings (Note 12)	**₱2,831,000**	₱3,286,500	₱2,502,404
Accounts payable and accrued expenses (Notes 13 and 16)	**681,739**	610,374	716,925
Customers' deposits (Note 14)	**174,025**	135,415	150,300
Income tax payable	**366**	990	–
Dividends payable	**20,517**	20,522	20,565
Current portion of long-term borrowings (Notes 7, 10, 11 and 15)	**934,641**	912,361	76,339
Noncurrent portion of long-term borrowings presented as current (Notes 3, 7, 10, 11 and 15)	**5,928,865**	6,157,686	–
Total Current Liabilities	**10,571,153**	11,123,848	3,466,533

(Forward)

	September 30, 2011	June 30 2011	2010
Noncurrent Liabilities			
Long-term borrowings - net of current portion (Notes 3, 7, 10, 11 and 15)	**₱–**	₱26,667	₱6,124,969
Net pension benefit obligation (Note 17)	**1,290**	2,377	41,097
Deferred income tax liabilities - net (Note 24)	**1,053,264**	1,048,215	1,002,045
Total Noncurrent Liabilities	**1,054,554**	1,077,259	7,168,111
Total Liabilities	**11,625,707**	12,201,107	10,634,644
EQUITY (Notes 1 and 25)			
Attributable to the equity holders of the Company:			
Share capital	**2,911,886**	2,911,886	2,911,886
Share premium	**1,611,393**	1,611,393	1,611,393
Effect of change in ownership interest in subsidiaries	**(81,066)**	(81,066)	(81,066)
Revaluation increment on properties	**1,335,075**	1,335,075	1,174,699
Share in revaluation increment on land of an associate	**136,322**	136,322	136,322
Share in fair value reserve of an associate	**5,179**	5,179	5,179
Retained earnings	**1,542,504**	2,055,866	2,581,836
	7,461,293	7,974,655	8,340,249
Noncontrolling interests (Note 25)	**1,567,087**	1,831,738	2,084,189
Total Equity	**9,028,380**	9,806,393	10,424,438
TOTAL LIABILITIES AND EQUITY	**₱20,654,087**	₱22,007,500	₱21,059,082

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
REVENUE (Note 19)	**₱1,425,801**	₱7,978,326	₱6,289,153	₱5,932,606
COST OF GOODS SOLD (Note 20)	**1,854,555**	7,727,221	5,355,510	5,024,061
GROSS PROFIT (LOSS)	**(428,754)**	251,105	933,643	908,545
Selling expenses	**(10,756)**	(33,723)	(25,707)	(37,338)
General and administrative expenses (Note 21)	**(179,263)**	(637,293)	(715,869)	(646,349)
Equity in net earnings (loss) of associates (Note 9)	**(17,982)**	180,017	144,604	82,415
Interest expense (Notes 12 and 15)	**(189,612)**	(639,888)	(346,188)	(146,977)
Interest income (Notes 4 and 5)	**3,002**	15,116	17,606	25,779
Other income - net (Note 23)	**50,509**	86,346	291,769	60,552
INCOME (LOSS) BEFORE INCOME TAX	**(772,856)**	(778,320)	299,858	246,627
PROVISION FOR INCOME TAX (Note 24)				
Current	**1,006**	21,853	55,712	142,776
Deferred	**4,151**	(17,502)	35,225	45,193
	5,157	4,351	90,937	187,969
NET INCOME (LOSS)	**(₱778,013)**	(₱782,671)	₱208,921	₱58,658
Attributable to:				
Equity holders of the Company	**(₱513,362)**	(₱525,970)	₱99,639	(₱2,336)
Noncontrolling interests	**(264,651)**	(256,701)	109,282	60,994
	(₱778,013)	(₱782,671)	₱208,921	₱58,658
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 26)	**(₱0.18)**	(₱0.18)	₱0.03	(₱0.001)

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
NET INCOME (LOSS)	**(₱778,013)**	(₱782,671)	₱208,921	₱58,658
OTHER COMPREHENSIVE INCOME (LOSS)				
Increase (decrease) in revaluation increment on land (Note 11)	**–**	229,109	(58,756)	–
Income tax effect	**–**	(68,733)	17,627	–
	–	160,376	(41,129)	
Share in changes in fair value of available-for-sale investments of an associate (Note 9)	**–**	–	1,727	–
Income tax effect	**–**	–	(171)	–
	–	–	1,556	–
	–	160,376	(39,573)	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱778,013)**	(₱622,295)	₱169,348	₱58,658
Attributable to:				
Equity holders of the Company	**(₱513,362)**	(₱365,594)	₱74,173	(₱2,336)
Noncontrolling interests	**(264,651)**	(256,701)	95,175	60,994
	(₱778,013)	(₱622,295)	₱169,348	₱58,658

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND YEARS ENDED JUNE 30, 2011, 2010 AND 2009

(Amounts in Thousands)

	Attributable to the Equity Holders of the Company (Notes 1 and 25)									
	Share Capital	Share Premium	Effect of Change in Ownership Interest in Subsidiaries	Revaluation Increment on Properties	Share in Revaluation Increment on Land of an Associate	Share in Fair Value Reserve of an Associate	Retained Earnings	Total	Noncontrolling Interests (Notes 1 and 25)	Total
BALANCES AS OF JUNE 30, 2008	**₱2,911,886**	**₱1,611,393**	**(₱46,881)**	**₱1,175,819**	**₱129,641**	**₱3,623**	**₱2,489,351**	**₱8,274,832**	**₱2,174,236**	**₱10,449,068**
Net income (loss) for the year	–	–	–	–	–	–	(2,336)	(2,336)	60,994	58,658
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	–	–	(2,336)	(2,336)	60,994	58,658
Transfer of revaluation increment on properties through depreciation and sale	–	–	–	(20,182)	–	–	20,182	–	–	–
Dividends declared	–	–	–	–	–	–	(25,000)	(25,000)	(40,385)	(65,385)
Changes in ownership interest in subsidiary resulting in the reduction of noncontrolling interest (Note 1)	–	–	(34,185)	46,084	6,681	–	–	18,580	(205,831)	(187,251)
BALANCES AS OF JUNE 30, 2009	**2,911,886**	**1,611,393**	**(81,066)**	**1,201,721**	**136,322**	**3,623**	**2,482,197**	**8,266,076**	**1,989,014**	**10,255,090**
Net income for the year	–	–	–	–	–	–	99,639	99,639	109,282	208,921
Other comprehensive income (loss)	–	–	–	(27,022)	–	1,556	–	(25,466)	(14,107)	(39,573)
Total comprehensive income (loss) for the year	–	–	–	(27,022)	–	1,556	99,639	74,173	95,175	169,348
BALANCES AS OF JUNE 30, 2010	**2,911,886**	**1,611,393**	**(81,066)**	**1,174,699**	**136,322**	**5,179**	**2,581,836**	**8,340,249**	**2,084,189**	**10,424,438**
Net loss for the year	–	–	–	–	–	–	(525,970)	(525,970)	(256,701)	(782,671)
Other comprehensive income	–	–	–	160,376	–	–	–	160,376	–	160,376
Total comprehensive income (loss) for the year	–	–	–	160,376	–	–	(525,970)	(365,594)	(256,701)	(622,295)
Noncontrolling interest arising from acquisition of a subsidiary (Notes 2 and 9)	–	–	–	–	–	–	–	–	4,259	4,259
Changes in ownership interest in subsidiary resulting in the reduction of noncontrolling interest	–	–	–	–	–	–	–	–	(9)	(9)
BALANCES AS OF JUNE 30, 2011	**2,911,886**	**1,611,393**	**(81,066)**	**1,335,075**	**136,322**	**5,179**	**2,055,866**	**7,974,655**	**1,831,738**	**9,806,393**
Net loss for the period	–	–	–	–	–	–	(513,362)	(513,362)	(264,651)	(778,013)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the period	–	–	–	–	–	–	(513,362)	(513,362)	(264,651)	(778,013)
BALANCES AS OF SEPTEMBER 30, 2011	**₱2,911,886**	**₱1,611,393**	**(₱81,066)**	**₱1,335,075**	**₱136,322**	**₱5,179**	**₱1,542,504**	**₱7,461,293**	**₱1,567,087**	**₱9,028,380**

See accompanying Notes to Consolidated Financial Statements

ROXAS AND COMPANY, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	September 30,	June 30		
	2011	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	**(₱772,856)**	(₱778,320)	₱299,858	₱246,627
Adjustments for:				
Depreciation (Notes 11, 20 and 21)	**171,123**	550,484	409,144	304,014
Loss (gain) on disposal of property and equipment and investment properties	**13,981**	7,782	(972)	10,987
Recovery from insurance claim (Note 23)	**(27,650)**	(24,688)	(141,341)	–
Equity in net loss (earnings) of associates (Note 9)	**17,982**	(180,017)	(144,604)	(82,415)
Interest income (Notes 4 and 5)	**(3,002)**	(15,116)	(17,606)	(25,779)
Interest expense (Notes 12 and 15)	**189,612**	639,888	346,188	146,977
Gain on exchange of assets (Note 9)	**–**	(7,170)	–	–
Unrealized fair value losses (gains) on investment properties (Note 10)	**–**	(1,452)	700	–
Movement in net pension plan assets and liabilities	**3,502**	(29,322)	(32,038)	(13,834)
Impairment of investment in shares of stock of associates	**–**	–	–	1,154
Net cash from (used in) operations before working capital changes	**(407,308)**	162,069	719,329	587,731
Decrease (increase) in:				
Receivables	**102,947**	228,263	23,643	(285,638)
Inventories	**919,239**	(1,134,101)	(308,678)	(137,146)
Real estate for sale and development	**870**	2,020	(1,096)	(1,075)
Prepayments and other current assets	**10,107**	(45,675)	(50,758)	(75,511)
Increase (decrease) in:				
Accounts payable and accrued expenses	**67,777**	(124,123)	(219,163)	183,934
Customers' deposits	**38,610**	(14,885)	(48,719)	(30,712)
Provision for inventory losses and obsolescence (Notes 6, 20 and 21)	**78,794**	370,128	24,050	16,544
Cash generated from (used in) operations	**811,036**	(556,304)	138,608	258,127
Interest received	**2,946**	16,106	17,571	11,824
Income taxes paid, including creditable withholding and final taxes	**(12,159)**	(86,416)	(88,349)	(280,315)
Net cash from (used in) operating activities	**801,823**	(626,614)	67,830	(10,364)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment (Note 11)	**(38,360)**	(351,425)	(2,540,718)	(3,422,000)
Proceeds from sale of property and equipment and investment properties	**12,849**	2,949	8,283	25,943
Proceeds from recovery of insurance claim (Note 23)	**27,650**	24,688	141,341	–
Dividends received (Note 9)	**–**	91,360	71,373	68,520
Disposals of (additions to) other noncurrent assets	**(70)**	2,581	(521)	34,498
Net cash used in investing activities	**2,069**	(229,847)	(2,320,242)	(3,293,039)

(Forward)

	September 30, 2011	June 30 2011	June 30 2010	June 30 2009
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) short-term borrowings (Note 12)	**(₱458,833)**	₱784,096	(₱500,096)	₱2,234,448
Proceeds from long-term borrowings (Note 15)	**–**	925,000	2,962,000	1,425,000
Payments of long-term borrowings (Note 15)	**(229,874)**	(65,287)	–	(31,478)
Interest paid	**(159,282)**	(620,683)	(290,872)	(105,320)
Dividends paid (Note 25)	**–**	–	(25,005)	(98,644)
Reacquisition of shares of stock by subsidiaries (Note 25)	**–**	–	–	(160,492)
Net cash flows from (used in) financing activities	**(847,989)**	1,023,126	2,146,027	3,263,514
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**(44,097)**	166,665	(106,385)	(39,889)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**403,279**	236,614	342,999	382,888
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	**₱359,182**	₱403,279	₱236,614	₱342,999

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information, Group Restructuring and Merger, Status of Operations and Approval of the Consolidated Financial Statements

Corporate Information

CADP Group Corporation (CADPGC), now Roxas and Company, Inc. (the "Company") was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 7, 1918 with the primary purpose of operating mill and refinery facilities to manufacture sugar and allied products. The Company's corporate life was extended for another 50 years from October 7, 1968.

The Company started its commercial operations in 1920 and on November 29, 1948, its shares of stock were listed in the Philippine Stock Exchange (PSE). On July 1, 2004, the Company spun off its Negros sugar milling business to Central Azucarera de La Carlota, Inc. (CACI), a wholly-owned subsidiary. The said spin-off, approved by the Philippine SEC on February 10, 2004, involved the transfer of the Company's net assets amounting to ₱1,419.5 million to CACI in exchange for the latter's 200 million common shares at ₱1.0 per share.

The Company was previously 89.28%-owned by Roxas Holdings, Inc. (RHI), a public company also incorporated and domiciled in the Philippines. Prior to the merger as discussed below, Roxas & Company, Inc. (RCI) is the Company's and RHI's ultimate parent company.

RCI was incorporated and registered with the Philippine SEC on December 16, 1981 to engage in various agricultural ventures such as, but not limited to, the production of sugar, coconut, copra, coffee, and other crops, and to swine raising and other kinds of livestock; to act as managers or managing agents of persons, firms, associations, corporations, partnerships and other entities including but not limited to those engaged in agriculture and related businesses; to provide management, investment and technical advice to agricultural, commercial, industrial, manufacturing and other kinds of enterprises; to undertake, carry on, invest in, assist or participate in the promotion, establishment, organization, acquisition, management, operation, administration, liquidation, or reorganization of corporations, partnerships and other entities; and to conduct and engage in the business of general merchant, distributor, agent importer and exporter.

The Company has 3,525, 3,534 and 3,566 equity holders as of September 30, 2011 and June 30, 2011 and 2010, respectively. The Company is owned by various individual shareholders and domestic corporations, namely Pesan Holdings, Inc. and SPCI Holdings, Inc.

On February 10, 2011, the Board of Directors (BOD) approved the amendment of the Company's By-Laws changing the accounting period of the Company and its subsidiaries 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 30, 2011. The change in accounting period of the Company's subsidiaries was approved by the Philippine SEC on various dates in 2011.

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

Group Restructuring and Merger
Roxas and Company, Inc. and its subsidiaries (collectively, the "Group"), has undertaken corporate restructuring in fiscal year 2009. On December 16, 2008, RHI purchased all the sugar-related operating subsidiaries and an associate, as well as certain assets and liabilities of CADPGC for a total consideration of ₱3,838.0 million. With no more sugar-related subsidiaries and an associate, RHI sold its investment in CADPGC to RCI for ₱3,927.3 million on January 23, 2009. Just before the merger discussed below, CADPGC was 95.93% owned by RCI.

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

The merger was accounted for similar to pooling of interests. The assets and liabilities of CADPGC and RCI were reflected at their carrying values and comparatives were restated to include balances and transactions as if the entities had been merged at the beginning of the earliest period presented (see Note 25).

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 ₱782.7 million and a net cash outflow from operating activities of ₱626.6 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 12). Considering that the losses were mainly driven by market reversals and not by the Group's capacity to service its loans, the Group was able to obtain from the creditor banks in September and October 2011 a waiver of breach of covenant on the DSCR covering the fiscal year ended June 30, 2011.

For the interim period ended September 30, 2011 where the Group is expected to record heavy expenses in preparing its mills for the milling operations, the Group incurred a loss of ₱778.0 million as anticipated. Despite the losses, however, the Group's net cash inflow from operating activities reached ₱801.8 million, of which ₱688.7 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 15).

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

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

Approval of the Consolidated Financial Statements
The consolidated financial statements as at September 30, 2011 and June 30, 2011 and 2010 and the three months ended September 30, 2011 and years ended June 30, 2011 and 2010 have been approved and authorized for issue by the Company's BOD on January 16, 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, which is stated at revalued amounts, and investment properties which are stated at fair value and consumable biological assets, which are carried at fair value less cost to sell. These are presented in Philippine peso (Peso), the Company's functional currency, and rounded to the nearest thousands, except when otherwise indicated.

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

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

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

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Disclosures - Transfers of Financial Assets*, allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- Amendment to Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement*, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

- Revised PAS 24, *Related Party Disclosures*, clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application

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

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

- PAS 1, *Presentation of Financial Statements*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- PAS 34, *Interim Financial Reporting*, provides guidance to illustrate how to apply disclosure principles of PAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between levels of fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment is applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to September 30, 2011
The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective 2016
- Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction on real estate be recognized only upon completion, except such contract qualifies as construction contract to be accounted for based on stage of completion. The Group expects the adoption of this Philippine Interpretation to result in a decrease in opening equity by ₱4.8 million in 2013 and nil in 2012.

- PFRS 9, *Financial Instruments*, introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39. The approach in this new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. It also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39.

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

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

The Group's decision whether to early adopt PFRS 9 for its 2012 financial reporting will be disclosed in its consolidated financial statements as of and for the period ending March 31, 2012. Should the Group decide to early adopt the said standard for its 2012 financial reporting, its interim consolidated financial statements as of and for the period ending March 31, 2012 will reflect application of the requirement under the said standard and will contain the qualitative and quantitative discussions of the results of the Group's impact evaluation.

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

Accounting Standards Not Yet Adopted by the Philippines
The following new standards and amendments have been issued in 2011 by the International Accounting Standards Board and are expected to be adopted by the Philippine FRSC:

- Amendments to PAS 1, *Financial Statement Presentation*, improve how we present components of other comprehensive income such as on the grouping of items presented in other comprehensive income. This is effective beginning on or after July 1, 2012.

