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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

SEC FORM 17Q (31 December 2009)

June 30
Month *Day*
Fiscal Year

Form Type

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

Total Amount of Borrowings

3,587

Total No. of Stockholders

Domestic Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF
THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **31 December 2009.**

2. SEC Identification Number: **834**.

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

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

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

6. (SEC Use Only)
   Industry Classification Code

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

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

9. **CADP GROUP CORPORATION**
   6F Cacho-Gonzales Building, 101 Aguirre Street
   Legaspi Village, Makati City 1229
   Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Authorized Capital Stock	
Common	**₱3,375,000,000.00**
No. of shares subscribed & outstanding:	
Common	**2,911,885,870**
Amount of debt outstanding as of 31 Dec. 2009	**None registered**

Of the 2,911,885,870 subscribed and outstanding common shares, 1,365,990,294 shares were exempt securities under Section 10.1 of the SRC.

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

    Yes [√]   No [ ]

    2,911,885,870 common shares are registered with the Philippine Stock Exchange (PSE).

12. Check whether the issuer:

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

Yes [√]   No [ ]

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

Yes [ ]   No [√]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see Annex "A".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please see Annex "B".

PART II – OTHER INFORMATION

1. New Projects or Investments in Another Project, Line of Business or Corporation

The Company has no new project or investment in another project, line of business or corporation.

However, on 02 December 2009, Roxaco Land Corporation, a 100%-owned subsidiary of the Company, 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 to be known as "Anya Resort and Residences".

2. Composition of the Board of Directors:

PEDRO E. ROXAS	Executive Chairman
ANTONIO J. ROXAS	
FRANCISCO F. DEL ROSARIO, JR.	President and CEO
BEATRIZ O. ROXAS	
FRANCISCO JOSE R. ELIZALDE	
CARLOS ANTONIO R. ELIZALDE	
EDUARDO R. AREILZA	
RAMON Y. DIMACALI	Independent Director
GUILLERMO D. LUCHANGCO	Independent Director
PETER D. BAROT	Corporate Secretary

3. Performance of the Corporation or result or progress of operations:

Required information is contained in Annexes "A" and "B".

4. Suspension of operations:

None for the period.

5. Declaration of dividends:

None for the period.

6. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements:

None for the period.

7. Financing through loans:

On 16 January 2009, BDO approved a loan facility with a credit line of Php650 Million for the funding of the reorganization of the Roxas Group of Companies. This was to be secured by (a) several investment properties owned by RCI, (b) properties for development owned by its 100%-owned subsidiary, Roxaco Land Corporation, aggregating to 686,681 square meters, and (c) shares of stocks in Roxas Holdings, Inc. (RHI) owned by RCI totaling to 597,606,670 shares[1]. The loan facility is made available to RCI and RHI provided that the combined availment does not exceed the credit line.

As of 31 December 2009, RCI has availed of loans amounting to Php 427 Million, which bears an interest of 5.68125% per annum, subject to quarterly repricing. The loan shall mature on 20 January 2015.

8. Offering of rights, granting of Stock Options and corresponding plans therefore:

None for the period.

9. Acquisition of other capital assets or patents, formula or real estates:

None for the period.

10. Any other information, event or happening that may affect the market price of the Company's shares:

As previously disclosed, the Supreme Court promulgated a Decision dated 04 December 2009 denying the Company's (a) applications for exemption of its landholdings in Nasugbu, Batangas from the coverage of the Comprehensive Agrarian Reform Law; and (b) petitions for the cancellation of the Certificates of Land Ownership Award issued by the Department of Agrarian Reform over these properties.

***On 13 January 2010, the Company filed a Motion for Reconsideration of the said Decision.**

11. Transferring of assets, except in the normal course of business:

Required information is contained in Annexes "A" and "B".

[1] Total number of shares pledged was 391,519,670 RHI shares owned by RCI.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on 16 February 2010.

By:

FRANCISCO F. DEL ROSARIO, JR. President and Chief Executive Officer	**SINDULFO L. SUMAGANG** Vice President – Chief Finance Officer
FRITZIE P. TANGKIA-FABRICANTE AVP for Legal Affairs Assistant Corporate Secretary Compliance Officer	**VIRGINIA R. ALCAIDE** Finance Manager

SUBSCRIBED AND SWORN to before me this FEB 16 2010 in Makati City affiants exhibiting to me their Passports and Community Tax Certificates, as follows:

Names	Passport No.	Date of Issue/Expiry	CTC/Issue Date	Place of Issue
Francisco F. Del Rosario, Jr.	UU0633195	20 Feb. 2007-2012	01449147/08 Feb. 2010	Makati City
Sindulfo L. Sumagang	Phil. Drivers License No. E03-88-002867	Expiry 20 Oct. 2011	29118019/28 January 2010	Las Piñas City
Fritzie P. Tangkia-Fabricante	XX0850429	03 April 2008-2013	00531965/28 Feb. 2009	Makati City
Virginia R. Alcaide	Phil. Drivers License No. N26-05-002298	Expiry 15 Aug. 2010	00531964/28 Feb. 2009	Makati City

Doc. No. 386;
Page No. 79;
Book No. III;
Series of 2010.

JOSEPH P. GUEVARRA
Appointment No. M-100
Notary Public - Makati City
Until 31 December 2011
6/F Cacho Gonzales Building
101 Aguirre Street, Legaspi Village, Makati City
PTR No. 2092905 / 6 January 2010 / Makati City
IBP No. 802685 / 16 December 2009 / Makati City
Roll No. 52501

A N N E X "A"

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
[Formerly CADP Group Corporation]
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND JUNE 30, 2009
Amounts in Thousands

	Note	December-09 Unaudited	June-09 Audited
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4, 28	446,587	342,999
Receivables	5	702,061	1,000,793
Inventories	6	1,810,787	1,468,889
Real estate for sale and development	7	333,947	330,275
Prepayments and other current assets	8	647,026	305,578
Total Current Assets		3,940,408	3,448,534
NONCURRENT ASSETS			
Property, plant and equipment	11		
At cost		8,391,973	7,152,403
At appraised values		2,518,174	2,518,174
Investment in shares of stock of associates	9	736,171	739,125
Investment properties	10	347,313	347,956
Net pension assets	17	146,533	146,533
Deferred income tax assets	24	8,125	8,120
Other noncurrent assets	16	33,429	53,091
Total Noncurrent Assets		12,181,718	10,965,402
Total Assets		16,122,126	14,413,936
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	12	2,770,525	3,002,500
Accounts payable and accrued expenses	13	1,059,727	884,691
Customer's deposits	14	535,390	199,019
Income tax payable		21,265	4,747
Dividends payable		20,570	8,919
Total Current Liabilities		4,407,477	4,099,876
NONCURRENT LIABILITIES			
Long-term borrowings	15	4,669,528	3,251,973
Net pension benefit obligation	17	89,920	74,210
Deferred tax liabilities	24	718,068	711,466
Total Noncurrent Liabilties		5,477,516	4,037,649
Total Liabilities		9,884,993	8,137,525
EQUITY		6,237,133	6,276,411
Total Liabilities and Equity		16,122,126	14,413,936

See accompanying Notes to Consolidated Financial Statements

Certified True and Correct

SINDULFO L. SUMAGANG
VP-CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

[Formerly CADP Group Corporation]

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED DECEMBER 31, 2009 AND 2008

[Amounts in 000 Philippine Peso, Except for Basic / Diluted Earnings (Loss) Per Share]

	Note	For the Quarter Ending December 31		For the Six Months Ending December 31	
		2009	2008	2009	2008
REVENUE	19	1,343,860	1,420,251	2,340,724	2,335,135
COST OF SALES	20	1,212,343	1,237,679	2,093,456	2,049,388
GROSS PROFIT		131,517	182,572	247,268	285,747
OPERATING EXPENSES	21	(208,122)	(225,682)	(360,983)	(375,808)
EQUITY IN NET EARNINGS OF ASSOCIATES	9	13,129	24,142	32,734	37,359
INTEREST INCOME	4	3,866	6,557	7,462	11,578
INTEREST EXPENSE	12, 15	(54,830)	(40,367)	(87,283)	(74,173)
OTHER INCOME - net	23	81,574	16,708	148,461	26,918
INCOME (LOSS BEFORE INCOME TAX)		(32,866)	(36,070)	(12,341)	(88,379)
PROVISION FOR INCOME TAX	24				
Current		9,498	3,593	24,496	7,907
Deferred		(2,432)	9,425	2,442	(4,431)
		7,066	13,018	26,938	3,476
NET INCOME (LOSS) FOR THE PERIOD		(39,932)	(49,088)	(39,279)	(91,855)
OTHER COMPREHENSIVE INCOME		0	0	0	0
TOTAL COMPREHENSIVE INCOME		(39,932)	(49,088)	(39,279)	(91,855)
Attributable to:					
Equity holders of the Parent Company		(40,748)	(27,515)	(41,575)	(54,198)
Minority Interest		816	(21,573)	2,296	(37,657)
		(39,932)	(49,088)	(39,279)	(91,855)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE	26			(0.013)	(0.032)