- Amendment to PAS 12, *Income Taxes-Deferred Taxes: Recovery of Underlying Assets*, introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, a use basis should be adopted. The amendments also introduce the requirements that deferred tax on non-depreciable assets measured using the revaluation model on property, plant and equipment should always be measured on a sale basis. The new requirements are effective in fiscal year 2013.

- Amendments to PAS 19, *Employee Benefits*, will improve the recognition and disclosure requirements for defined benefit plans, specifically on the removal of the corridor approach, the immediate recognition of past service cost and other recognition and measurement changes and disclosure requirements. The new requirements are effective in fiscal year 2014, with earlier application permitted. The Group expects that the adoption of this standard will significantly impact the Company's statements and is currently evaluating the financial impact of such adoption.

- PFRS 10, *Consolidated Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard defines control when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. PFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities*, and PAS 27. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements in PAS 27. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Group is evaluating the impact of the adoption of this standard on consolidated of its subsidiaries and associates.

- PFRS 11, *Joint Arrangements*, supersedes PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.* This standard describes the accounting for joint arrangements with joint control. Further, proportionate consolidation is not permitted for joint ventures under the new definition of a joint venture.

  The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- PFRS 12, *Disclosures of Interests in Other Entities*, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. PFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- PFRS 13, *Fair Value Measurement*, establishes new guidance on fair value measurement and disclosures. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Group is evaluating the impact of the adoption of the standard on the measurement of assets and liabilities carried at fair value.

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

	Percentage of Ownership	Description of business
RHI	65.70	Holding company of its subsidiaries that operate mill and refinery facilities to manufacture sugar and allied products; shares of stock are listed in the PSE.
Roxaco Land Corporation (RLC)	100.00	Engaged on development and sales of real estate.
United Ventures Corporation (UVC)	100.00	Warehouse leasing
Nasugbu Feeds Corporation (NAFECOR)	100.00	The subsidiary has currently no commercial operations. Originally to engage in manufacture of animal feeds and feedstocks.

The following are the subsidiaries of RHI (all incorporated in the Philippines) as of September 30, 2011 and June 30, 2011 and 2010:

	Percentage of Ownership
Central Azucarera Don Pedro, Inc. (CADPI)	100.00
Central Azucarera de La Carlota, Inc. (CACI)	100.00
CADP Insurance Agency, Inc. (CIAI)(1)	100.00

(Forward)

	Percentage of Ownership
CADP Farm Services, Inc. (CFSI)	100.00
CADP Consultancy Services, Inc. (CCSI)	100.00
Jade Orient Management Services, Inc. (JOMSI)	99.99
Najalin Agri Ventures, Inc. (NAVI)	77.38
RBC	100.00
CADP Port Services, Inc. (CPSI)[(2)]	100.00
Roxas Power Corporation (RPC)[(2)]	50.00

[(1)] CIAI was incorporated on August 19, 2009 and has not yet started commercial operations.
[(2)] CPSI and RPC were incorporated on July 17, 2008 and have not yet started commercial operations. RHI 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.

The following are the subsidiaries of RLC (all incorporated in the Philippines):

	Percentage of Ownership		
	September 30, 2011	June 30, 2011	June 30, 2010
Roxaco Commercial Properties Corporation (RCPC) [(1)]	**100.00**	100.00	100.0
Fuego Hotels and Properties Management Corporation (FHPMC) [(2)]	**63.00**	63.00	–

[(1)] RCPC was incorporated on January 14, 1999 to handle the property management and commercial development of RLC and has not yet started commercial operations.
[(2)] FHPMC was acquired on June 10, 2011 through a share purchase agreement between RLC and Fuego Development Corporation (FDC), an associate of RLC (see Note 9). FHPMC is a management company with an expertise in managing hotels, resorts and full and limited service companies.

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 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 interests 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 in 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.

Intercompany 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 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 Associates

Associates are 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 associates' 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 assets transferred. The financial statements of the associates are prepared for the same reporting period of the Company. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The Group determines at the end of each reporting period whether there is any evidence that the investments in shares of stocks of associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments in shares of stocks and their recoverable amount.

Segment Reporting

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

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business 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 date of acquisition and subject to insignificant risk of 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 are 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 each reporting date.

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

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

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

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

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

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

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;

- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized at fair value through profit or loss.

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

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

As of September 30, 2011 and June 30, 2011 and 2010, the Group has embedded derivative 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 the amortization process. Loans and receivables are included under current assets if maturity is within 12 months from the end of the 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 short-term placements, trade receivables, due from related parties, due from employees and other receivables as of September 30, 2011 and June 30, 2011 and 2010.

c. Held-to-maturity investments

Held-to-maturity investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold them to maturity. Where the Group sells other than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale financial assets 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 the reporting period. Otherwise, these are classified as noncurrent assets.

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

d. Available-for-sale financial assets

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

Classified as available-for-sale financial assets are the Group's unquoted equity investments as of September 30, 2011 and June 30, 2011 and 2010 (see Note 28).

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-term and long-term borrowings, advances from related parties and 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 the reporting period.

Accounts payable and accrued expenses, advances from related parties and dividends payable are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, normally equal to nominal amount.

Derecognition of financial assets and financial liabilities

a. Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over 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 an 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 collective evaluation of impairment, financial assets are grouped on the basis of 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 income - is removed from equity and recognized in income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

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

Determination of fair value

The fair value of financial instruments traded in active markets at the end of the 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 of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from 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.

<u>Inventories</u>
Raw and refined sugar inventory is valued at the lower of cost and net realizable value (NRV), cost being determined using the weighted average method. Production cost is allocated using the relative sales value of each of the joint products, i.e., raw and refined sugar and molasses. The costs of molasses purchased from outside sources include its purchase cost with unit cost determined using moving average method. The cost of alcohol includes direct materials and labor and a proportion of manufacturing overhead costs with unit cost determined using the moving average method.

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

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

<u>Real Estate for Sale and Development</u>
Real estate for sale and development consists of developed real estate properties for sale and raw land and land improvements.

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

Prepayments and Other Current Assets

This account consists of creditable withholding taxes, value-added tax (VAT) and other prepayments. Creditable withholding taxes are deducted from income tax payable on the same year the revenue was recognized. Revenue, expenses, assets and liabilities are recognized, net of amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of cost of acquisition of assets or as part of expense items as applicable. The net amount of VAT recoverable from the taxation authority is included as part of "Prepayments and other current assets" in the consolidated balance sheet. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

Property, Plant and Equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any impairment in value, except for land which is stated at revalued amount less any impairment. 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 Group'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 until 2010 for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost.

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

	Number of Years
Buildings and improvements	5 to 40
Machinery and equipment:	
Factory machinery and installation	17 to 25
Safety equipment	5
Service vehicles	3 to 6
Other transportation equipment	5
Office furniture, fixtures and equipment	3 to 10

Depreciation commences when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

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

The asset's residual value, useful life and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

Gains and losses on disposal are determined by comparing the proceeds with the 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 Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in fair values of investment properties 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 associates 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 period.

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 and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Share Capital and Share Premium

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

Retained Earnings

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

Dividend Distribution

Dividend distribution to the Company's stockholders and the noncontrolling interest 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 stockholders.

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 VAT, returns and discounts.

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

Sale of raw 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.

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

Farm income
Farm income is recognized when the related service is rendered.

Real estate sales
Real estate sales consist of revenue from sale of real estate properties. Income from sale of developed real estate properties is recognized in full when the collectibility of the sales price is reasonably assured and when risks and rewards over the developed assets have been transferred, usually at the time of receipt of at least 25% of the total contract price. Revenue from the sale of residential properties where there are material obligations under the sales contract to provide improvements after the property is sold, are recognized under the percentage-of-completion method. Under this method, revenue on sale is recognized as the related obligations are fulfilled. Cash received from the sale of real estate properties over which the Group maintains continuing managerial involvement or related risks and rewards have not yet been transferred or where collectibility is not reasonably assured is recognized as customers' deposits in the consolidated balance sheet.

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

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

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

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

Cost of real estate sales consists of the related land and development cost and is recognized as expense when incurred.

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

Employee Benefits
The Company and its subsidiaries have individual and separate defined benefit plans 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 the 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 the 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 the 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 is complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

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

Provisions and Contingencies
Provisions 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 the 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 income 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 the 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 have 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 associates operate.

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

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

The classifications of the various financial assets and financial liabilities of the Group are disclosed in Note 28. The aggregate carrying value of the Group's financial assets and financial liabilities amounted to ₱910.0 million and ₱10,312.6 million as of September 30, 2011, ₱1,123.2 million and ₱10,962.0 million, as of June 30, 2011 and ₱1,181.9 million and ₱9,366.2 million, respectively, as of June 30, 2010.

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 the ownership of the leased asset are accounted for as operating leases. Otherwise, these are considered as finance leases.

The Group, as a lessor, has entered into property leases where it has determined that it retains all the significant risks and rewards of ownership of those properties. As such, the lease agreements are accounted for as operating leases (see Note 10).

The Group, as a lessee, has entered into various property leases where it has determined that the significant risks and rewards related to those properties are retained by the lessors. As such, the lease agreements are accounted for as operating leases.

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

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

Revenue recognition
Management exercises judgment in determining whether income from sale of real estate properties is recognized in full. Management believes that revenue shall be recognized in full when the collectability of the sales price is reasonably assured and when the risk and rewards over the assets have been transferred, which is usually when the Group collects at least 25% or more of the total contract price.

The Group recognized revenue from real estate sales amounting to ₱18.5 million, ₱68.4 million and ₱86.2 million for the three months ended September 30, 2011 and years ended June 30, 2011 and 2010, respectively (see Note 19).

Determination of provisions
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of reporting period, net of any estimated amount that may be reimbursed to the Group. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information. No provision is deemed necessary as of September 30, 2011 and June 30, 2011 and 2010.

Evaluation of contingencies
The Group is involved in various labor disputes, litigations, claims and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of these cases, the Group believes that it does not have a present obligation arising from a past event and/or the likely outcome and estimated potential cash outflow cannot be reasonably determined as of this time. As such, no provision was made for these contingencies as of September 30, 2011 and June 30, 2011 and 2010 (see Note 18).

Evaluation of events after the reporting period
Management exercises judgment in determining whether an event, favorable or unfavorable occurring between the end of the reporting period and the date when the financial statements are authorized for issue, is an adjusting event or nonadjusting event. Adjusting events provide evidence of conditions that existed at the end of the reporting period whereas nonadjusting events are events that are indicative that arose after the reporting period.

As discussed in Note 1, RHI and its subsidiaries obtained from creditor banks waivers of breach of covenant. In October and December 2011 and January 2012, the waivers obtained were determined to be nonadjusting events in accordance with PAS 10, *Events after the Reporting Period*, since these events do not provide evidence of conditions existing as at September 30, 2011. These were accordingly disclosed in Notes 1 and 15.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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, judgment is used, to record specific allowances against amounts due to reduce receivable amounts expected to be collected based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is determined. The amount and timing of recorded expenses for any period could therefore differ based on the judgments or estimates made. An increase in the Group's allowance for impairment of receivables would increase its recorded general and administrative expenses and decrease its current assets.

As of September 30, 2011 and June 30, 2011 and 2010, the Group's receivables (including noncurrent portion of installment contract receivables) amounted to ₱645.9 million, ₱748.9 million and ₱977.2 million, net of allowance for impairment of receivables of ₱25.9 million, ₱25.6 million and ₱24.1 million, respectively (see Note 5).

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

As of September 30, 2011 and June 30, 2011 and 2010, the Group's inventories carried at NRV amounted to ₱1,570.0 million, ₱2,376.4 million and ₱1,121.5 million, net of allowance for inventory losses and obsolescence amounting to ₱145.9 million, ₱393.8 million and ₱29.1 million, respectively (see Note 6).

The Group's real estate for sale and development amounted ₱328.5 million, ₱329.4 million and ₱331.4 million as of September 30, 2011 and June 30, 2011 and 2010, respectively (see Note 7).

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.

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

Determination of provision for unrecoverable creditable withholding taxes
Provision for unrecoverable creditable withholding taxes is maintained at a level considered adequate to provide for potentially unrecoverable claims. The Group, on a continuing basis, makes a review of the status of the claims, designed to identify those to be provided with any impairment losses. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made.

As of September 30, 2011, June 30, 2011 and 2010, the Group's creditable withholding taxes amounted to ₱189.7 million, ₱181.3 million and ₱113.8 million, net of allowance for losses amounting to ₱16.9 million, ₱14.7 million and ₱13.7 million, respectively (see Note 8).

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

Land carried at revalued amounts as of September 30, 2011, June 30, 2011 and 2010 amounted to ₱2,544.2 million, ₱2,714.6 million and ₱2,485.5 million, respectively (see Note 11).

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

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

The total carrying value of the Group's depreciable property, plant and equipment as of September 30, 2011, June 30, 2011 and 2010 amounted to ₱8,900.2 million, ₱7,896.6 million and ₱5,758.5 million, respectively (see Note 11). There was no change in the useful lives of property, plant and equipment in 2011 and 2010.

Determination of fair value of the investment property
The fair value of the investment property was determined by professionally qualified independent appraisers using generally acceptable valuation techniques and methods and estimates based on local market conditions existing at the end of the reporting period. The fair value was arrived at using the Sales Comparison Approach, a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

Investment property stated at fair value amounted to ₱4,806.1 million, ₱4,635.7 million and ₱4,634.3 million as of September 30, 2011, June 30, 2011 and 2010, respectively (see Note 10).

Impairment of nonfinancial assets
The Group assesses at each reporting date whether there is any indication that its property, plant and equipment, investment property and investment in shares of stock of associates may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. The Group determined that the carrying values of property, plant and equipment, investment properties and investment in shares of stock of associates are recoverable.

The total carrying value of the Group's property, plant and equipment as of September 30, 2011, June 30, 2011 and 2010 amounted to ₱11,495.7 million, ₱11,855.2 million and ₱11,791.1 million, respectively (see Note 11).

The carrying value of the Group's investment properties as of September 30, 2011, June 30, 2011 and 2010 amounted to ₱4,806.1 million, ₱4,635.7 million and ₱4,634.3 million, respectively (see Note 10).

The carrying value of the Group's investment in shares of stock of associates amounted to ₱830.9 million, ₱848.9 million and ₱760.2 million as September 30, 2011, June 30, 2011 and 2010, respectively, net of allowance for impairment of ₱15.2 million (see Note 9).

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 17 and include, among others, discount rates, expected rates of return on plan assets and rates of future salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

Net pension plan assets as of September 30, 2011, June 30, 2011 and 2010 amounted to ₱132.2 million, ₱136.1 million and ₱145.5 million, respectively. On the other hand, net pension benefit obligation as of September 30, 2011, June 30, 2011 and 2010 amounted to ₱1.3 million, ₱2.4 million and ₱41.1 million, respectively. Pension costs amounted to ₱13.8 million for the three months ended September 30, 2011 and ₱55.0 million, ₱77.3 million and ₱65.7 million for the years ended June 30, 2011, 2010 and 2009, respectively (see Note 17).

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 recognized deferred income tax assets on a portion of deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to ₱105.2 million, ₱114.7 million and ₱121.7 million as of September 30, 2011, June 30, 2011 and 2010, respectively (see Note 24). No deferred income tax assets were recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱408. 2 million, ₱211.0 million and ₱11.8 million as of September 30, 2011 and June 30, 2011 and 2010, respectively, as management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred tax income assets can be utilized.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	September 30, 2011	June 30 2011	June 30 2010
		(In Thousands)	
Cash on hand and in banks	**₱335,586**	₱255,139	₱190,933
Short-term placements	**23,596**	148,140	45,681
	₱359,182	₱403,279	₱236,614

Short-term placements earn interest ranging from 1.3% to 4.0%, 1.3% to 4.8% and 1.5% to 6.5% per annum in 2011, 2010 and 2009, respectively, and have average maturities of one day to 60 days. Interest income earned on cash in banks and short-term placements amounted to ₱2.5 million for the three months ended September 30, 2011 and ₱12.5 million, ₱7.5 million and ₱8.3 million for the years ended June 30, 2011, 2010 and 2009, respectively.

5. Receivables

Receivables consist of:

	September 30, 2011	June 30 2011	June 30 2010
		(In Thousands)	
Trade	**₱364,664**	₱541,211	₱696,404
Due from:			
Related parties (Note 16)	**87,612**	85,831	135,724
Employees	**40,000**	41,396	39,380
Planters and cane haulers	**85,151**	26,497	38,547
Others	**77,486**	54,827	54,989
	654,913	749,762	965,044
Less allowance for impairment of receivables	**25,853**	25,582	24,100
	₱629,060	₱724,180	₱940,944

a. Trade receivables include customers' accounts arising from the sale of real estate properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 8% to 20% depending on the terms of the sales contract. Cash received from the sale of real estate properties which did not meet the revenue recognition criteria as set out in Note 2 are recognized as Customers' Deposits in the consolidated balance sheets.

b. The aggregate future installment receivables under the sales contracts are as follows:

	September 30, 2011	June 30 2011	June 30 2010
		(In Thousands)	
Not later than one year	**₱28,461**	₱21,372	₱13,676
Later than one year	**16,880**	24,707	36,206
	₱45,341	₱46,079	₱49,882

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

d. Other receivables include deposit to suppliers and contractors, other employee housing loans and nontrade receivables. Other employee housing loans pertain outstanding receivable from the 2002 sale of a portion of RHI's land in Barrio Bilaran, Nasugbu, Batangas to its employees. Due to the Reorganization Program, the employees were transferred to CADPI, whereas, the receivable remained with RHI. These loans bear annual interest of 12% and are payable over 10 years until 2012. As of September 30, 2011 and June 30, 2011 and 2010, the current portion of these receivables amounted to ₱2.3 million, ₱2.6 million and ₱3.3 million, respectively, net of unearned interest income amounting to ₱0.5 million, ₱0.7 million and ₱0.8 million, respectively.