See accompanying Notes to Consolidated Financial Statements

CERTIFIED TRUE AND CORRECT:

SINDULFO L. SUMAGANG

VP-CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
[Formerly CADP Group Corporation]
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2009 AND 2008
Amounts in Thousands

	2009	2008
SHARE CAPITAL	2,911,886	2,911,886
SHARE PREMIUM	1,611,393	1,611,393
OTHER EQUITY	(3,793,136)	(3,793,136)
EFFECTS OF CHANGE IN OWNERSHIP OF SUBSIDIARIES	(81,066)	(46,881)
SHARE IN REVALUATION INCREMENT IN PROPERTY	136,322	129,641
REVALUATION INCREMENT IN PROPERTY	1,233,949	1,175,819
SHARE IN FAIR VALUE RESERVE	3,623	3,623
RETAINED EARNINGS		
Beginning	2,264,426	2,273,731
Net income (loss) for the period	(39,279)	(91,855)
Dividends paid		(25,000)
	4,248,119	4,149,222
MINORITY INTEREST	1,989,014	2,174,236
TOTAL EQUITY	6,237,133	6,323,458

CERTIFIED TRUE AND CORRECT:

SINDULFO L. SUMAGANG
VP-CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

[Formerly CADP Group Corporation]

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS PERIOD ENDING DECEMBER 31, 2009 AND 2008

Amounts in Thousands

	Dec-09	Dec-08
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(12,341)	(88,379)
Adjustments for:		
Depreciation	171,892	156,526
Equity in net earnings of associates	(32,734)	(37,359)
Interest income	(7,462)	(11,578)
Interest expense	87,283	74,173
Loss (Gain) on disposal of property	(780)	512
Net cash from operations before working capital changes	205,858	93,895
Decrease (increase) in:		
Receivables	298,732	24,031
Inventories	(341,898)	(331,666)
Real estate	(3,672)	19,770
Prepayments and other current assets	(339,474)	(498,426)
Increase(decrease) in:		
Accounts payable and accruals	179,708	112,665
Customer's deposits	336,371	36,190
Other current liabilities	28,169	(19,150)
Increase in net pension obligation	15,710	(13,533)
Cash generated from operations	379,504	(576,224)
Interest received	7,462	11,578
Income tax paid, including creditable withholding and final taxes	(12,828)	(114,827)
Net cash from (used in) operating activities	**374,138**	**(679,473)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to PPE	(1,410,820)	(1,528,217)
Proceeds from sale of PPE and investment properties	21,514	
Dividends received	35,688	
Decrease(increase) in other noncurrent assets	19,657	2,131
Net cash flows from (used in) investing activities	**(1,333,961)**	**(1,526,086)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments of) short-term borrowings	(231,975)	1,808,489
Proceeds from long term borrowings	1,417,555	849,000
Payments of long term borrowings	-	(18,102)
Interest paid	(97,155)	(71,638)
Dividends paid	(25,005)	(160,534)
Reacquisition of shares of stock of subsidiaries	(9)	(29,553)
Net cash flows from (used in) financing activities	**1,063,411**	**2,377,662**
NET DECREASE IN CASH AND CASH EQUIVALENTS	103,588	172,103
CASH AND CASH EQUIVALENTS AT THE BEG OF THE YEAR	342,999	382,888
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	446,587	554,991

CERTIFIED TRUE AND CORRECT:

SINDULFO L. SUMAGANG

VP-CFO

ROXAS AND COMPANY, INC.
(Formerly CADP Group Corporation)
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information, Group Restructuring and Merger and Authorization for the Issuance 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. On October 7, 1968, the Company’s corporate life was extended for another 50 years until 2018.

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, was approved by the Philippine SEC on February 10, 2004 and 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 is 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.

Roxas & Company, Inc. 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.