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

e. Details and movements of the allowance for impairment of receivables, determined using specific assessment, follow:

	June 30, 2009	Additions (Note 21)	Write-offs	June 30, 2010	Additions (Note 21)	June 30, 2011	Additions (Note 21)	**September 30, 2011**
				(In Thousands)				
Trade	₱6,732	₱–	(₱3,817)	₱2,915	₱537	₱3,452	₱269	**₱3,721**
Due from:								
Related parties	3,110	–	–	3,110	–	3,110	–	**3,110**
Employees	1,276	–	–	1,276	66	1,342	–	**1,342**
Planters and cane haulers	6,144	1,891	–	8,035	–	8,035	–	**8,035**
Others	10,087	150	(1,473)	8,764	879	9,643	2	**9,645**
	₱27,349	₱2,041	(₱5,290)	₱24,100	₱1,482	₱25,582	₱271	**₱25,853**

6. Inventories

Inventories consist of:

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

Details and movements of allowance for inventory losses follow:

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

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

Cost of inventories recognized as expense and included in “Cost of goods sold” amounted to ₱1,292.6 million, ₱4,923.3 million, ₱3,071.3 million and ₱3,120.2 million for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively (see Note 20).

7. Real Estate for Sale and Development

Real estate for sale and development consist of:

	September 30,	June 30	
	2011	2011	2010
		(In Thousands)	
Real estate properties for sale	**₱16,281**	₱20,399	₱40,359
Raw land and land improvements	**312,200**	308,952	291,012
	₱328,481	₱329,351	₱331,371

Borrowing costs incurred from loans availed specifically to finance the development of the Group’s real estate projects amounting to ₱0.1 million, ₱2.14 million and ₱1.3 million were capitalized for the three months ended September 30, 2011 and years ended June 30, 2011 and 2010, respectively. No borrowing costs were capitalized in 2009 (see Note 15).

Real estate properties for sale and development with carrying value of ₱178.9 million were used as collateral for the Company’s long-term borrowings (see Note 15).

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

	September 30,	June 30	
	2011	2011	2010
		(In Thousands)	
Aggregate cash price values	**₱46,574**	₱48,089	₱95,145
Less aggregate carrying costs	**16,281**	20,399	40,359
Excess of aggregate cash price values over aggregate carrying costs	**₱30,293**	₱27,690	₱54,786

8. Prepayments and Other Current Assets

Prepayments and other current assets consist of:

	September 30,	June 30	
	2011	2011	2010
		(In Thousands)	
Input VAT and other prepaid taxes	**₱143,031**	₱134,443	₱116,432
Creditable withholding taxes, net of allowance for impairment of ₱16.9 million as of September 30, 2011, ₱14.7 million as of June 30, 2011 and ₱13.7 million as of June 30, 2010 (Note 21)	**189,728**	181,331	113,816

	September 30, 2011	June 30 2011	2010
		(In Thousands)	
Others	**₱49,278**	₱63,802	₱38,896
	₱382,037	₱379,576	₱269,144

Input VAT arises from purchases of equipment and services relating to the Expansion Project and RBC plant construction (see Note 11).

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

9. **Investment in Shares of Stock of Associates**

The Group has the following associates and joint ventures as of September 30, 2011 and June 30, 2011 and 2010:

	Percentage of Ownership	Main Activity
Hawaiian-Philippine Company (HPCo)	**29.62**[1]	Sugar mill
Fuego Land Corporation (FLC)	**30.00**[2]	Real estate developer
Fuego Development Corporation (FDC)	**30.00**[2]	Real estate developer
Club Punta Fuego, Inc. (CPFI)	**26.63**[2]	Social recreational and athletic activities
Roxaco - ACM Development Corporation (RADC)	**50.00**[2]	Real estate developer

(1) *Effective ownership through RHI.*
(2) *Effective ownership through RLC.*

Details and movements of investment in shares of stock of associates follow:

	September 30, 2011	June 30 2011	2010
		(In Thousands)	
Acquisition cost:			
Beginning balance	**₱308,162**	₱308,180	₱308,180
Disposal	**–**	(18)	–
Ending balance	**308,162**	308,162	308,180
Accumulated equity in net earnings:			
Beginning balance	**402,301**	313,644	294,093
Equity in net earnings (loss)	**(17,982)**	180,017	144,604
Dividend income	**–**	(91,360)	(125,053)
Ending balance	**384,319**	402,301	313,644
Share in:			
Revaluation increment on land	**207,492**	207,492	207,492
Fair value reserve	**5,179**	5,179	5,179
Unrealized gain on transfer of land	**(59,030)**	(59,030)	(59,030)
Allowance for impairment	**(15,233)**	(15,233)	(15,233)
	₱830,889	₱848,871	₱760,232

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

b. FLC was formed for the establishment of basic facilities and amenities and consequently for the development of upgraded facilities on some 429,870 square meters of land located in Barangay Natipuan, Nasugbu, Batangas, known as Terrazas de Punta Fuego.

c. FDC was formed as a 70%-30% joint venture by Landco Pacific Corporation (LPC) and RLC for the establishment of basic facilities and amenities on some 21 hectares of land and consequently for the development of the upgraded facilities on the land.

   On August 23, 2005, RLC entered into an Assignment Agreement with FDC. The Agreement provides that RLC shall subscribe to, and FDC shall issue to RLC, 24.0 million shares of stock of FDC with a par value of ₱1 per share. On August 25, 2005, RLC transferred to FDC 156,568 square meters of land with a historical cost of ₱3.6 million and fair market value of ₱129.2 million in full payment of the subscription price and in exchange for the shares.

   After the subscription of shares and assignment of land, the total equity interest of RLC in FDC increased from 30% to 52%. On December 5, 2006, the BOD of FDC approved the conversion of certain liabilities to LPC into shares of stock of FDC. On May 8, 2008, the Philippine SEC approved the debt to equity conversion between LPC and FDC and the increase in capital stock of FDC. Consequently, the ownership interest of LPC reverted to 70% and RLC to 30%.

   FDC is currently engaged in the sale and development of real estate and industrial properties.

d. CPFI was formed to promote social, recreational and athletic activities on a non-profit basis among its members, through the acquisition, development, construction, management and a maintenance of a golf course, resort, marina and other sports and recreational facilities on a residential resort community project of RLC, a joint venture with LPC, known as Peninsula de Punta Fuego.

   On June 10, 2011, RLC and FDC entered into a share purchase agreement whereby RLC acquired 15,750 issued common shares and deposit for future stock subscription for 47,250 unissued shares of FHPMC in exchange for nine CPFI shares, resulting in 63% ownership of RLC in FHPMC (see Note 2).

   FHPMC is a management company with an expertise in managing hotels, resorts and full and limited service companies. One of the properties it manages is Club Punta Fuego which is owned by CPFI.

e. As of September 30, 2011, RADC has already sold all its real estate units except for the repossessed units on hand and has no available real estate properties to develop. The activities of RADC is now limited to the collection of outstanding receivables, disposal of the remaining construction materials inventory and settlement of payables.

   Investment in shares of stock of RADC was fully provided with allowance for impairment as of September 30, 2011 and June 30, 2011 and 2010.

f. The accumulated equity in net earnings of associates amounting to ₱384.3 million, ₱402.3 million and ₱313.6 million as of September 30, 2011 and June 30, 2011 and 2010, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

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

	September 30,	June 30		
	2011	2011	2010	2009
		(In Thousands)		
Current assets	**₱1,815,038**	₱1,722,952	₱2,027,928	₱1,971,823
Noncurrent assets	**1,552,080**	1,634,256	1,499,647	1,263,405
Current liabilities	**1,243,919**	1,157,050	1,390,882	1,179,198
Noncurrent liabilities	**169,480**	233,113	336,240	233,361
Net assets	**1,953,719**	1,967,045	1,800,453	1,822,669
Revenue	**521,606**	1,852,829	1,840,810	1,715,465
Net income (loss)	**(11,405)**	404,167	317,256	193,789

10. Investment Properties

Investment properties consist of:

	September 30,	June 30	
	2011	2011	2010
		(In Thousands)	
Land properties (Notes 15 and 18)	**₱4,795,516**	₱4,625,125	₱4,625,125
Building (Note 15)	**10,594**	10,594	9,142
	₱4,806,110	₱4,635,719	₱4,634,267

The reconciliation of the carrying amounts of investment properties are as follows:

	September 30,	June 30	
	2011	2011	2010
		(In Thousands)	
Balance at beginning of year	**₱4,635,719**	₱4,634,267	₱4,637,445
Disposals	**–**	–	(2,478)
Transfer from property, plant and equipment (Note 11)	**170,391**	–	–
Unrealized fair value gains (losses)	**–**	1,452	(700)
Balance at end of year	**₱4,806,110**	₱4,635,719	₱4,634,267

The Company

The total carrying amount of the Company's investment properties includes land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of 2,241.90 hectares and total value of ₱4,223.4 million as of September 30, 2011 (see Note 18).

As of September 30, 2011 and June 30, 2011 and 2010, the fair value of investment properties, including those land properties subjected to CARL, are based on the appraised values of the properties as of June 30, 2011 and December 31, 2010, respectively, as determined by a professionally qualified independent appraiser.

Residential land properties with carrying value of ₱6.2 million were used as collateral for the Company's long-term borrowings (see Note 15).

RLC
Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas. The fair value of the investment property as of September 30, 2011 and June 30, 2011 and 2010 are based on the appraisal reports dated September 5, 2011 and September 21, 2010, respectively, as determined by a professionally qualified independent appraiser.

Rental income from this investment property amounted to ₱0.3 million for the three months ended September 30, 2011 and ₱1.3 million and ₱1.1 million for the years ended June 30, 2011 and 2010, respectively.

The investment property was used as collateral for RLC's long-term borrowings (see Note 15).

NAVI
On December 22, 2010, NAVI entered into a memorandum of agreement with an agricultural company for the lease of NAVI's agricultural land effective July 1, 2011 until fiscal year ending September 30, 2015. The lessee shall deliver to NAVI its share in sugar production in the amount of 18 50-kilogram (Lkg) bags of raw sugar per hectare of plantable area per annum. As a result, NAVI ceased its farm operations in crop year ended June 30, 2011. The land property previously used for NAVI farm operations was reclassified to investment property effective July 1, 2011.

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

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

11. Property, Plant and Equipment

	September 30, 2011					
	Buildings and Improvements	**Machinery and Equipment**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction in Progress**	**Total**
			(In Thousands)			
Cost						
Beginning balances	**₱2,547,012**	**₱10,987,991**	**₱32,935**	**₱88,423**	**₱1,243,965**	**₱14,900,326**
Additions (Notes 2 and 9)	**100**	–	–	**212**	**8,560**	**8,872**
Disposals	**(5,837)**	**(114,401)**	–	**(14,795)**	–	**(135,033)**
Reclassifications	**221,905**	**974,089**	–	**5,252**	**(1,201,246)**	–
Ending balances	**2,763,180**	**11,847,679**	**32,935**	**79,092**	**51,279**	**14,774,165**
Accumulated Depreciation						
Beginning balances	**(835,268)**	**(4,839,360)**	**(16,147)**	**(69,007)**	–	**(5,759,782)**
Additions (Notes 2 and 9)	–	–	–	–	–	–
Depreciation	**(28,731)**	**(137,016)**	**(1,286)**	**(4,090)**	–	**(171,123)**
Disposal	**3,143**	**93,593**	–	**11,466**	–	**108,202**
Reclassifications	–	–	–	–	–	–
Ending balances	**(860,856)**	**(4,882,783)**	**(17,433)**	**(61,631)**	–	**(5,822,703)**
Net Book Value	**₱1,902,324**	**₱6,964,896**	**₱15,502**	**₱17,461**	**₱51,279**	**₱8,951,462**

	June 30, 2011					
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
			(In Thousands)			
Cost						
Beginning balances	₱2,051,649	₱8,851,302	₱38,034	₱75,998	₱3,547,117	₱14,564,100
Additions (Notes 2 and 9)	16,242	44,666	–	6,157	332,325	399,390
Disposals	–	(21,617)	–	(1,851)	–	(23,468)
Reclassifications	479,121	2,113,640	(5,099)	8,119	(2,635,477)	(39,696)
Ending balances	2,547,012	10,987,991	32,935	88,423	1,243,965	14,900,326
Accumulated Depreciation						
Beginning balances	(744,084)	(4,439,723)	(15,345)	(59,309)	–	(5,258,461)
Additions (Notes 2 and 9)	(453)	(1,018)	–	(1,822)	–	(3,293)
Depreciation	(91,270)	(445,430)	(5,146)	(8,638)	–	(550,484)
Disposal	–	10,886	–	1,851	–	12,737
Reclassifications	539	35,925	4,344	(1,089)	–	39,719
Ending balances	(835,268)	(4,839,360)	(16,147)	(69,007)	–	(5,759,782)
Net Book Value	₱1,711,744	₱6,148,631	₱16,788	₱19,416	₱1,243,965	₱9,140,544

	June 30, 2010					
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
			(In Thousands)			
Cost						
Beginning balances	₱1,235,226	₱5,207,977	₱126,766	₱611,784	₱4,967,334	₱12,149,087
Additions	129,534	1,346,668	25,074	268,753	797,146	2,567,175
Disposals	–	(10,820)	(118,449)	(982)	–	(130,251)
Reclassifications	686,889	2,307,477	4,643	(803,557)	(2,217,363)	(21,911)
Ending balances	2,051,649	8,851,302	38,034	75,998	3,547,117	14,564,100
Accumulated Depreciation						
Beginning balances	(704,768)	(3,647,479)	(124,947)	(519,452)	–	(4,996,646)
Depreciation	(67,434)	(321,051)	(8,790)	(11,869)	–	(409,144)
Disposal	–	6,748	118,030	640	–	125,418
Reclassifications	28,118	(477,941)	362	471,372	–	21,911
Ending balances	(744,084)	(4,439,723)	(15,345)	(59,309)	–	(5,258,461)
Net Book Value	₱1,307,565	₱4,411,579	₱22,689	₱16,689	₱3,547,117	₱9,305,639

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

	September 30, 2011	June 30 2011	June 30 2010
		(In Thousands)	
Beginning balance at appraised values	**₱2,714,624**	₱2,485,515	₱2,518,174
Additions	**–**	–	26,097
Revaluation increase (decrease)	**–**	229,109	(58,756)
Transfer to investment property (Note 10)	**(170,391)**	–	–
Ending balance at appraised values	**₱2,544,233**	₱2,714,624	₱2,485,515
At cost	**₱49,361**	₱59,229	₱59,229

a. Construction in progress

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

Milling plant improvement project (the Expansion Project)
With the intent of improving its revenue generating capability, the Group purchased second-hand mills and related equipment in August 2007 and March 2008.

The Group obtained short-term and long-term borrowings from various banks to finance the Expansion Project, which was substantially completed in fiscal year 2011 (see Notes 12 and 15).

RBC plant construction project
On June 27, 2008, in line with the Group Expansion Project, RBC entered into an agreement to construct its bioethanol plant in La Carlota City, Negros Occidental for a total contracted amount of US$20.8 million. As of June 30, 2011 and 2010, the balance in the construction in progress relating to RBC plant amounted to ₱1,173.6 million and ₱1,202.2 million, respectively. RBC has started operating the plant during the three months ended September 30, 2011. RBC reclassified its construction in progress amounting to ₱1,173.9 million in September 2011.

Capitalization of borrowing costs
Interest from short-term and long-term borrowings amounting to ₱43.8 million, ₱174.6 million and ₱277.9 million for the years ended June 30, 2011, 2010 and 2009, respectively, incurred to finance the Expansion Project were capitalized as property, plant and equipment (see Notes 12 and 15). No capitalization of interest was made for the three months ended September 30, 2011. The Group amortizes the capitalized interest over the useful life of the qualifying asset to which it relates. Unamortized capitalized interest as of September 30, 2011 and June 30, 2011 and 2010 amounted to ₱477.0 million, ₱487.7 million and ₱524.2 million, with corresponding deferred income tax liability of ₱143.1 million, ₱146.3 million and ₱157.2 million, respectively (see Note 24). The rates used to determine the amount of borrowing costs eligible for capitalization were 7.1% and 8.8% for the years ended June 30, 2011 and 2010, respectively, which are the average effective interest rates of the borrowings.

Noncash additions to property, plant and equipment
The Group has outstanding liabilities for purchase of equipment relating to the Expansion Project and RBC plant construction project amounting to ₱69.0 million, ₱98.6 million, and ₱54.7 million as of September 30, 2011 and June 30, 2011, 2010 and 2009, respectively.

b. Depreciation

Depreciation charged to operations are as follows:

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
			(In Thousands)	
Cost of goods sold (Note 20)	**₱157,538**	₱525,964	₱381,961	₱274,204
General and administrative expenses (Note 21)	**13,585**	24,520	27,183	29,810
	₱171,123	₱550,484	₱409,144	₱304,014

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

c. Property, plant and equipment as collateral

Some property, plant and equipment of the Group are mortgaged to secure the Group's loan obligations with creditor banks (see Note 15).