Group Restructuring and Merger

Roxas and Company, Inc. and its subsidiaries (collectively, the Group), has undertaken corporate restructuring in fiscal year 2009. On December 15, 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 (see Note 25).

Effective June 29, 2009, upon approval of Philippine SEC on June 23, 2009, CADPGC merged with RCI, with CADPGC as the surviving entity, through a share swap wherein 11.71 CADPGC’s shares 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. As a result, the excess between the consideration received and the equity acquired amounting to ₱3.8 billion is reflected as a component of equity in the equity section of the consolidated balance sheet and in the consolidated statement of changes in equity.

The Company is controlled by various individual shareholders and domestic corporations, namely Pesan Holdings, Inc. and SPCI Holdings, Inc.

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

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 term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the Standing Interpretations Committee, Philippine Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC) Interpretations which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

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

The preparation of consolidated financial statements in accordance with PFRS requires the use of certain 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.

On June 27, 2006, the BOD and stockholders approved the change in the RCI's accounting period from calendar year ending December 31 to fiscal year ending June 30 to align the reporting with that of the other companies in the Group. The amended by-laws carrying the necessary amendment related to this change were approved by the Philippine SEC on June 20, 2006. The change in accounting period was also approved by the Bureau of Internal Revenue on May 11, 2007. Correspondingly, the 2007 consolidated statements of income, changes in equity and cash flows represent financial performance and cash flows of the Group for the six month-period ended June 30, 2007.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following Philippine Interpretations based on IFRIC Interpretations and amendments to existing standards, which became effective to the Group on July 1, 2008. Adoption of the following changes in PFRS did not have significant effect to the Group:

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*
- Philippine Interpretation IFRIC 14, *PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*
- PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 7, *Financial Instruments: Disclosures - Reclassification of Financial Assets*

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to June 30, 2009

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

Effective Fiscal Year Ending June 30, 2010

- Amendment to PFRS 2, *Share-based Payment - Vesting Condition and Cancellations*
  The standard has been amended to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled.

- Revised PFRS 3, *Business Combinations* and
  Revised PAS 27, *Consolidated and Separate Financial Statements*
  The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as “minority interests”); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively and PAS 27 must be applied retrospectively, except for some scenarios, and will affect future acquisitions and transactions with non-controlling interests.

- PFRS 8, *Operating Segments*
  This standard replaces PAS 14, *Segment Reporting*, and adopts a management approach to reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the balance sheet and statement of income and companies will need to provide explanations and reconciliations of the differences.

- Revised to PAS 1, *Presentation of Financial Statements*
  This amendment requires a company to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate statement of income and a statement of comprehensive income. The statement of comprehensive income shall disclose profit and loss for the period, plus each component of income and expense recognized outside of profit and loss.

- PAS 23, *Borrowing Costs*
  This standard requires capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period to get ready for its intended use or sale. In accordance with the transitional requirements of this standard, the Group will adopt this as a prospective change. However, such adoption will not affect the consolidated financial statements since it is already the Group's policy to capitalize borrowing cost on qualifying assets.

- Amendment to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
  Amendment to PAS 27 has changes in respect of the holding companies separate financial statements including (a) the deletion of "cost method", making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity
  items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
  These amendments identify, among others, certain specified features, the presence of all of which will make puttable financial instruments to be classified as equity.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
  Amendment to PAS 39 addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
  This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
  This interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign

currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*
  This interpretation covers accounting for all non-reciprocal distribution of non-cash assets to owners. It provides guidance on when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
  This interpretation applies to the accounting for transfers of items of property, plant and equipment by an entity that receive such transfers from its customer, wherein the entity must then use such transferred asset either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Improvements to PFRSs
In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to remove inconsistencies and to clarify wordings. There are separate transitional provisions for each standard.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
  When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

- PAS 1, *Presentation of Financial Statements*
  Current assets also include assets held primarily for the purpose of trading (examples include some financial assets classified as held for trading in accordance with PAS 39) and the current portion of non-current financial assets.

  Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within 12 months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities classified as held for trading in accordance with PAS 39, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables.

- PAS 16, *Property, Plant and Equipment*
  Revises the definition of "recoverable amount" as the higher of an asset's fair value less costs to sell and its value-in-use.

- PAS 19, *Employee Benefits*
  Revises the definition of "past service costs" to include reductions in benefits related to past services ("negative past service costs") and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

  Revises the definition of "return on plan assets" to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.

- PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*
  The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognized and measured in accordance with PAS 39. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with PAS 39 and the proceeds received.

- PAS 23, *Borrowing Costs*
  Revises the definition of borrowing costs to consolidate the types of items that are considered components of "borrowing costs" - that is, components of the interest expense calculated using the effective interest rate method.

- PAS 28, *Investments in Associates*
  An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 31, *Interests in Joint Ventures*
  If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- PAS 36, *Impairment of Assets*
  When discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value-in-use".

- PAS 38, *Intangible Assets*
  Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service.

- PAS 40, *Investment Property*
  Revises the scope (and the scope of PAS 16, *Property, Plant and Equipment*) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

Effective Fiscal Year Ending June 30, 2013

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

The Group is currently assessing the potential impact of these forthcoming standards, amendments and interpretations. The effects and required disclosures of the adoption of these standards, amendments and interpretations, if any, will be included in the Group's consolidated financial statements when these will be adopted subsequent to fiscal year 2009.

Consolidation

The consolidated financial statements include the financial statements of the Company and the following subsidiaries (all incorporated in the Philippines):

	Percentage of Ownership			
	2009	2008	2007	Main Activity
RHI	**66**	65	51	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**	100	100	To acquire, own, develop, sell and hold for investment all types of real estate.
United Ventures Corporation (UVC)	**100**	100	100	The subsidiary is currently into warehouse leasing activity.
Nasugbu Feeds Corporation (NAFECOR)	**100**	100	100	To engage in the business of manufacturing, milling, processing and mixing, buying, selling and distributing at wholesale and retail basis, agricultural products, especially animal feeds and feedstuffs, without engaging in the manufacture of food, drugs and cosmetics. The subsidiary has currently no commercial operations.

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

	Percentage of Ownership				
	2009	2009		2008	
	Direct	Direct		Direct	Indirect
CADPGC	**–**	-		89.22	–
Central Azucarera Don Pedro, Inc. (CADPI)	**100.00**	100.00		–	89.22
Central Azucarera de La Carlota, Inc.(CACI)	**100.00**	100.00		–	89.22
CADP Insurance Agency, Inc. (CIAI)	**100.00**	100.00		–	89.22
CADP Consultancy Services, Inc. (CCSI)	**100.00**	100.00		–	89.22
CADP Farm Services, Inc. (CFSI)	**100.00**	100.00		–	89.22
Jade Orient Management Services, Inc. (JOMSI)	**99.99**	99.09		–	89.21
Najalin Agri Ventures, Inc. (NAVI)	**77.27**	77.27		–	63.96
Roxol Bioenergy Corporation (Roxol)[1]	**100.00**	100.00		–	89.22
CADP Port Services, Inc. (CPSI)[2]	**100.00**	100.00	–	–	–
Roxas Power Corporation (RPC)[2]	**50.00**	50.00	–	–	–

[1] Roxol was incorporated on February 29, 2008 and has not yet started commercial operations.

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

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

Minority interest represents a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of income and within equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from the Company's equity. If losses applicable to the minority interest in a subsidiary exceed the minority interest's equity in the subsidiary, the excess, and any further losses applicable to the minority interest, are charged against the majority interest, except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority interest's share of losses previously absorbed by the majority interest has been recovered.

The financial statements of the Company and its subsidiaries used in the preparation of the consolidated financial statements are of the same reporting date. When the reporting dates of the parent and a subsidiary are different, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent unless it is impracticable to do so.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated in full. Unrealized losses are also eliminated in full, unless the transaction provides evidence of impairment of the assets transferred.

Changes in the controlling ownership interest, i.e., acquisition of minority 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. 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.

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 minority 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 Company are reflected at their carrying values. Comparatives shall be restated to include balances and transactions as if the entities had been acquired at the beginning of the earliest period presented and as if the companies had always been combined. No new goodwill is recognized as a result of the combination. Any difference between the consideration paid and the equity acquired is reflected in the equity section in the consolidated balance sheet and in the consolidated statement of changes in equity.

Investment in Shares of Stock of Associates

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

The Group's share of its 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 in full, unless the transaction provides evidence of an impairment of the assets transferred. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's management has designated a business segmentation of the Group's operations as set out below (see Note 29):

a. Business segments

   The Group has organized its reporting structure based on the grouping of similar products and services, resulting in three main business segments as follows:

   - Sugar milling, refining and tolling operations

     - Raw sugar and molasses (Raw sugar milling operation)

       This subsegment is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. As at June 30, 2009 and 2008, the Group operates two boiling houses - one in La Carlota City, Negros Occidental with a daily cane capacity of 14,000 and 12,000 metric tons, respectively, and the other in Nasugbu, Batangas with daily plant capacity of 13,000 and 11,000, respectively. Canes are sourced from both district and non-district planters and are milled by the Group under a production sharing agreement (see Note 16).

Molasses, a by-product, is a thick dark brown liquid obtained from the raw sugar manufacturing process which is also shared between the planters and the Group on the same sharing arrangement applied to raw sugar.

- Refined sugar (Refinery operation)

  Aside from the raw sugar milling plant, the Group also operates a refinery plant in Nasugbu, Batangas. The refinery operation involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. Subsegment assets of refinery operation are shared with tolling operation.

- Tolling operation

  To ensure maximum utilization of the refinery, the Group also offers tolling service to traders and planters. This service involves the refining process of raw sugar owned by traders and planters to convert raw sugar into refined sugar. In consideration, the traders and planters pay tolling fees to the Group.

▪ Real estate

The Group acquires, develop, improve, subdivide, lease and sell agricultural, industrial, commercial, residential and other real properties.

▪ Other segments

Other segments of the Group which are not reported separately pertain mainly to consultancy business.

b. Geographical segments

Geographical segments are organized according to the proximity of operations.

c. Segment revenues and expenses

The Group’s main revenue stream comes from the sale of sugar and real estate properties. The sugar group’s customers consist largely of sugar traders, wholesaler, 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 buyers of real estate properties.

d. Segment assets and liabilities

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

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

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.

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.

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 instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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

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 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 Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

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

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

   - The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis, or
   - The assets and liabilities are part of a group of financial assets and financial liabilities, respectively, or both financial assets and financial liabilities, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets are classified as held for trading if these are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in profit or loss. 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 June 30, 2009 and 2008.

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 and accounted for as derivative if all the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics 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 asset at fair value through profit or loss. Changes in the fair values are included in the consolidated statement of income.

Subsequent reassessment is prohibited unless there is change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

As of June 30, 2009 and 2008, the Group has identified embedded prepayment options on its long-term borrowings. However, no amounts were recognized in relation to these options since the amounts are considered not significant.

b. Loans and receivables

Loans and receivables are non-derivative 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 cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the Group's cash in banks and short-term placements, trade receivables, advances to employees (excluding advances subject to liquidation), advances to related parties and other receivables.

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. Held-to-maturity investments are carried at cost or amortized cost in the consolidated balance sheet. Where the Group sells other than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale investments. Amortization is determined using the effective interest rate method. Assets under this category are classified as current assets if maturity is within 12 months of the balance sheet date, otherwise, these are classified as noncurrent assets.

The Group has not designated any financial asset as held-to-maturity investment as of December 31 and June 30, 2009

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 equity section of the consolidated balance sheet. These changes in fair values are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in the consolidated statement of income.

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

Classified as available-for-sale financial assets are the Group's unquoted equity investments as of December 31, 2009 and June 30, 2009.

e. Other financial liabilities

This category pertains 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, customer's deposit and advances from related parties) and financing (e.g., dividends payable and short-term and long-term borrowings) 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 borrowing using the effective interest rate.

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 balance sheet date.

Accounts payable, accrued expenses, dividends payable, short and long-term borrowings and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, normally equal to nominal amount.

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

Derecognition of Financial Assets and Financial Liabilities

a. Financial assets

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

- the 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 of over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

b. Financial liabilities

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

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

Impairment of Financial Assets
The Group assesses at each balance sheet date 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 rates (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or 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 default or delinquency in interest or principal payments, 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 each balance sheet date. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

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

b. Financial assets carried at cost

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

c. Available-for-sale financial assets

In 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 loss, 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 income. Increases in fair value after impairment are recognized directly in the consolidated statement of changes in equity.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount cash flows for the purpose of measuring impairment loss. If, in 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 balance sheet date 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.

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 from observable market, the Group recognizes the difference between the transaction price and fair value (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 made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing a Day 1 difference amount.