12. **Short-term Borrowings**

Short-term borrowings consist of:

a. Loans availed by the Company

In 2011, the Company availed of short-term financing from a local bank for working capital requirements totaling ₱25.0 million. These loans will mature on December 16, 2011 and bear average interest at 6.0% that is fixed until maturity.

b. Loans availed by CACI, CADPI and RBC

At various dates in the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, CACI, CADPI and RBC obtained unsecured short-term loans from various local banks to meet their working capital requirements. The loans, which are payable in lump sum on various dates, are subject to annual interest rates ranging from 4.0% to 6.5% , 4.5% to 6.0%, 4.7% to 7.0% and 5.0% to 9.8% and have terms ranging from 29 to 32 days, 29 to 179 days, 9 to 32 days and 30 to 32 days for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively.

c. Loans availed by RLC

Short-term borrowings consist of loans from local banks which are availed of by RLC to finance working capital requirements, including the development of ongoing real estate projects. Loans amounting to ₱8.0 million and ₱23.5 million which have original maturities of October 2008 and December 2008, respectively, were renewed by RLC in 2011. These loans have interest rates subject to repricing every 30 to 180 days. The ₱8.0 million loans shall mature in December 2011, while the ₱23.5 million loans which were renewed in May 2011 matured in August of the same year.

Additional loans availed by RLC in 2011 as bridge financing to its parent company amounted to ₱30.0 million which will become due on December 16, 2011. These loans are subject to fixed interest rate of 6%.

Total interest expense recognized from short-term borrowings amounted to ₱70.6 million, ₱126.3 million, ₱163.3 million and ₱81.5 million, for the three months ended September 30, 2011 and for the years ended June 30, 2011, 2010 and 2009, respectively, net of capitalized for the three months ended amounts of ₱43.8 million, ₱42.0 million and ₱36.0 million for the years ended for the years ended June 30, 2011, 2010 and 2009 (see Note 11).

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	September 30, 2011	June 30 2011	June 30 2010
		(In Thousands)	
Trade	**₱90,363**	₱51,809	₱160,801
Accrued expenses:			
Interest (Notes 12 and 15)	**99,945**	69,829	85,842
Contractors	**4,055**	5,428	27,800
Outside services	**1,630**	1,606	2,350
Payroll and other benefits	**37,798**	14,625	9,892
Purchases and others	**108,502**	92,458	84,931
Retention payable	**45,357**	96,229	20,178
Due to planters	**13,633**	15,242	18,857
Payable to government agencies for taxes and contributions	**84,177**	52,112	75,034
Due to related parties (Note 16)	**50,591**	46,356	55,566
Others (Note 11)	**145,688**	164,680	175,674
	₱681,739	₱610,374	₱716,925

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 11).

14. Customers' Deposits

Customers' deposits represent noninterest-bearing cash deposits from buyers of the Group's sugar and molasses and cash received from the sale of real estate properties which did not meet the revenue recognition criteria as set out in Note 2. Deposits from buyers of sugar and molasses will be applied against future deliveries of sugar and molasses which are expected to be completed in the next 12 months. Deposits from sale of real estate properties are applied against the receivable upon recognition of revenue. Customers' deposits amounted to ₱174.0 million, ₱135.4 million and ₱150.3 million as of September 30, 2011 and June 30, 2011 and 2010, respectively.

15. Long-term Borrowings

Long-term borrowings consist of:

	September 30, 2011	June 30 2011	June 30 2010
Banco De Oro Unibank, Inc. (BDO)	**₱4,966,954**	₱5,148,438	₱4,237,000
Syndicated Loan Agreement:			
Bank of the Philippine Islands (BPI)	**953,105**	965,517	1,000,000
Rizal Commercial Banking Corporation (RCBC)	**465,517**	482,759	500,000

(Forward)

	September 30, 2011	June 30 2011	June 30 2010
BPI - Asset Management and Trust Group (AMTG)	**₱477,930**	₱500,000	₱500,000
	6,863,506	7,096,714	6,237,000
Unamortized debt arrangement fees	**–**	–	(35,692)
	6,863,506	7,096,714	6,201,308
Current portion	**(934,641)**	(912,361)	(76,339)
Noncurrent portion presented as current	**(5,928,865)**	(6,157,686)	–
	₱–	₱26,667	₱6,124,969

a. Loans availed by the Company

On January 20, 2009, the Company availed of a loan facility with BDO with a credit line of ₱650.0 million to finance the full implementation of the Group's reorganization plan. The loan facility is made available to the Company and RHI provided that combined availments does not exceed the credit line.

The loan is secured by real estate mortgages over several investment properties and property and equipment owned by the Company and properties for development owned by RLC and pledge over shares of stock of RHI held by the Company totaling to 597,606,670 shares. Investment properties, property and equipment and shares of stock of RHI held by the Company under collateral totaled ₱1.9 billion as of September 30, 2011 and June 30, 2011 and 2010 (see Notes 7, 10 and 11).

As of September 30, 2011, the Company has availed of loans amounting to ₱427.0 million, which bear interest ranging from 5.63% to 6.75%, to be repriced every quarter as agreed by the parties. Long-term borrowings amounting to ₱217.0 million and ₱210.0 million are payable in equal quarterly installments until January 20, 2015 and October 15, 2015, respectively.

Quarterly installment payments starting April 2011 amounted to ₱13.6 million. Outstanding balance of the long-term loans amounted to ₱399.9 million, ₱413.4 million and ₱427.0 million as of September 30, 2011 and June 30, 2011 and 2010, respectively. Of the total amount, ₱399.9 million, ₱413.4 million and ₱24.6 million are presented under current liabilities in the consolidated balance sheets as of September 30, 2011 and June 30, 2011 and 2010, respectively.

b. Loans availed by RHI and its subsidiaries

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 rolled over to 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 2010, the Company exercised its option to fix the quarterly interest rate of the loans at 8.93% beginning August 5, 2009 until the end of the loan terms. On January 31, 2011, RHI, CADPI and CACI entered into an agreement with BDO for the interest rate reduction on long-term loans to 6.5%, subject to certain conditions.

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

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

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

On October 29, 2008, additional loans were availed by CADPI from BDO, BPI and RCBC amounting to ₱459.0 million, ₱143.5 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 rates 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 August 5, 2009 until the end of the loan terms.

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

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

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

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

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

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

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

c. Loans availed by RLC

On February 3, 2009, RLC obtained a term loan facility from BDO amounting to ₱40.0 million to finance the development of its real estate projects (see Note 7). The loan facility was issued on a staggered basis, with the first ₱8.0 million issued in 2009 and the remaining ₱32.0 million released in 2010. The loans bear fixed interest rates ranging from 6.1% to 6.7% for the first 45 to 92 days and to be repriced every 30 to 180 days. Principal amounts are payable quarterly after the two-year grace period allowed by the bank until May 4, 2014.

The loan facility is secured by RLC's investment property, with fair value of ₱10.59 million as of September 30, 2011 and June 30, 2011 and 2010, as well the assignment of leasehold rentals from the said property (see Note 9).

Debt Arrangement Fees and Borrowings Costs
As part of the Syndicated Loan Agreement with BPI/RCBC, the Group incurred debt arrangement fees amounting to ₱59.4 million in 2008. In 2011, debt arrangement fees amounting to ₱4.6 million were incurred for the loan availed by RBC with BDO. Amortization of debt arrangement fees included under "Interest expense" in June 30, 2011, 2010, and 2009 amounted to ₱35.7 million, ₱3.4 million and ₱1.3 million, respectively. As of June 30, 2010, unamortized debt arrangement fees which were presented as deduction from long-term loans amounted to ₱35.7 million.

Total interest expense recognized from long-term borrowings amounted to ₱119.0 million, ₱513.6 million, ₱182.9 million and ₱65.4 million for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively, excluding interest of ₱0.1 million, ₱2.1 million, ₱137.9 million and ₱241.9 million, which were capitalized for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009, respectively (see Notes 7 and 11).

Suretyship Agreements and Mortgage Trust Indenture

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

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

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

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

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

Loan Covenants
The loan agreements of RHI and its subsidiaries are subject to certain covenants such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1.25 times and debt to equity ratio of not more than 70:30;
- prohibition on purchase of additional equipment except in pursuance of its sugar expansion and ethanol project;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management; and
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders, 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, RHI and subsidiaries 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 borrowings amounting to ₱5.9 billion and ₱6.2 billion is presented as current liabilities as of September 30, 2011 and June 30, 2011, respectively.

As discussed in Notes 1 and 3, on September and October 2011, the Group obtained from the creditor banks a waiver of breach of covenant on the DSCR covering fiscal year ended June 30, 2011 and interim period ended September 30, 2011. In December 2011 and January 2012, a similar waiver was obtained by the Group from these creditor banks covering the period October 2011 to September 2012. The Group continues to present the noncurrent portion of long-term debt amounting to ₱5.9 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.

On July 8, 2011, in addition to the terms and conditions on the facility agreement of RLC with BDO, the loan facility has been subjected to cross default provisions. Due to cross default provisions, this resulted in an event of default on the long-term borrowings of RLC as of July 8, 2011, the period in which the new terms and conditions apply. In view of this, noncurrent portion of the long-term loans of RLC is presented as current as of September 30, 2011.

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

Maturities of Long-term Borrowings

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

	September 30, 2011	June 30, 2011	June 30, 2010
Less than one year	**₱6,863,506**	₱7,070,047	₱76,339
Between one and two years	**–**	26,667	843,929
Between two and five years	**–**	–	3,048,224
Over five years	**–**	–	2,232,816
	₱6,863,506	₱7,096,714	₱6,201,308

16. **Related Party Transactions**

a. Outstanding balances and transactions of RLC with other related parties are as follows:

		September 30, 2011		June 30, 2011		June 30, 2010	
		Advances		Advances		Advances	
	Relationship	**To** (Note 5)	**From** (Note 13)	To (Note 5)	From (Note 13)	To (Note 5)	From (Note 13)
FDC	**Associate**	**₱60,738**	**₱12,846**	₱60,738	₱12,159	₱73,336	₱10,699
FLC	**Associate**	**14,978**	**3,473**	14,984	–	51,000	33,459
RADC	**Associate**	**–**	**10,968**	–	10,968	–	10,968
VJ Properties, Inc. (VJPI) (Note 18)	**Joint venture partner**	**9,739**	**–**	9,742	–	10,975	–
Marilo Realty Development Corporation (Note 18)	**Joint venture partner**	**–**	**368**	–	369	–	279
LPC	**Affiliate**	**–**	**22,614**	–	22,282	–	–
Others	**Affiliate**	**2,157**	**322**	367	578	413	161
		₱87,612	**₱50,591**	₱85,831	₱46,356	₱135,724	₱55,566

i. In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC will pay RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC shall be computed in proportion to the number of club shares which they have each assigned. In 2005, PFHC and FDC merged with FDC as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As of September 30, 2011 and June 30, 2011 and 2010, RLC is in negotiation with FDC for the allocation of the actual number of shares assigned. Assignment fee charged to the consolidated statement of income amounted to ₱5.5 million in 2009. RLC did not recognize assignment fee in 2011 and 2010.

ii. Advances from related parties used for working capital requirements of RLC are noninterest-bearing and have no fixed repayment terms.

b. Compensation of key management is as follows:

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
			(In Thousands)	
Salaries and other short-term benefits	**₱10,295**	₱57,782	₱56,078	₱52,538
Retirement benefits	**2,932**	166	292	1,876
	₱13,227	₱57,948	₱56,370	₱54,414

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

17. Retirement Benefits

Net Pension Plan Assets

The Company, RLC and RHI maintain individual and separately funded non-contributory defined benefit plans (the Plans) covering all eligible employees. Under the Plans, the normal retirement age is 65. A participant may opt to retire at age 60 or after rendering 20 years of continued service. Retirement benefits, for both normal and optional retirement, is equivalent to two months average basic salary for each year of service rendered.

The amounts recognized as net pension assets in the consolidated balance sheets follows:

	September 30, 2011	June 30, 2011	June 30, 2010
		(In Thousands)	
Present value of obligation	**₱174,046**	₱205,815	₱198,420
Fair value of plan assets	**248,440**	254,863	273,787
Surplus	**74,394**	49,048	75,367
Unrecognized actuarial loss	**57,855**	87,012	70,091
Net pension plan assets	**₱132,249**	₱136,060	₱145,458

Plan assets cannot be returned to the Company, RLC and RHI unless on circumstances discussed in Note 2.

The movements in the defined benefit obligation are as follows:

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)
		(In Thousands)	
Beginning of year	**₱205,815**	₱198,420	₱127,998
Current service cost	**2,866**	10,960	7,250
Interest cost	**3,862**	16,619	12,675
Benefits paid	**(38,497)**	(34,520)	–
Actuarial loss	–	14,336	50,497
End of year	**₱174,046**	₱205,815	₱198,420

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

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	June 30 2010 (One Year)
		(In Thousands)	
Beginning of year	**₱254,863**	₱273,787	₱274,708
Expected return on plan assets	**3,805**	18,572	16,482
Contributions	**495**	3,224	2,481
Benefits paid	**(38,497)**	(34,520)	–
Actuarial gain (loss)	**27,774**	(6,200)	(19,884)
End of year	**₱248,440**	₱254,863	₱273,787

Plan assets of the Company, RLC and RHI consist of:

	September 30, 2011		June 30 2011		June 30 2010	
	Percentage	**Amount *(In Thousands)***	Percentage	Amount *(In Thousands)*	Percentage	Amount *(In Thousands)*
Stocks and other securities	**56%**	**₱139,079**	53%	₱134,179	49%	₱133,277
Government securities	**19%**	**45,637**	22%	56,622	18%	48,486
Cash and cash equivalents	**23%**	**58,349**	23%	58,619	29%	78,969
Receivables	**2%**	**5,433**	2%	6,550	4%	13,055
Liabilities	**–**	**(58)**	–	(1,107)	–	–
	100%	**₱248,440**	100%	₱254,863	100%	₱273,787

The Company and RLC are expected to contribute a total of ₱2.0 million to their respective funds for the year 2012, while RHI has no expected contribution for the same period.

As of September 30, 2011 and June 30, 2011 and 2010, pension plan assets of RHI, which are managed by a trustee, include investments in equity securities of RHI with a fair value amounting to ₱96.2 million, ₱86.6 million and ₱89.9 million, respectively.

Net Pension Benefit Obligation

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

CADPI also maintains a 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.

FHPMC, on the other hand, provides for the estimated retirement benefits of qualified employees as required under Republic Act (R.A.) No. 7641. In the absence of a formal retirement plan, under the R.A. 7641, an employee who retires shall be entitled to retirement pay equivalent to at least one-half month salary of every year of service, a fraction of at least six months being considered as one whole year.

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

	September 30,	June 30	
	2011	2011	2010
		(In Thousands)	
Present value of obligation	**₱422,799**	₱446,743	₱423,920
Fair value of plan assets	**356,957**	387,704	334,273
Deficit	**65,842**	59,039	89,647
Unrecognized actuarial loss	**(64,552)**	(56,662)	(48,550)
Net pension benefit obligation	**₱1,290**	₱2,377	₱41,097

The movements in the defined benefit obligation are as follows:

	September 30,	June 30	
	2011	2011	2010
	(Three Months)	(One Year)	(One Year)
		(In Thousands)	
Beginning of year	**₱446,743**	₱423,920	₱376,537
Current service cost	**5,856**	22,248	19,093
Interest cost	**9,055**	38,890	39,443
Benefits paid	**(43,156)**	(59,413)	(64,481)
Curtailment gain	**–**	2,199	–
Actuarial loss	**4,301**	17,680	53,328
Additions arising from acquisition of a subsidiary (Notes 2 and 9)	**–**	1,219	–
End of year	**₱422,799**	₱446,743	₱423,920

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

	September 30,	June 30	
	2011	2011	2010
	(Three Months)	(One Year)	(One Year)
		(In Thousands)	
Beginning of year	**₱387,704**	₱334,273	₱261,780
Expected return on plan assets	**5,953**	20,915	16,901
Contributions	**9,541**	82,277	106,877
Benefits paid	**(41,998)**	(59,413)	(64,481)
Actuarial gain	**(4,243)**	9,652	13,196
End of year	**₱356,957**	₱387,704	₱334,273

Plan assets of CACI and CADPI consist of:

	September 30, 2011		June 30, 2011		June 30, 2010	
	Percentage	**Amount *(In Thousands)***	Percentage	Amount *(In Thousands)*	Percentage	Amount *(In Thousands)*
Stocks and other securities	**68%**	**₱240,979**	59%	₱228,012	57%	₱190,662
Government securities	**4%**	**12,638**	3%	12,598	6%	20,583
Cash and cash equivalents	**8%**	**32,428**	11%	43,396	12%	40,125
Receivables	**20%**	**69,838**	27%	102,485	25%	84,934
Prepayments	**–**	**1,267**	–	1,387	1%	1,868
Liabilities	**–**	**(193)**	–	(174)	(1%)	(3,899)
	100%	**₱356,957**	100%	₱387,704	100%	₱334,273

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

<u>Pension Costs</u>
The consolidated pension costs recognized follow:

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	June 30 2010 (One Year)	June 30 2009 (One Year)
			(In Thousands)	
Current service cost	**₱8,650**	₱33,208	₱26,343	₱26,134
Interest cost	**12,917**	55,509	52,118	53,123
Expected return on plan assets	**(9,758)**	(39,487)	(33,383)	(42,802)
Actuarial loss (gain) recognized during the year	**2,037**	3,532	(525)	(989)
Curtailment loss (gain)	**–**	2,199	–	(2,704)
Amortization of net transitional liability	**–**	–	32,765	32,902
	₱13,846	₱54,961	₱77,318	₱65,664

The actual return on plan assets amounted to ₱8.4 million, ₱24.3 million and ₱26.7 million for the three months ended September 30, 2011 and for the years ended June 30, 2011 and 2010, 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 as of July 1 of each year follow:

	2010	2009	2008
Discount rate	5% to 9%	7% to 19%	10%
Expected return on plan assets	4% to 7%	5% to 8%	7% to 9%
Future salary increases	5% to 8%	5%	8%

As of September 30, 2011, the assumptions used are discount rate per annum of 3% to 11%, expected return on plan assets of 4% to 7% and future salary increase rate of 5 to 6%.