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

Inventories
Raw and refined sugar inventory is valued at the lower of cost and net realizable value (NRV), cost being determined using the weighted average method. 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. Molasses inventory is carried at the lower of cost and NRV. Production cost is allocated using the relative sales value of each of the joint products, i.e., raw and refined sugar and molasses. Materials and supplies inventory is valued at the lower of cost and NRV, cost being determined using the moving average method. A provision for inventory losses is provided for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation.

Consumable Biological Assets
Consumable biological asset is measured on initial recognition and at each balance sheet date at its fair value less estimated costs to sell, unless the fair value cannot be measured reliably. The fair value has been arrived at by discounting the present value of expected net cash flows from standing canes discounted at the relevant market determined pre-tax rate. Expected cash flows have been computed by estimating the expected crop and the sugar extraction rate and the forecasts of sugar prices which will prevail in the coming year. Costs to sell, which includes fertilizing, cultivation and other direct expenses, are estimated based on the yearly budgets of the Group.

A gain or loss arising on initial recognition of a consumable biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell is recognized in profit or loss for the period in which it arises.

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

Raw land, land improvements and developed real estate properties for sale 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.

Investment Properties
Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment. Investment properties are carried at cost less accumulated depreciation and impairment, if any. Cost is the fair value of the consideration given to acquire the property which includes transaction costs such as legal fees and taxes on the purchase of the property.

Depreciable investment properties (i.e., building) are depreciated using the straight-line method over the estimated useful life of 40 years. 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, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Subsequent expenditure should demonstrably enhance the original asset to qualify for recognition. Transfers to investment properties do not result in gain or loss.

Derecognition of investment properties 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.

Property, Plant and Equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and amortization and any impairment, except for land which is stated at revalued amount less any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period, in which they are 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 liability, in the consolidated balance sheet and consolidated statement of changes in equity. The Company's share in net appraisal increase resulting from the revaluation of land of an associate is shown as "Share in revaluation increment on land of an associate" in the consolidated balance sheet. Increases in the carrying amount arising on revaluation of properties are credited to revaluation increment directly in equity, net of related deferred tax liability. 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 Group used the carrying amount of CADP, Inc.'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*.

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

	Number of Years
Building and improvements	10 to 25
Machinery and equipment:	
Factory machinery and installation	17 to 25
Locomotives and other equipment	5 to 20
Safety equipment	5
Service vehicles	5 to 6
Railroad equipment	10 to 20
Office furniture, fixtures and equipment	3 to 10

Depreciation and amortization 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, *Noncurrent Assets Held for Sale and Discontinued Operations* and the date the asset is derecognized.

Major renovations that qualify 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 and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

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

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

Impairment of Nonfinancial Assets

Assets that have an indefinite useful life are not subject to amortization and tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset. Impairment loss recognized during interim period in respect to goodwill or an investment, either an equity instrument or a financial asset carried at cost, should not be reversed at year end.

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

Revenue Recognition

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

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

Sale of raw and refined sugar
Sale of raw sugar is recognized upon endorsement and transfer of quedans, while sale of refined sugar is recognized upon shipment or delivery.

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.

Real estate sales
Real estate sales consist of revenues 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 50% collection of the total contract price. Cash received from the sale of real estate properties over which the Group maintains continuing managerial involvement, related risks and rewards have not yet been transferred, or when collectibility is not reasonably assured is recognized as customers' deposits in the consolidated balance sheet.

Rental income
Rental income is recognized on a straight-line basis over the periods of the respective leases.

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

Other income
Other income is recognized when earned.

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

Pension plan asset
The assets of the Group recognized in the consolidated balance sheet in respect of defined benefit pension plans is the lower of (a) the excess of the fair value of plan assets over the present value of the defined benefit obligation at the balance sheet date 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 balance sheet date 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
Retirement benefits 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 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.

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 balance sheet date 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 and that have terms to maturity approximating the terms of the related pension liability.

Past service costs are recognized immediately in profit and loss, 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.

Transitional liability resulting from the Group's initial adoption of PAS 19 is being amortized for a period of five years from July 1, 2005. Unamortized transitional liability as of June 30, 2009 and 2008 amounted to ₱32.7 million and ₱64.2 million, respectively (see Note 17).

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 provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Borrowing Costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Under the benchmark treatment, borrowing costs are recognized as an expense in the period in which they are incurred regardless of how the borrowings are applied.