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, 2011	June 30 2011	2010	2009	2008
		(In Thousands)			
Present value of obligation	**₱596,845**	₱652,559	₱622,340	₱504,535	₱501,459
Plan assets	**605,397**	642,568	608,060	536,488	494,176
Deficit (surplus)	**(8,551)**	9,991	14,280	(31,953)	7,283
Experience adjustments on plan assets - loss (gain)	**62**	(13,312)	–	22,692	(5,932)
Experience adjustments on plan obligation - gain (loss)	**(60)**	(23,794)	(25,025)	120	(2,538)

Transitional Liability

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

Present value of the obligation at the date of adoption	₱333,645
Fair value of plan assets at the date of adoption	(153,303)
Transitional liability	180,342
Pension liability already recognized	(17,207)
Increase in net pension liability	₱163,135

The Group recognizes the increase in net pension liability as an expense on a straight-line basis over a period of five years from July 1, 2005, as allowed under PAS 19. The amortization recognized amounts to ₱32.6 million each year until 2010.

18. Commitments and Contingencies

The Company

Land Properties Subjected to CARL

The Comprehensive Agrarian Reform Law (CARL) provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOAs) covering 2,676 hectares of the Company's three haciendas - Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOAs. On December 17, 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three haciendas. The High Tribunal ruled that the Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Company filed with the DAR an application for CARL exemption of its three Haciendas in Nasugbu. This exemption application was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu as a Tourist Zone. The Company likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

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

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

In total, there are about 235 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARL, including the 21-hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GRN 169331.

<u>RHI and its Subsidiaries</u>

a. CACI and CADPI (the "Mills") have milling contracts with the planters which provide for a 65% and 35% sharing between the planters and Mills, respectively, of sugar, molasses and other sugar cane by-products, except bagasse, produced every crop year.

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

	September 30, 2011		June 30, 2011		June 30, 2010	
	Total volume (In thousands) (Lkg*)	**Estimated market value *(In Millions)***	Total volume (In thousands) (Lkg*)	Estimated market value *(In Millions)*	Total volume (In thousands) (Lkg*)	Estimated market value *(In Millions)*
Raw sugar	**550**	**₱744**	1,548	₱2,135	387	₱707
Refined sugar	**309**	**675**	612	1,481	506	1,264
	859	**₱1,419**	2,160	₱3,616	893	₱1,971

**Equivalent to 50 kilogram bag per 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 trusteed sugar or their sales proceeds.

c. CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of September 30, 2011 and June 30, 2011 and 2010, CADPI has outstanding sales contracts for refined sugar with a total value of ₱1,478.6 million, ₱2,035.1 million and ₱1,441.6 million, equivalent to 571,635 Lkg, 784,673 Lkg and 744,382 Lkg, respectively.

   CADPI received cash deposits from customers for the above transactions as of September 30, 2011 and June 30, 2011 and 2010, which will be applied against future deliveries of sugar and molasses. These deposits are classified as current liabilities (see Note 14).

d. CADPI entered into agreements as follows:

   (i) Lease of offsite warehouse for a period of one year renewable at the option of CADPI, as lessee, through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to ₱0.1 million for the three months ended September 30, 2011 and ₱0.4 million each of the years ended June 30, 2011, 2010 and 2009, respectively.

   (ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations amounted to ₱126.6 million, ₱105.5 million and ₱112.0 million in June 30, 2011, 2010 and 2009, respectively.

e. CADPI entered into an indemnity and guarantee fee agreement with RHI to continue to be an MTI between and among CADPI, RHI and BPI. RHI conveyed unto BPI as mortgage trustee its land located in Nasugbu, Batangas (mortgaged property) (see Note 15). RHI agreed to continue to subject the mortgaged property to the MTI on the following conditions:

   (i) CADPI shall protect the property and reimburse RHI with all expenses in case the mortgaged property is attached to satisfy the obligations of CADPI secured by the MTI; and

   (ii) A guarantee/mortgage fee of ₱3.0 million shall be paid annually by CADPI to compensate RHI for the continuance of the mortgage.

   This guarantee fee agreement expired in April 2009.

f. On January 14, 2009, RBC and World Bank signed a $3.2 million Emission Reduction Purchase Agreement (ERPA) for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year and has a crediting period of 10 years starting 2010.

   As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance RBC's community development projects.

g. There are pending legal cases in the ordinary course of RHI and its subsidiaries business as at September 30, 2011 and June 30, 2011 and 2010, but in the opinion of management and legal counsel, the ultimate outcome of these cases will not have a material impact on the financial position and results of operations of the Group. Consequently, no provision related to these legal cases was made for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009.

h. As of September 30, 2011 and June 30, 2011 and 2010, the Group has unused lines of credit from local banks amounting to ₱862.0 million, ₱745.0 million and ₱2,814.0 million, respectively (see Notes 12 and 15).

<u>RLC</u>

Joint Venture
On December 2, 2009, RLC entered into a joint venture agreement with VJ Properties, Inc. (VJPI) for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to

the project. In return for their respective contributions, the parties agreed to distribute and allocate among themselves the developed saleable lots and villas. Total costs incurred for the project as of September 30, 2011 and June 30, 2011 and 2010 amounted to ₱26.2 million, ₱22.83 million and ₱7.56 million, respectively, and are presented as part of "Raw land and land improvements" under "Real estate for sale and development" in the consolidated balance sheets (see Note 7).

19. **Revenue**

	September 30, 2011 (Three months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
			(In Thousands)	
Refined sugar	**₱762,580**	₱3,770,277	₱3,716,206	₱3,304,300
Raw sugar	**549,454**	3,533,816	1,853,949	1,909,110
Alcohol	**63,400**	39,096	–	–
Tolling fees	**22,767**	218,276	290,268	356,464
Sale of real estate	**18,452**	68,429	86,186	67,726
Molasses	**3,753**	315,569	318,235	293,450
Others	**5,395**	32,863	24,309	1,556
	₱1,425,801	₱7,978,326	₱6,289,153	₱5,932,606

20. **Cost of Goods Sold**

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
			(In Thousands)	
Net changes in inventories (Note 6)	**₱874,050**	(₱1,014,375)	(₱347,547)	(₱308,469)
Purchased sugar (Note 6)	**404,781**	4,813,283	2,776,875	2,810,452
Direct labor (Note 22)	**84,731**	355,642	373,027	347,907
Cost of transporting cane to mill (Notes 6 and 18)	**13,740**	1,124,367	641,979	618,205
Tolling fees	**–**	3,796	12,086	22,041
Manufacturing overhead:				
Depreciation (Note 11)	**157,538**	525,964	381,961	274,204
Repairs and maintenance	**78,138**	376,137	372,401	358,433
Materials and consumables	**32,805**	238,264	266,560	256,805
Manufacturing overhead:				
Taxes and licenses	**29,533**	146,879	120,566	104,243
Fuel and oil	**29,190**	423,573	408,900	250,963
Outside services	**24,607**	129,120	113,089	103,107
Communication, light and water	**22,560**	71,840	58,461	44,472
Rent (Note 18)	**4,762**	72,182	73,748	50,399
Others	**7,833**	52,561	38,186	29,831

(Forward)

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
			(In Thousands)	
Provision for inventory losses and obsolescence (Note 6)	**₱78,794**	₱364,556	₱12,449	₱16,544
Cost of real estate sales	**11,493**	43,432	52,769	44,924
	₱1,854,555	₱7,727,221	₱5,355,510	₱5,024,061

21. **General and Administrative Expenses**

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
			(In Thousands)	
Salaries, wages and other employee benefits (Notes 17 and 22)	**₱75,485**	₱271,565	₱267,421	₱221,802
Outside services	**17,179**	46,453	96,228	92,647
Taxes and licenses	**14,295**	63,246	73,618	83,495
Depreciation (Note 11)	**13,585**	24,520	27,183	29,810
Insurance	**12,178**	36,898	25,534	30,570
Materials and consumables	**7,315**	39,597	39,297	31,829
Rent (Note 18)	**5,601**	24,820	17,219	25,308
Travel and transportation	**4,673**	19,737	23,196	25,765
Communication, light and water	**2,848**	11,684	10,596	12,507
Provision for impairment of receivables and unrecoverable creditable withholding taxes (Notes 5 and 8)	**2,511**	603	5,945	9,832
Repairs and maintenance	**1,885**	14,424	15,449	18,950
Representation and entertainment	**1,363**	8,005	9,512	6,193
Corporate social responsibility	**770**	5,933	8,018	8,126
Others	**19,575**	69,808	96,653	49,515
	₱179,263	₱637,293	₱715,869	₱646,349

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

22. Salaries, Wages and Employee Benefits

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
			(In Thousands)	
Salaries and wages (Notes 20 and 21)	**₱92,816**	₱375,046	₱393,153	₱362,871
Allowances and other employee benefits (Notes 20 and 21)	**53,552**	197,200	169,977	141,175
Pension costs (Note 17)	**13,848**	54,961	77,318	65,664
	₱160,216	₱627,207	₱640,448	₱569,710

23. Other Income - Net

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
			(In Thousands)	
Recovery from insurance claim	**₱27,650**	₱24,688	₱141,341	₱–
Foreign exchange gains (losses) - net	**4,793**	(5,258)	2,720	9,038
Sugar and molasses handling fees	**1,640**	3,261	20,481	8,216
Sale of scrap	**1,201**	37,769	58,013	20,632
Gain (loss) or disposal of property and equipment and investment properties	**(13,981)**	(7,782)	972	(10,987)
Others	**29,206**	33,668	68,242	33,653
	₱50,509	₱86,346	₱291,769	₱60,552

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

24. Income Taxes

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

	September 30, 2011		June 30, 2011		June 30, 2010	
	Net Deferred Income Tax Assets[(1)]	**Net Deferred Income Tax Liabilities [(2)]**	Net Deferred Income Tax Assets[(1)]	Net Deferred Income Tax Liabilities [(2)]	Net Deferred Income Tax Assets[(3)]	Net Deferred Income Tax Liabilities [(4)]
			(In Thousands)			
Deferred income tax assets on:						
Allowance for:						
Impairment of receivables (Note 5)	**₱933**	**₱5,772**	₱933	₱5,772	₱–	₱6,705
Sugar inventory losses (Note 6)	–	–	–	5,475	–	–
Inventory obsolescence (Note 6)	–	**12,603**	–	7,128	783	7,951

(Forward)

	September 30, 2011		June 30, 2011		June 30, 2010	
	Net Deferred Income Tax Assets[1]	Net Deferred Income Tax Liabilities [2]	Net Deferred Income Tax Assets[1]	Net Deferred Income Tax Liabilities [2]	Net Deferred Income Tax Assets[3]	Net Deferred Income Tax Liabilities [4]
			(In Thousands)			
Impairment of investment in shares of stock of associates (Note 9)	₱1,384	₱–	₱1,384	₱–	₱–	₱1,384
Pension benefit obligation (Note 17)	–	–	–	–	–	11,332
Unamortized past service cost	295	57,933	285	60,772	–	62,541
Unrealized foreign exchange loss	(7)	–	56	–	–	69
Unrealized gross profit on inventory	–	14,658	–	14,657	–	–
NOLCO	–	7,364	–	13,430	4,194	19,862
Excess MCIT	–	4,253	–	4,762	–	6,895
	2,605	102,583	2,658	111,996	4,977	116,739
Deferred income tax liabilities on:						
Revaluation increment on properties (Note 25)	–	(696,231)	–	(696,231)	–	(627,498)
Unamortized capitalized interest (Note 11)	–	(143,087)	–	(146,300)	–	(157,248)
Pension plan assets (Note 17)	(824)	(38,850)	(828)	(39,989)	–	(43,638)
Unamortized debt arrangement fees (Note 15)	–	–	–	–	–	(10,708)
Unrealized foreign exchange gain	–	–	–	(12)	–	–
Taxable temporary difference arising from use of the installment method of revenue recognition for tax reporting	319	–	(627)	–	–	(1,416)
Unrealized fair value gains on investment property (Note 10)	(1,033)	(277,508)	(1,033)	(277,508)	–	(278,105)
Unrealized share in fair value reserve of an associate (Note 9)	–	(171)	–	(171)	–	(171)
	(1,538)	(1,155,847)	(2,488)	(1,160,211)	–	(1,118,784)
Net deferred income tax assets (liabilities)	₱1,067	(₱1,053,264)	₱170	(₱1,048,215)	₱4,977	(₱1,002,045)

(1) Pertain to RLC
(2) Pertain to the Company, RHI, CADPI, CACI and NAVI
(3) Pertain to CFSI
(4) Pertain to the Company, RLC, RHI, CADPI, CACI, RBC and NAVI
(5) Pertain to RLC
(6) Pertain to the Company, RHI, CADPI, CACI and NAVI

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

NOLCO

Incurred in	Amount	Applied	Expired	Balances as of September 30	Tax Effect	Available Until
			(In Thousands)			
June 30, 2009	₱137,740	(₱28,942)	(₱108,798)	₱–	₱–	September 30, 2011
June 30, 2010	165,274	(16,882)	–	148,392	44,518	September 30, 2012
June 30, 2011	389,152	–	–	389,152	116,746	September 30, 2013
September 30, 2011	893,801	–	–	893,801	268,140	September 30, 2014
	₱1,585,967	(₱45,824)	(₱108,798)	₱1,431,345	₱429,404	

MCIT

Incurred in	Amount	Applied	Expired	Balances as of September 30	Available Until
		(In Thousands)			
June 30, 2009	₱1,422	₱–	(₱1,422)	₱–	September 30, 2011
June 30, 2010	6,354	(4,701)	–	1,653	September 30, 2012
June 30, 2011	9,175	–	–	9,175	September 30, 2013
September 30, 2011	1,005	–	–	1,005	September 30, 2014
	₱17,956	(₱4,701)	(₱1,422)	₱11,833	

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

	September 30, 2011	June 30 2011	June 30 2010
		(In Thousands)	
NOLCO	**₱1,406,798**	₱587,048	₱271,784
MCIT	**7,580**	8,483	1,217
Provision for sugar losses	**88,745**	346,306	–
Provision for inventory obsolescence	**15,162**	5,500	–
Pension benefit obligation	**–**	2,377	3,325
Allowance for impairment of receivables	**3,503**	3,234	1,405
Allowance for impairment of shares of stock of associates	**10,620**	10,620	10,620

Deferred income tax assets pertaining to NOLCO, excess MCIT and other deductible temporary differences amounting to ₱331.4 million, ₱295.0 million and ₱87.3 million as of September 30, 2011, June 30, 2011 and 2010, respectively, were not recognized as management believes that it may not be probable that sufficient future taxable profits will be available against which the NOLCO, excess MCIT and other deductible temporary differences can be utilized.

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

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	June 30 2010 (One Year)	June 30 2009 (One Year)
			(In Thousands)	
Provision for (benefit from) income tax at statutory rates	**(₱231,857)**	(₱233,496)	₱89,957	₱73,988
Adjustments resulting from:				
Application of deductible temporary differences and NOLCO for which no deferred income tax assets were previously recognized	**(52,651)**	(1,818)	(1,359)	3,394

(Forward)

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 One Year)	2009 (One Year)
			(In Thousands)	
Expiration of excess MCIT credits	**₱1,256**	₱411	₱–	₱–
Unrecognized deferred income tax assets arising from deductible temporary differences and NOLCO	**282,733**	287,410	44,234	18,770
Capital gains tax on sale of subsidiaries (Note 1)	**–**	–	–	106,328
Tax effects of:				
Equity in net loss (earnings) of associates (Note 9)	**5,395**	(54,005)	(43,381)	(26,785)
Depreciation on appraisal increase	**–**	–	952	6,190
Interest and dividend income subjected to final tax	**(101)**	(185)	(563)	(1,265)
Effect of change in future income tax rates applied on deferred income tax assets and liabilities	**–**	–	–	2,520
Others	**382**	6,034	1,097	4,829
Provision for income tax	**₱5,157**	₱4,351	₱90,937	₱187,969

25. **Equity**

a. Share capital

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

	Number of shares	Amount
Authorized common shares "Class A" at ₱1 par value each	3,375,000,000	₱3,375,000,000
Issued and outstanding common shares "Class A" at ₱1 par value each	2,911,885,869	₱2,911,885,869

To effect the merger (see Note 1), the authorized capital stock increased from ₱1,962.5 million to ₱3,375.0 million. Further, the issued and outstanding share capital increased from ₱1,545.9 million to ₱2,911.9 million in 2009.

b. Share premium and revaluation increment on properties

In 2002, RHI 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 RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI.

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CCSI and CFSI for ₱1.3 billion of CADPGC's common shares with a par value of ₱1 per share for ₱2.0 billion, the cost of investments in RHI's books immediately before the transfer. CADPGC recorded a premium of ₱596.8 million and set-up share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's ownership interest in CADPGC increased and CADPI, CCSI and CFSI became 100%-owned subsidiaries of CADPGC.

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

c. Restructuring on equity

As discussed in Note 1, CADPGC and RCI have undertaken a merger effective June 29, 2009, with CADPGC as the surviving entity. The transaction was accounted for under pooling of interests and as such, comparative balances were presented as if the combining entities have always been combined. As a result, RCI's investment in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury shares. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under "Other equity reserve" which amounted to ₱4.0 billion in 2009.

The Group opted to transfer the balance of the "Other equity reserve" arising from the merger between RCI and CADPGC as discussed in the preceding paragraph to retained earnings as management believes that such transfer of the "Other equity reserve" arising from the merger will result to a more useful and relevant financial statements.

d. Retained earnings

Restricted retained earnings
Retained earnings that are not available for dividend declaration as of June 30 are as follows:

	September 30, 2011	June 30 2011	2010	2009
			(In Thousands)	
Application of revaluation increment against deficit	**₱203,075**	₱203,075	₱203,075	₱203,075
Unrealized fair value gains on investment properties	**19,459**	19,459	19,459	19,459
	₱222,534	₱222,534	₱222,534	₱222,534

On October 14, 1999, the Philippine SEC approved the Company's quasi-reorganization which involved the elimination of deficit amounting to ₱203.1 million as of July 31, 1999 by offsetting the entire amount against the revaluation increment on land. For purposes of dividend declaration, the retained earnings of the Company shall be restricted to the extent of the deficit wiped out by the appraisal increment.

For purposes of dividend declaration, the retained earnings of the Company shall be restricted to the extent of the appraisal increase on investment properties that was closed to retained earnings, net of the debit balance of "Other equity reserve".

Further, unrestricted retained earnings include accumulated earnings of consolidated subsidiaries and unconsolidated associates amounting to ₱781.2 million and ₱1,249.7 million as of June 30, 2011 and 2010, respectively, which are not available for distribution to the Company's stockholders unless received as cash dividends from investees.

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

Date Approved	Per Share	Total Amount	Date Paid/Issued
December 9, 2008	₱0.04	10,000,000	December 15, 2008
September 30, 2008	0.06	15,000,000	September 30, 2008

No dividends were declared by the Company in 2011 and 2010.

As of September 30, 2011 and June 30, 2011 and 2010, outstanding dividends payable amounted to ₱4.5 million pertaining to the dividend declaration in 2009.

e. Share Prices

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

Quarter	High	Low
July 2011 through September 2011	₱1.11	₱1.10
July 2010 through June 2011		
First	0.95	0.95
Second	1.64	0.95
Third	1.40	1.11
Fourth	1.12	1.11
July 2009 through June 2010		
First	2.20	1.70
Second	2.06	1.80
Third	1.80	1.08
Fourth	1.58	0.95
July 2008 through June 2009		
First	1.76	1.74
Second	2.75	2.75
Third	1.68	1.68
Fourth	1.70	1.70

26. Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share (ELPS) are computed as follows:

	September 30, 2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)	2009 (One Year)
		(In Thousands except ELPS)		
Net income (loss) attributable to the equity holders of the Company	**(₱513,262)**	(₱525,970)	₱99,639	(₱2,336)
Weighted average number of shares issued and outstanding	**2,911,886**	2,911,886	2,911,886	2,911,886
Basic/diluted earnings (loss) per share	**(₱0.18)**	(₱0.18)	₱0.03	(₱0.001)

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

27. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the three months ended September 30, 2011 and years ended June 30, 2011, 2010 and 2009.

Management considers the total consolidated equity reflected in the consolidated balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, DSCR and debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following financial ratios:

	September 30, 2011	June 30 2011	2010
	(In Thousands except ratio)		
Total liabilities	**₱11,625,707**	₱12,201,107	₱10,634,644
Total equity	**9,028,380**	9,806,393	10,424,438
Total liabilities and equity	**₱20,654,087**	₱22,007,500	₱21,059,082
Debt-to-equity ratio	**1.29:1:00**	1.24:1.00	1.02:1.00

28. **Financial Instruments**

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise cash and short-term placements, trade receivables and accounts payable and accrued expenses, which arise directly from its operations. The Group has other financial instruments such as due from and to related parties, due from employees, short and long-term borrowings and dividends payable.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk and foreign currency risk. The Group monitors the market price risk arising from all financial instruments. The Group is also exposed to commodity price risk. Risk management is carried out by senior management under the guidance and direction of the BOD of the 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 18).

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management as of September 30, 2011 and June 30, 2011 and 2010:

	September 30, 2011						
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
				(In Thousands)			
Short-term borrowings*	**₱68,000**	**₱2,767,302**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,835,302**
Accounts payable and accrued expenses**	**288,586**	**258,384**	**–**	**–**	**–**	**–**	**546,970**
Advances from related parties	**50,591**	**–**	**–**	**–**	**–**	**–**	**50,591**
Dividends payable	**20,517**	**–**	**–**	**–**	**–**	**–**	**20,517**
Current portion of long-term borrowings	**934,641**	**–**	**–**	**–**	**–**	**–**	**934,641**
Noncurrent portion of long-term borrowings presented as current	**5,928,865**	**–**	**–**	**–**	**–**	**–**	**5,928,865**
	₱7,291,200	**₱3,025,686**	**₱–**	**₱–**	**₱–**	**₱–**	**₱10,316,886**
Cash in bank and short-term placements	**₱357,131**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱357,131**
Trade receivables***	**47,232**	**313,711**	**16,880**	**–**	**–**	**–**	**377,823**
Due from related parties	**84,502**	**–**	**–**	**–**	**–**	**–**	**84,502**
Due from employees****	**11,801**	**17,544**	**4,202**	**–**	**–**	**–**	**33,547**
Other receivables	**47,795**	**5,662**	**–**	**–**	**–**	**1,330**	**54,787**
Available-for-sale financial assets - unquoted equity investments	**8,229**	**–**	**–**	**–**	**–**	**–**	**8,229**
	₱556,690	**₱336,917**	**₱21,082**	**₱–**	**₱–**	**₱1,330**	**₱916,019**

* *Includes expected interest payments for short-term borrowings of ₱4.3 million.*
** *Excludes payable to government agencies amounting to ₱84.2 million.*
*** *Includes noncurrent portion of installment contract receivables amounting to ₱16.9 million.*
**** *Includes noncurrent portion of due from employees of ₱4.2 million and excludes nonfinancial assets of ₱9.1 million.*

	June 30, 2011						
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
				(In Thousands)			
Short-term borrowings*	₱–	₱3,293,676	₱–	₱–	₱–	₱–	₱3,293,676
Accounts payable and accrued expenses**	424,775	87,131	–	–	–	–	511,906
Advances from related parties	46,356	–	–	–	–	–	46,356
Dividends payable	20,522	–	–	–	–	–	20,522
Noncurrent portion of long-term borrowings presented as current*	7,060,334	10,328	16,522	16,522	–	–	7,103,706
	₱7,551,987	₱3,391,135	₱16,522	₱16,522	₱–	₱–	₱10,976,166
Cash in bank and short-term placements	₱401,336	₱–	₱–	₱–	₱–	₱–	₱401,336
Trade receivables***	116,668	421,091	24,707	–	–	–	562,466
Due from related parties	6,996	75,725	–	–	–	–	82,721
Due from employees****	552	29,859	3,999	–	–	–	34,410
Other receivables	2,909	29,222	–	–	–	–	32,131
Available-for-sale financial assets - unquoted equity investments	8,229	–	–	–	–	–	8,229
	₱536,690	₱555,897	₱28,706	₱–	₱–	₱–	₱1,121,293

* *Includes expected interest payments for short-term and long-term borrowings of ₱7.2 million and ₱7.0 million, respectively.*
** *Excludes payable to government agencies amounting to ₱52.1 million.*
*** *Includes noncurrent portion of installment contract receivables amounting to ₱24.7 million.*
**** *Includes noncurrent portion of due from employees of ₱4.0 million and excludes nonfinancial assets of ₱9.7 million.*

	June 30, 2010						
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
				(In Thousands)			
Short-term borrowings*	₱–	₱2,513,435	₱–	₱–	₱–	₱–	₱2,513,435
Accounts payable and accrued expenses**	544,035	42,290	–	–	–	–	586,325
Due to related parties	49,791	5,775	–	–	–	–	55,566
Dividends payable	20,565	–	–	–	–	–	20,565
Long-term borrowings-net of current portion*	–	603,889	1,517,200	2,741,784	1,149,119	2,560,478	8,572,470
	₱614,391	₱3,165,389	₱1,517,200	₱2,741,784	₱1,149,119	₱2,560,478	₱11,748,361
Cash in bank and short-term placements	₱234,577	₱–	₱–	₱–	₱–	₱–	₱234,577
Trade receivables***	126,480	567,009	36,206	–	–	–	729,695
Due from related parties	37,388	95,226	–	–	–	–	132,614
Due from employees****	618	35,887	4,823	–	–	–	41,328
Other receivables*****	9,429	19,950	4,032	–	–	–	33,411
Available-for-sale financial assets - unquoted equity investments	8,229	–	–	–	–	–	8,229
	₱416,721	₱718,072	₱45,061	₱–	₱–	₱–	₱1,179,854

* *Includes expected interest payments for short-term and long-term borrowings of ₱11.0 million and ₱2,371.2 million, respectively.*
** *Excludes payable to government agencies amounting to ₱75.0 million.*
*** *Includes noncurrent portion of installment contract receivables amounting to ₱36.2 million.*
**** *Includes noncurrent portion of due from employees of ₱4.8 million and excludes nonfinancial assets of ₱1.6 million.*
***** *Includes noncurrent portion of other receivables amounting to ₱4.0 million and excludes nonfinancial assets of ₱1.7 million.*

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

Concentration of credit risk with respect to trade receivables relating to sugar operations 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. There is no concentration of credit risk with respect to receivables relating to real estate sales.

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 as of June 30 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, 2011	June 30 2011	June 30 2010
		(In Thousands)	
Cash in banks and short-term placements	**₱357,131**	₱401,336	₱234,577
Trade receivables	**377,823**	562,466	729,695
Due from related parties	**84,502**	82,721	132,614
Due from employees	**33,547**	34,410	41,328
Others receivables	**54,787**	32,131	33,411
Available-for-sale financial assets	**8,229**	8,229	8,229
	₱916,019	₱1,121,293	₱1,179,854

Collaterals and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Credit quality per class of financial assets

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

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts:

	September 30, 2011							
	Neither past due nor impaired			**Past due but not impaired**			**Impaired**	
	High Grade	**Standard Grade**	**Substandard Grade**	**Over 30 Days**	**Over 90 Days**	**Over 180 Days**	**Financial Assets**	**Total**
				(In Thousands)				
Cash in bank and short-term placements	**₱351,895**	**₱5,236**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱357,131**
Trade receivables	**160,857**	**101,800**	**–**	**92,688**	**5,314**	**17,164**	**3,721**	**381,544**
Due from related parties	**84,410**	**92**	**–**	**–**	**–**		**3,110**	**87,612**
Due from employees	**11,834**	**21,514**	**–**	**3**	**4**	**192**	**1,342**	**34,889**
Other receivables	**45,270**	**5,369**	**–**	**414**	**534**	**3,200**	**9,645**	**64,432**
Available-for sale financial assets - unquoted equity investments	**–**	**–**	**8,229**	**–**	**–**	**–**	**–**	**8,229**
Total	**₱654,266**	**₱134,011**	**₱8,229**	**₱93,105**	**₱5,852**	**₱20,556**	**₱17,818**	**₱933,837**

	June 30, 2011							
	Neither past due nor impaired			Past due but not impaired			Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Financial Assets	Total
				(In Thousands)				
Cash in bank and short-term placements	₱396,972	₱4,364	₱–	₱	₱–	₱–	₱–	₱401,336
Trade receivables	281,628	70,741	–	133,651	40,559	35,887	3,452	565,918
Due from related parties	23,129	–	–	–	–	59,592	3,110	85,831
Due from employees	3,930	30,435	–	–	–	45	1,276	35,686
Other receivables	2,594	27,280	–	308	203	1,746	9,643	41,774
Available-for sale financial assets - unquoted equity investments	–	–	8,229	–	–	–	–	8,229
Total	₱708,253	₱132,820	₱8,229	₱133,959	₱40,762	₱97,270	₱17,481	₱1,138,774

	June 30, 2010							
	Neither past due nor impaired			Past due but not impaired			Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Financial Assets	Total
				(In Thousands)				
Cash in bank and short-term placements	₱232,754	₱1,823	₱–	₱–	₱–	₱–	₱–	₱234,577
Trade receivables	178,799	467,373	–	27,844	39,932	15,747	2,915	732,610
Due from related parties	59,689	20,212	–	–	–	52,713	3,110	135,724
Due from employees	370	40,797	–	64	28	69	1,276	42,604
Other receivables	20,170	2,192	2,581	6,089	496	1,883	8,764	42,175
Available-for sale financial assets - unquoted equity investments	–	–	8,229	–	–	–	–	8,229
Total	₱491,782	₱532,397	₱10,810	₱33,997	₱40,456	₱70,412	₱16,065	₱1,195,919

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 ₱1.5 million, ₱2.0 million and ₱9.8 million in for the years ended June 30, 2011, 2010 and 2009, respectively. No impairment loss was recognized for the three months ended September 30, 2011.

Commodity price risk
The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

The Group's sales commitments are contracted at fixed prices and, thus, have no impact on the consolidated cash flows in the next 12 months.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

As of September 30, 2011 and June 30, 2011 and 2010, the Group is exposed to fair value interest rate risk arising from its fixed rate long-term borrowings, which were originally issued at variable rates (see Note 15). Borrowings issued at fixed rate expose the Group to fair value interest rate risk.

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 is exposed to foreign currency risk relating to its US$-denominated cash in banks 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 cash in banks and cash equivalents as of September 30, 2011 and June 30, 2011 and 2010 amounted to US$2.4 million, US$0.5 million and US$0.4 million, respectively. As of September 30, 2011 and June 30, 2011, 2010 and 2009, the exchange rates were ₱43.72, ₱43.33, ₱46.37 and ₱48.10 per US$1.00, respectively.

Net foreign exchange gains or losses recognized in the consolidated statements of income amounted to ₱4.8 million gain, ₱5.3 million loss and ₱2.7 million gain for the three months ended September 30, 2011 and years ended June 30, 2011 and 2010, respectively (see Note 23).

The following table demonstrates the sensitivity to a reasonable possible change in exchange rate of the US$ against the Peso, with all other variables held constant, of the Group's consolidated statement of income:

	Movement in US$-Philippine peso exchange rates	Effect on income (loss) before income tax
		(In Thousands)
September 30, 2011 (One Year)	**+4.45%**	**(₱6,067)**
	-4.45%	**6,067**
June 30, 2011 (Three Months)	+3.75%	(4,008)
	-3.75%	4,008
June 30, 2010 (Three Months)	+8.35%	8,924
	-8.35%	(8,924)

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

Fair Values

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

	September 30, 2011		June 30			
			2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
			(In Thousands)			
Financial Assets						
Cash on hand	**₱2,051**	**₱2,051**	₱1,943	₱1,943	₱2,037	₱2,037
Loans and receivables:						
Cash in banks and short-term placements	**357,131**	**357,131**	401,336	401,336	234,577	234,577
Trade receivables	**377,823**	**377,823**	562,466	562,466	729,695	729,695
Due from related parties	**84,502**	**84,502**	82,721	82,721	132,614	132,614
Due from employees	**33,547**	**33,547**	34,410	34,410	41,328	41,328
Other receivables	**54,787**	**54,787**	32,131	32,131	33,411	33,411
Available-for-sale financial assets	**8,229**	**8,229**	8,229	8,229	8,229	8,229
	₱918,070	**₱918,070**	₱1,123,236	₱1,123,236	₱1,181,891	₱1,181,891
Financial Liabilities:						
Other financial liabilities:						
Short-term borrowings	**₱2,831,000**	**₱2,831,000**	3,286,500	3,286,500	2,502,404	2,502,404
Accounts payable and accrued expenses	**546,970**	**546,970**	511,906	511,906	586,325	586,325
Due to related parties	**50,591**	**50,591**	46,356	46,356	55,566	55,566
Dividends payable	**20,517**	**20,517**	20,522	20,522	20,565	20,565
Long-term borrowings	**6,863,506**	**6,863,506**	7,096,714	7,096,714	6,201,308	6,209,417
	₱10,312,584	**₱10,312,584**	₱10,961,998	₱10,961,998	₱9,366,168	₱9,374,277

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 from and to 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 their fair values due to their short-term maturities.

Available-for-sale financial assets. These are unquoted equity instruments carried at cost, subject to impairment, since the fair value cannot be determined reliably.

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

The Group's financial instruments recorded at fair value have the following hierarchy levels:

- Level 1 - at quoted prices in active markets;
- Level 2 - at inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - at inputs that are not based on observable market data.

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

29. Segment Reporting

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

a. The Company

   The Company owns various tracts of lands in Nasugbu, Batangas. These investment properties can be sold directly to a developer, or contributed to a joint venture for development.

b. Real Estate

   RLC is the real estate arm of the Group. RLC acquires, develop, improve, subdivide, lease and sell agricultural, industrial, commercial, residential and other real properties. The Group, through RLC, has investments in other real estate companies, namely Fuego Development Corporation, Fuego Land Corporation, Club Punta Fuego, Inc. and Roxaco-ACM Development Corporation.

c. Sugar-Related Businesses

   RHI is a diversified holding and investment corporation with specific focus on sugar milling and refining business. RHI owns the following subsidiaries, which are organized and managed separately on a per Company basis, with each company representing a strategic business segment.

   - 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, 2011 and 13,000 metric tons as of June 30, 2011 and 2010. 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. 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.

   - CACI produces raw sugar and molasses and trades the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,000 metric tons as of September 30, 2011, June 30, 2011 and 2010, is located in La Carlota, Negros Occidental.

   - 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.

- CFSI was established to engage in the business of transporting sugar cane, sugar and its by-products including all kinds of commercial cargoes to and from sugar factories, sugar refineries, millsites or warehouses and/or similar establishments by land. CFSI caters various planters in Batangas, Negros, and other provincial areas in Visayas and Southern Luzon.

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

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

The Company's senior management regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statement of income. Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments.

Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies except for RHI's investment properties are carried at fair value in its parent company financial statements. RHI's investment property, which is being leased out to its subsidiary, is reclassified to property, plant and equipment in the consolidated financial statements.

a. Segment revenue and expenses

   The Group's main revenue stream comes from the sale of sugar and molasses and real estate properties. The sugar group's 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. The real estate segment's customers are mainly direct.

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

b. Segment assets and liabilities

   Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, prepayments and property, plant and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

   Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

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

	September 30, 2011				
	Sugar-Related Businesses	**Real Estate**	**RCI**	**Unallocated, Eliminations and Adjustments**	**Consolidated Balances**
			(In Thousands)		
Revenue					
External customers:					
Refined sugar	**₱762,580**	**₱–**	**₱–**	**₱–**	**₱762,580**
Raw sugar	**549,454**	**–**	**–**	**–**	**549,454**
Tolling fees	**22,767**	**–**	**–**	**–**	**22,767**
Molasses	**3,753**	**–**	**–**	**–**	**3,753**
Alcohol	**63,400**	**–**	**–**	**–**	**63,400**
Others	**640**	**18,452**	**–**	**–**	**19,092**
	1,402,594	**18,452**	**–**	**–**	**1,421,046**
Costs and expenses	**(2,010,364)**	**(27,667)**	**(6,915)**	**372**	**(2,044,574)**
Interest income	**915**	**2,076**	**1**	**10**	**3,002**
Interest expense	**(183,120)**	**(964)**	**(5,528)**	**–**	**(189,612)**
Others	**48,534**	**5,991**	**4,314**	**(3,575)**	**55,264**
Income (loss) before income tax	**(741,441)**	**(2,112)**	**(8,128)**	**(3,193)**	**(754,874)**
Provision for income tax	**(6,088)**	**883**	**48**	**–**	**(5,157)**
Segment profit (loss)	**(747,529)**	**(1,229)**	**(8,080)**	**(3,193)**	**(760,031)**
Equity in net earnings of associates	**(17,982)**	**–**	**–**	**–**	**(17,982)**
Consolidated net profit (loss)	**(₱765,511)**	**(₱1,229)**	**(₱8,080)**	**(₱3,193)**	**(₱778,013)**
Other Information					
Major costs and expenses:					
Depreciation	**₱170,435**	**₱430**	**₱222**	**₱36**	**₱171,123**
Fuel and oil	**29,190**	**–**	**–**	**–**	**29,190**
Materials and consumables	**39,945**	**110**	**65**	**–**	**40,120**
Repairs and maintenance	**79,781**	**164**	**78**	**–**	**80,023**
Additions to noncurrent assets					
Property, plant and equipment	**8,563**	**246**	**63**	**–**	**8,872**
Other noncurrent assets	**149,078**	**17,763**	**–**	**–**	**166,841**
Investment in associates	**685,944**	**144,945**	**–**	**–**	**830,889**
Assets and Liabilities					
Current assets	**₱2,848,799**	**₱550,760**	**₱19,207**	**(₱80,929)**	**₱3,337,837**
Noncurrent assets	**12,497,003**	**186,911**	**6,865,779**	**(2,233,443)**	**17,316,250**
Total assets	**₱15,345,802**	**₱737,671**	**₱6,884,986**	**(₱2,314,372)**	**₱20,654,087**
Current liabilities	**₱9,929,193**	**₱201,844**	**₱522,942**	**(₱82,826)**	**₱10,571,153**
Noncurrent liabilities	**776,606**	**15,290**	**276,486**	**(13,828)**	**1,054,554**
Total liabilities	**₱10,705,799**	**₱217,134**	**₱799,428**	**(₱96,654)**	**₱11,625,707**

	June 30, 2011				
	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Revenue					
External customers:					
Refined sugar	₱3,770,277	₱–	₱–	₱–	₱3,770,277
Raw sugar	3,533,816	–	–	–	3,533,816
Tolling fees	218,276	–	–	–	218,276
Molasses	315,569	–	–	–	315,569
Alcohol	39,096	–	–	–	39,096
Others	32,864	68,428	–	–	101,292
	7,909,898	68,428	–	–	7,978,326
Costs and expenses	(8,285,145)	(82,291)	(31,865)	1,064	(8,398,237)
Interest income	5,438	10,586	110	(1,018)	15,116

(Forward)

	June 30, 2011				
	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Interest expense	(₱614,543)	(₱2,612)	(₱23,768)	₱1,035	(₱639,888)
Others	68,391	17,594	13,746	(13,385)	86,346
Income (loss) before income tax	(915,961)	11,705	(41,777)	(12,304)	(958,337)
Provision for income tax	(2,760)	(1,535)	(45)	(11)	(4,351)
Segment profit (loss)	(918,721)	10,170	(41,822)	(12,315)	(962,688)
Equity in net earnings of associates	176,964	–	–	3,053	180,017
Consolidated net profit (loss)	(₱741,757)	₱10,170	(₱41,822)	(₱9,262)	(₱782,671)

	June 30, 2011				
	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Other Information					
Major costs and expenses:					
Depreciation	₱546,994	₱2,242	₱1,201	₱47	₱550,484
Fuel and oil	423,573	–	–	–	423,573
Materials and consumables	277,256	345	260	–	277,861
Repairs and maintenance	389,372	761	428	–	390,561
Additions to noncurrent assets					
Property, plant and equipment	349,667	1,625	133	–	351,425
Other noncurrent assets	2,581	–	–	–	2,581
Investment in associates	703,926	144,945	–	–	848,871
Assets and Liabilities					
Current assets	₱4,000,860	₱514,058	₱19,419	(₱60,841)	₱4,473,496
Noncurrent assets	12,707,020	194,040	6,866,336	(2,233,392)	17,534,004
Total assets	₱16,707,880	₱708,098	₱6,885,755	(₱2,294,233)	₱22,007,500
Current liabilities	₱10,529,698	₱141,447	₱515,581	(₱62,878)	₱11,123,848
Noncurrent liabilities	772,667	41,886	276,535	(13,829)	1,077,259
Total liabilities	₱11,302,365	₱183,333	₱792,116	(₱76,707)	₱12,201,107

	June 30, 2010				
	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Revenue					
External customers:					
Refined sugar	₱3,716,206	₱–	₱–	₱–	₱3,716,206
Raw sugar	1,853,949	–	–	–	1,853,949
Tolling fees	290,268	–	–	–	290,268
Molasses	318,235	–	–	–	318,235
Others	24,309	86,186	–	–	110,495
	6,202,967	86,186	–	–	6,289,153
Costs and expenses	(5,923,015)	(90,076)	(96,185)	12,190	(6,097,086)
Interest income	5,710	10,861	1,017	18	17,606
Interest expense	(319,480)	(4,495)	(22,213)	–	(346,188)
Others	296,651	61,436	17,050	(83,368)	291,769
Income (loss) before income tax	262,833	63,912	(100,331)	(71,160)	155,254
Provision for income tax	(83,656)	(7,064)	(207)	(10)	(90,937)
Segment profit (loss)	179,177	56,848	(100,538)	(71,170)	64,317
Equity in net earnings of associates	132,263	–	–	12,341	144,604
Consolidated net profit (loss)	₱311,440	₱56,848	(100,538)	(₱58,829)	₱208,921
Other Information					
Major costs and expenses:					
Depreciation	₱407,025	₱1,066	₱1,006	₱47	₱409,144
Fuel and oil	408,900	–	–	–	408,900

(Forward)

	June 30, 2010				
	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Materials and consumables	₱305,044	₱478	₱335	₱	₱305,857
Repairs and maintenance	386,947	732	405	(234)	387,850
Additions to (disposals of) noncurrent assets					
Property, plant and equipment	2,538,628	1,425	1,666	(639)	2,541,080
Other noncurrent assets	(521)	–	–	101	(420)
Investment in associates	618,322	141,910	–	–	760,232
Assets and Liabilities					
Current assets	₱3,111,881	₱587,736	₱34,911	(₱83,318)	₱3,651,210
Noncurrent assets	12,573,334	166,867	6,867,768	(2,200,097)	17,407,872
Total assets	₱15,685,215	₱754,603	₱6,902,679	(₱2,283,415)	₱21,059,082
Current liabilities	₱3,249,479	₱178,055	₱88,323	(₱49,324)	₱3,466,533
Noncurrent liabilities	6,448,831	54,213	678,896	(13,829)	7,168,111
Total liabilities	₱9,698,310	₱232,268	₱767,219	(₱63,153)	₱10,634,644

	June 30, 2009				
	Sugar-Related Business	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Revenue					
External customers:					
Refined sugar	₱3,304,300	₱–	₱–	₱–	₱3,304,300
Raw sugar	1,909,110	–	–	–	1,909,110
Tolling fees	356,464	–	–	–	356,464
Molasses	293,450	–	–	–	293,450
Others	1,294	67,726	–	262	69,282
	5,864,618	67,726	–	262	5,932,606
Costs and expenses	(5,576,070)	(70,328)	(100,980)	39,630	(5,707,748)
Interest income	7,438	16,424	2,727	(810)	25,779
Interest expense	(133,334)	(6,594)	(7,049)	–	(146,977)
Others	75,703	9,718	187,788	(212,657)	60,552
Income (loss) before income tax	₱238,355	₱16,946	₱82,486	(₱173,575)	₱164,212
Provision for income tax	(175,390)	(7,775)	(72,008)	67,204	(187,969)
Segment profit (loss)	62,965	9,171	10,478	(106,371)	(23,757)
Equity in net earnings of associates	79,564	–	–	2,851	82,415
Consolidated net profit (loss)	₱142,529	₱9,171	₱10,478	(₱103,520)	₱58,658
Other Information					
Major costs and expenses:					
Depreciation	₱304,426	₱1,768	₱970	(₱3,150)	₱304,014
Fuel and oil	250,963	–	–	–	250,963
Materials and consumables	287,963	337	5,689	(5,355)	288,634
Repairs and maintenance	376,346	540	1,167	(670)	377,383
Additions to noncurrent assets					
Property, plant and equipment	3,418,728	2,984	288	(83,975)	3,338,025
Other noncurrent assets	34,498	–	–	–	34,498
Investment in associates	557,432	181,693	–	–	739,125
Assets and Liabilities					
Current assets	₱3,114,558	₱475,052	₱39,754	(₱200,598)	₱3,428,766
Noncurrent assets	10,407,111	193,733	6,869,809	(2,199,253)	15,271,400
Total assets	₱13,521,669	₱668,785	₱6,909,563	(₱2,399,851)	₱18,700,166
Current liabilities	₱3,943,417	₱165,298	₱229,057	(₱205,668)	₱4,132,104
Noncurrent liabilities	3,861,648	24,151	444,508	(17,335)	4,312,972
Total liabilities	₱7,805,065	₱189,449	₱673,565	(₱223,003)	₱8,445,076

30. **Other Matter**

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.

A N N E X "B"

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

MANAGEMENT DISCUSSIONS AND ANALYSIS OR PLAN OF OPERATIONS

SHORT PERIOD - JULY 1, 2011– SEPTEMBER 30, 2011

On February 10, 2011, the Board of Directors (BOD) of the Company and its subsidiaries (Roxas Group or Company) approved the amendment on the Group's By-Laws changing the accounting period from fiscal year ending June 30 to September 30 of each year. The change was intended to align the fiscal year of the group with the normal crop year of the sugar business. The change in accounting period of the Company was approved by the Securities and Exchange Commission (SEC) on March 30, 2011 while the changes in accounting period of the Company's subsidiaries was approved by the SEC on various dates in 2011.

Results of Operations

July to September is the normal repair season for sugar companies. As such, the Group was expected to incur heavy expenses during this period to prepare its sugar mills for the milling operations. Since the sugar operations constitute 99% of the business of Roxas and Company, Inc. and Subsidiaries, the Group's operations ended up with an expected P778 million losses during the short period.

Consolidated Revenues of P1.426 Billion is almost the same as September 2010 unaudited revenues at P1.423 Billion. Sugar sales mainly came from export sales and institutional buyers.

Cost of Sales reached P1.855 Billion, which is 25% higher than 2010 at P1.480 Billion. This resulted to negative gross margin of 31% compared to 4% in 2010. The high cost of sales is due to the direct expenses related to off-season repairs and maintenance to prepare the mills and the refinery for the milling operations.

Selling expenses amounted to P10.8 Million compared to P2.0 Million unaudited September 2010.

Operating Expenses reached P179 Million, 16% higher than the P154 Million in September 2010. This is due to higher labor cost incurred due to retirement of workers in the sugar group, higher depreciation, higher transfer cost of due to sugar exports and increase in security costs.

Interest Expenses also increased from P119 Million in 2010 to P190 Million this period because the interest charges on the funds used in the expansion projects of the sugar group were already recorded as period costs. Portion of these costs were capitalized in the previous year.

Interest income during the current period slightly decreased from P3.743 Million in September 2010 to P3.002 Million. This was attributable to diminishing principal balances of installment contracts receivable of the real estate business.

Equity in net loss of associates of the sugar group amounted to P17.982 Million. Last year's unaudited equity in net earnings amounted to P21 million

Other income increased by 377% from P10.598 Million in 2010 to P50.509 Million in 2011 due to insurance claim settlements received this period.

As expected, the consolidated net loss after tax of the Group during the short period amounted to ₱778 Million from the ₱315 Million restated loss after tax in September 2010. This translates to basic/diluted earnings per share of (P0.18) compared to (P0.05) in 2010.

Financial Condition

Roxas and Company, Inc. and subsidiaries', (the Group) consolidated total assets amounted to P20.654 Billion as of September 2011 compared to P22.007 Billion as of June 2011. The 6% decrease in total assets is mainly due to decrease in of sugar inventories due to sales and the losses incurred from operations in the short period. Total Assets as at June 2010 amounted to P21.059 Billion.

Current assets decreased to P3.338 Billion from P4.473 Billion in June 2011 due to the reduction of inventory because of the export sales. Receivables also decreased from P724 Million to P629 Million as at September 2011 due to collections during the period and implementation of new collection scheme for sugar customers.

Non-current assets decreased to P17.3 Billion from P17.5 Billion resulting from depreciation, coupled by the decrease in investment in shares of stocks of associates, resulting from net loss for the period by HPCo.

Current liabilities decreased from P11.124 Billion in June 2011 to P10.574 Billion as of September 2011. This is due to payment of maturing loans, both short term and portion of long term borrowings. This was partly offset by the increase in Accounts Payable and Accrued Expenses from P610 Million in June 2011 to P682 Million as of September 2011 due to accruals. In addition, Customers' Deposits also increased from P135 Million to P 174 Million due to advance payment of sugar and real estate buyers.

Non-current liabilities went down from P1.077 Billion to P1.055 Billion due to adjustment of Deferred Tax on inventory obsolescence and reclassification of P26 Million long term borrowings presented as non-current in June 2011 to current portion of liabilities in September 2011. This is still the result of the cross default provision on RHI loans with BDO.

Total consolidated equity amounted to P9.028 Billion, a decrease of P778 million or 8% from June 2011 balance due to the consolidated net loss during the period.

Current ratio as of September 2011 decreased to 0.32:1.00 from 0.40:1.00 in June 2011 mainly due to the reduction of inventories.

The Groups leverage position remained within the limits of existing loan covenants. Debt-to-equity ratio stood at 1.29:1.00 in September 2011 from 1.24:1.00 in June 2011. Unused working capital lines as of September 30, June 30, 2011 and 2010 from local banks amounted to P 862 million, P745 million and P2.814 billion, respectively. Book value per share decreased to P3.10 from P3.37 in June 2011 because of the losses.

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.

Sugar –Related Businesses.

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

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

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

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

The Group also incurred P9.8 million in selling expenses relative to the sugar exportation during the period. Unaudited balance last year was P.601 million.

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

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

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

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

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

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

Property Group

Results of Operations

Sales for period July-September 2011 amounted to ₱18.5 Million, 39% lower than the ₱30.2 Million for the same period last year. Cost of sales on the other hand, amounted to ₱11.5 Million, 35% lower than last year's ₱16.5 Million. This translates to gross profit rate of 38% this year compared to 45% last year. This is due to sale of Peninsula lot in 2010 which carries a high contract price with lesser cost of sales.

Other income decreased to P0.893 Million this year from P2.713 Million last year due to higher penalties and income recognized from forfeited sales last year.

Operating expenses amounted to ₱10.8 Million, 16% lower than last year's ₱12.8 Million. The decrease was due to lower depreciation (some assets are now fully depreciated), lower contribution to retirement fund as a result of 2011 actuarial valuation study, and lower marketing expenses. Last year's figures include production of marketing collaterals for Anya and SAMG projects.

Finance costs reached ₱0.964 Million, 21% higher than the ₱0.795 million in 2010. This is due to the interest on loans pertaining to San Antonio Memorial Gardens, which was charged to operations this year as a result of completion of the land development.

Operations for the three month period resulted to a net loss of P1.0 Million (audited) compared to P3.855 Million (unaudited July to September 2010)

<u>Top Five Performance Indicators – Sugar Related Businesses</u>

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 affiliate, 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 allowances (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 cash amortizations.

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

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

Performance Indicator	July-Sept 2011	2010-2011	2009-2010	2008-2009
Raw sugar production		8.165 M bags	6.947 M bags	8.123 M bags
Refined sugar production		1.970 M bags	3.324 M bags	3.965 M bags
Milling recovery		1.99 Lkg/TC	2.09 Lkg/TC	2.02 Lkg/TC
EBITDA	(P327 million)	P793 million	P1.011 Billion	P669 million
Return on equity	(16%)	(8%)	5%	3%

Top Five Performance Indicators – Property Group

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

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

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

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

- Earnings before interest, taxes and depreciation - This is the measure of cash income from operations.

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

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

Performance Indicator	July-Sept 2011	2010-2011	2009-2010	2008-2009
Realized gross profit on real estate sales	P7.0 Million	P25.0 Million	P33.416 Million	P22.802 Million
Number of lots sold / reserved	32 lots	194 lots	684 lots	105 lots
Collection efficiency	98%	98%	95%	85%
EBITDA	(P1.58 Million)	P16.56 million	P69.6 million	P26.634 million
Return on equity	nil	1.95%	10.88%	2.15%

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 Sugar 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.

For 2011-2012, the Property Group has projected development costs for existing projects in the amount of P54 million and additional P 41 million as initial development costs for new projects.

In addition, RLC has projected P0.8 million regular capital expenditures which includes replacement of office equipment and a licensed software.

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

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

Plan of Operation

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

1. A new Management Team has taken over the helm with focus on clearly defining profit centers with proper accountabilities. The new Management has decoupled trading operations from manufacturing, as well as milling from refinery operations to avoid cross-subsidies and enable each profit center to stand on its own.

2. The new Management has also mandated the profit centers and other operating units to reduce overhead expenses by at least 10% to 20% compared to that of last year.

3. Term loans have been substantially restructured thus, adjusting interest rates to current market rates, which have generally come down due to prevailing liquidity in the banking system.

4. The mills and plants have been mandated to achieve operating efficiencies by maximizing sugar recovery and reducing energy costs, hauling fees, and other manufacturing expenses.

5. Making sure that Roxol Bioenergy Corporation is fully operational to avoid last year's drag on profits due to its intermittent operations.

RESULT OF OPERATION   FY 2010-2011 versus 2009-2010

Results of Operations

Considering the prevailing high prices of Sugar in the first three quarters of the fiscal year, consolidated Revenues reached P7.978 billion or 27% higher than the P6.289 billion realized in 2010.   The Sugar Group contributed 99% or ₱7.910 billion of the Consolidated Revenues while the Property Group accounted for about 1% or ₱0.068 billion.

The soaring prices of raw sugar and the increases in the hauling and energy costs also pushed up the consolidated Cost of Sales that amounted to P7.727 billion. The Cost of Sales also includes Impairment Losses of P326 million due to marking of Inventories to its market values. The total Cost of Sales is 44% higher than the P5.356 billion incurred in 2010. Consequently, Gross Profit Rate declined from 15% in 2010 to 3% this year.

However, even if the Revenues jumped by 27%, the whole group was able to reduced the Operating Expenses by 10% from P742 million in 2010 to P671 million in 2011 due to the conscious effort to cut expenses and to postpone the hiring of replacements of employees who resigned during the year at the holding company level.

Interest Expenses however increased from P347 million in 2010 to P640 million this year because the interest charges on the funds used in the expansion projects of the sugar group were already recorded as period costs. These costs were capitalized in the previous years.

Interest income during the year slightly decreased from P17.606 million in 2010 to P15.116 million in 2011. This was attributable to diminishing principal balances of installment contracts receivable of the real estate business.

Equity in net earnings of associates increased by 24% from P145 million in 2010 to P180 million this year. This is due to higher income reported by the associate Hawaiian-Philippine Company.

Other income decreased by 70% from P292 million in 2010 to P86 million in 2011 because the current number was only for the income generated from scrap sales while previous years carries scrap sales and insurance proceeds for the generator set that exploded in April 2009 which was received in 2010.

Because of the abrupt reduction of the sugar prices particularly at the last quarter of the fiscal year, the high cost of sales, the impairment losses and the increase of Interest Expenses, consolidated net loss after tax amounted to ₱783 million from the ₱209 million income after tax as reported in the previous year. This translates to basic/diluted earnings per share of (P0.18) compared to P0.03 earnings per share in 2010.

Financial Condition

Roxas and Company, Inc. and subsidiaries', (the Group) consolidated total assets reached P22.007 billion at the end of 2011 compared to P21.059 Billion in 2010. This translates to 4.5% increase mainly due to higher level of inventories in the Sugar business. The accumulation of inventories was brought about by the general slowdown of sugar withdrawals experienced during the second half of the year. Some institutional sugar users opted to use sugar substitutes and lower-priced sugar pre-mixes due to the prevailing high sugar prices in the local market.

Current assets increased to P4.473 billion from P3.651 billion in 2010 due to higher values of sugar inventories as mentioned above. In addition, prepayments and other current assets went up from P269 million in 2010 to P380 million in 2011 due to creditable withholding taxes and input taxes on capital expenditures. These increases were partly offset by the decrease in receivables due to improved collection and implementation of new collection scheme for sugar customers.

Non-current assets increased to P17.5 Billion from P17.4 Billion resulting from increase in property, plant and equipment and investment in shares of stocks of associates. The former was due completion of capital expenditures while the latter was due to higher share in net income from HPCo. Equity in net earnings for the year amounted to P177 million compared to P132 million in 2010.

Current liabilities increased from P3.467 billion last year to P11.124 billion this year. This is largely due to the reclassification of the Long Term Liabilities to Current Liabilities due to the breach of the bank covenant by the Sugar group. Because of the losses incurred by the sugar group, as of June 30, 2011, the Group did not meet the minimum Debt Service Coverage Ratio (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 non-current portion of long-term borrowings amounting to P6.2 billion is presented as current liabilities as of June 30, 2011. Short term borrowings increased from P2.502 billion in 2010 to P3.286 billion in 2011. These loans were used to finance the sugar inventories.

Considering that the breach was brought about by the temporary market reversals and did not affect the ability of the companies to service their loans, appropriate waivers of the breach of the covenants were issued by creditor banks before the release of the audited financial statements.

Consequently, Long-term borrowing, net of current portion decreased from P 6.125 Billion in 2010 to P.027 Billion in 2011.

Accounts payable and accrued expenses went down from P717 million in 2010 to P610 million as of June 30, 2011. The decrease was attributable to payments of trade payables. Customers' deposits also went down from P150 million to P135 million due to application of customers' deposits to sales recognized in the period.

The decrease in net pension benefit obligation from P41 million to P2 million was due to payments during the period.

Total consolidated equity amounted to P9.806 billion, a decrease of P 618 million or 6% from 2010 due to the consolidated net loss during the period.

Current ratio for this year decreased to P0.40:1.00 from 1.05:1.00 last fiscal year due to principally to the reclassification of the non-current portion of long-term borrowings to current liabilities. The Groups leverage position remained within the limits of existing loan covenants. Debt-to-equity ratio stood at 1.24:1.00 in 2011 from 1.02:1.00 in 2010. Unused working capital lines as of June 30, 2011 and 2010 from local banks amounted to P747 million and P2.814 billion, respectively. Book value per share decreased to P3.37 from P3.58 last year.

FULL FISCAL YEAR 2009-2010 vs 2008-2009

Financial Condition

The Roxas and Company's consolidated total assets increased to P16.77 billion as of June 30, 2010 compared to P14.414 billion as of June 30, 2009. Current assets went up to P3.651 billion from P3.429 billion the prior year. Current liabilities went down from P4.132 billion in 2009 to P 3.466 billion in 2010. Current ratio for this year increased to P 1.06:1.00 from 0.84:1.00 last fiscal year due to payments of short- term borrowings.

Total loans for this period continued to increase due to availment of long-term loans to finish the Sugar Group's strategic projects. However, the Groups leverage position remained within the limits of existing loan covenants. Debt-to-equity ratio stood at 1.62:1.00 in 2010 from 1.30:1.00 in 2009.

Unused working capital lines as of June 30, 2010 and 2009 from local banks amounted to P2.814 billion and P968 million, respectively. Book value per share increased to P2.20 from P2.14 in prior year.

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.

Change in Financial Condition

Roxas and Company, Inc. and subsidiaries', (the Group) consolidated total assets reached P16.77 billion at the end of 2010. This 16% increase is mainly due to increase in property, plant and equipment. The property, plant and equipment account amounted to P11.791 billion from P9.67 billion last year. The increase was attributable mainly to strategic projects of the Sugar Group (i.e. capacity expansion of sugar mills, construction of bioethanol plant and acquisition of farm tractors and implements).

Current assets increased to P3.651 billion from P3.429 billion in 2009 due to higher values of sugar inventories. This is a result of higher production cost due to high cost of raw and refined sugar. Combined raw and refined sugar and molasses cost amounted to P1.5 billion this year versus P0.9 billion last year. Higher inventory level of sugar is favorable to the Company since the selling prices of sugar in the market is also high.

Prepayments and other current assets went up from P186 million in 2009 to P.269 million in 2010 due to creditable withholding taxes and input taxes on capital expenditures.

Other non current assets decreased to P35.5 million from P53 million. This was due to amortization of debt commitment fees.

Current liabilities went down from P4.132 billion last year to P3.466 billion this year. This is largely attributed to payments of short term borrowings and conversion to long-term borrowings. Short term borrowings decreased from P3.002 billion in 2009 to P2.502 billion in 2010. As the Group is nearing completion of its expansion of milling and refining facilities of the sugar subsidiaries, total loans correspondingly increased from P6.254 billion in 2009 to P8.704 billion in 2010. The expansion expenditures this year was fully funded by bank borrowings.

Accounts payable and accrued expenses, likewise went down to P717 million from previous year's P880 million. The decrease was attributable to payments of trade payables and cost containment measures through reduction in materials inventory balance. Customers' deposits also went down to P150 million from P199 million due to application of customers' deposits to sales recognized in the period.

Dividends payable went down from P45.6 million to P20.6 million due to payments and clearing of outstanding checks on previous dividend payments.The decrease in net pension benefit obligation from P74 million to P41 million was due to payments during the period.

Total consolidated equity amounted to P6.413 billion, an increase of P 136 million or 2% from 2009. This is primarily due to the consolidated net income for the period.

Results of Operations

Consolidated revenues reached P6.289 billion, 6% higher than P5.932 billion in 2009 and 3% higher than P6.129 billion in 2008. The Sugar Group contributed 99% or ₱6.202 billion of the Consolidated Revenues while the Property Group accounted for the 1% or ₱ .086 billion.

Cost of sales amounted to P5.355 billion. This is 7% higher than the P5.024 billion in 2009 and 8% higher than the P4.970 billion in 2008. Gross Profit therefore is ₱0.934 billion, 97% of which came from the Sugar Group while the balance was contributed by the Property Group.

Operating expenses increased by 8% from P687 million in 2009 (P606 million in 2008) to P743 million in 2010 in view of increased salaries, higher business and income taxes and group reorganization expenses (professional fees and listing fees).

Interest income decreased by 32% from P25.779 million in 2009 to P17.606 million in 2010. This was attributable to diminished principal balances of installment contracts receivable of the real estate business.

Equity in net earnings of associates increased by 75% from P82 million in 2009 to P144 million this year. The favorable financial results of the associate Hawaiian-Philippine Company in 2010 contributed to higher profit performance. This was coupled by the equity in net earnings of associates in property related businesses.

Interest expense jumped to P346 million from P147 million in 2009 and P67 million in 2008. This was brought about by the additional borrowings for working capital requirements and group reorganization expenses during the period.

Other income increased by 383% from P61 million in 2009 to P292 million in 2010 due to income generated from scrap sales and insurance recovery for the generator set that exploded in April 2009 amounting to P141 million.

Consolidated net income after tax amounted to ₱208 million or 268% better than the ₱57 million last year but 55% lower than the P 462 million in 2008. This translates to basic/diluted earnings per share of P0.03 compared to (P.002) in 2009 and P0.09 earnings per share in 2008.

CERTIFICATE OF INDEPENDENT DIRECTORS

I, **RAMON Y. DIMACALI**, Filipino, of legal age and with office address at 9th Floor Pacific Star Building, Sen. Gil Puyat Avenue corner Makati Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director nominee of **Roxas and Company, Inc.** (formerly CADP Group Corporation) for the fiscal year 2011-2012.

2. I am affiliated with the following companies or organizations:

   Federal Phoenix Assurance Company Inc.
   Asia Pacific College
   Manchester Ltd. (Interphil Lab.)
   IBM Philippines Retirement Board
   International Fellowship Program, Ford Foundation
   Post Manila

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Roxas and Company, Inc. as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Roxas and Company, Inc. of any changes in the abovementioned information within five days from its occurrence.

Signed on this ___ day of DEC 12 2011 2011 in Makati City.

RAMON Y. DIMACALI
Affiant

SUBSCRIBED AND SWORN to before me this ______ day of DEC 12 2011 2011 in Makati City, Affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 00164974 issued in Manila on January 20, 2011 and Passport No. XX5393442 issued on January 28, 2010 and valid until January 27, 2015.

Doc. No. 61;
Page No. 14;
Book No. II;
Series of 2011.

ATTY. FRITZIE P. TANGKIA
Appointment No. M-308
Notary Public for Makati City
Until December 31, 2012
7th Floor CG Building, 101 Aguirre Street
Legaspi Village, Makati City
Roll of Attorneys No. 45352
PTR No. MKT 2089913/01-11-11/Makati City
IBP No. 848112/01-10-11/Pangasinan
MCLE Compliance No. III-0013510/04-22-10

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **GUILLERMO D. LUCHANGCO**, Filipino, of legal age and with office address of 17th Floor, Robinson's Summit Centre, 6783 Ayala Avenue, Makati City after having duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director nominee of **ROXAS AND COMPANY INC.** (formerly_CADP Group Corporation) for the fiscal year 2011-2012.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Investment & Capital Corp of the Philippines	Chairman & CEO	since March 1987
ICCP Holdings Corp.	Chairman & CEO	since April 2007
ICCP Managers, Inc.	Chairman & President	since October 1987
Regatta Properties, Inc.	Chairman & CEO	since October 1993
Pueblo de Oro Development Corp.	Chairman & CEO	since February 1995
RFM-Science Park of the Philippines, Inc	Chairman & CEO	since August 1997
Cebu Light Industrial Park, Inc.	Chairman & CEO	since December 1994
ICCP Land Management, Inc	Chairman & CEO	since November 1988
ICCP Venture Partners, Inc	Chairman & CEO	since September 1989
ICCP Venture Partners, Inc.- U.S.	Chairman & CEO	since December 2004
Tech Venture Partners Ltd.	Chairman & CEO	since November 2004
Tech Venture Partners III Ltd	Chairman & CEO	since October 2004
Pacific Synergies Partners IV Ltd.	Chairman & CEO	since March 2008
Beacon Property Ventures, Inc	Chairman & President	since November 2004
Manila Exposition Complex, Inc	Chairman	since March 1995
ICCP Group Foundation, Inc.	Chairman	since April 1997
Ventrix Holdings Corporation	Chairman & President	since 1991
Pueblo de Oro Golf & Country Club, Inc.	Director	since April 1999
Globe Telecom, Inc	Director	since September 2001
Ionics, Inc.	Director	since 1991
Ionics, Circuits, Ltd	Director	since 2000
Ionics EMS, Inc.	Director	since 1999
Ionics EMS, Ltd.	Director	since 2004
Ionics Properties, Inc.	Director	since 1997
Iomni Precision, Inc.	Director	since 2000
Maxima Trading	Director	since 1992
Phinma Corporation	Director	since April 2005
Phinma Property Holdings Corp.	Director	since November 2006
Fuld & Company	Director	since May 2011
Remec Broadband Wireless, Holdings Inc.	Director	since January 2007
Science Park of the Philippines, Inc.	Director	since 1989
Synertronix, Inc.	Director	since 1995
Inactive Companies: Palawan Agro-Development Corp. Palawan Integrated Development Corp. Optima Agri-Industrial Corp. San Isidro Mining Corp.		

As of May 31, 2011

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Roxas and Company, Inc.** as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of **Roxas and Company, Inc**. of any changes in the abovementioned information within five days from its occurrence.

Done, this 9th day of December, 2011 at Makati City, Philippines.

GUILLERMO D. LUCHANGCO
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of DEC 12 2011 at Makati City, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 06009817 issued at Makati City, Philippines on March 1, 2011 and Passport No. EB3916661 issued on October 20, 2011 and valid until October 19, 2016.

Doc. No. 62;
Page No. 14;
Book No. II;
Series of 2011

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MCLE Compliance No. III-0013510/04-22-10