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 when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

Debt commitment fees relating to the drawn amount are amortized using effective interest rate method and presented as reduction in the principal loan balance. Debt commitment fees relating to the undrawn loans are recorded as deferred charges and are amortized using straight-line method.

Leases

Lease of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of income over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term unless there is reasonable certainty that ownership will transfer to the Group by the end of the lease term, in which case it will be depreciated over the life of the asset.

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.

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or it is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangement.

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 probable 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 each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the consolidated financial statement. 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", which is the same as the Group's presentation 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 balance sheet date. Foreign exchange differences are credited or charged directly in the consolidated statement of income.

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 stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

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 balance sheet date.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date 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 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 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. Deferred income tax, however, 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.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient 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 each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and 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 balance sheet date.

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.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Share Capital

Ordinary or common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds, net of tax.

Where any member of the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

Dividend Distribution

Dividend distribution to the Company's shareholders and the minority interest is recognized as a liability in the consolidated financial statement in the period in which the dividends are approved by the Company's BOD.

Earnings per Share

Basic earnings per share is calculated by dividing the profit 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 per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (see Note 26).

Events after the Balance Sheet Date

Post year-end events that provide additional information about the Group's position at the balance sheet date (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 Accounting Judgments, 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 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 has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Determination of the Group's functional currency

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

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 ₱1,301.9 million and ₱7,090.2 million as of June 30, 2009, respectively, and ₱ 995.5 million and ₱3,370.8 million, respectively, as of June 30, 2008.

Classification of leases

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

Allocation of cost to molasses inventory
When the costs of conversion of each product are not separately identifiable, they are allocated between the products on a rational and consistent basis. The allocation is based on relative sales value of each 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. Management uses judgment to measure and allocate value to the molasses inventory.

Molasses inventory amounted to ₱ 28.5 million and ₱19.9 million as of December 31 and June 30, 2009, respectively (see Note 6).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date 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 fair value of financial instruments
Financial assets and liabilities, on initial recognition, are accounted for at fair value. The fair values of financial assets and liabilities, on initial recognition, are normally the transaction prices. In the case of those financial assets and liabilities that have no active markets, fair values are determined using an appropriate valuation technique. The fair value of a financial liability with a demand feature is not less than the amount that could be required to be paid. Fair values of financial instruments are disclosed in Note 28.

Determination of NRV of real estate inventories
The Group estimates of the NRV of real estate for sale and development are based on the most reliable evidence available at the time the estimates are made, of the amount that the 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 period to the extent that such events confirm conditions at the end of the period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused real estate for sale and development to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV. The Group's real estate inventories as of December 31, 2009 and June 30, 2009 amounting to ₱333.9 million and ₱330.3 million, respectively, are stated at cost (see Note 7).

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, based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific reserves against amounts due to reduce receivable amounts expected to be collected. These specific reserves 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 doubtful accounts would increase its recorded general and administrative expenses and decrease its current assets.

As of December 31, 2009 and June 30, 2009, the carrying amount of Group's receivables amounted to ₱ 702.1 million and ₱ 1,000.8 million, respectively, net of allowance for impairment of receivables of ₱35.8 million and ₱30.0 million, respectively (see Note 5).

Determination of NRV of inventories

The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV. The Group's inventories as of December 31, 2009 and June 30, 2009 amounted to ₱1,810.8 million and ₱1,468.9 million, respectively (see Note 6).

Determination of fair value less estimated costs to sell on consumable biological assets

Management determines the age of the sugarcane and bases the fair value of the sugarcane on observable market data. Costs to sell, which includes fertilizing, cultivation and other direct expenses, are estimated based on the yearly budgets of the Group.

As of December 31, 2009 and June 30, 2009, the Group's consumable biological assets amounted to ₱ 12.7 million and ₱14.8 million, respectively (see Note 8).

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 December 31, 2009 and June 30, 2009 and 2008, the carrying amount of the Group's creditable withholding taxes amounted to ₱ 103.7 million and ₱ 81.1 million, respectively, net of allowance for losses on the creditable withholding taxes amounted to ₱9.8 million as of December 31, 2009 and June 30, 2009 (see Note 8).

Valuation of land under revaluation basis

The Group's land is carried at revalued amounts, which approximate its fair values at the date of the revaluation, less any subsequent accumulated impairment losses. The valuation of land is performed by professionally qualified appraisers. 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 balance sheet date. Land carried at revalued amounts as of December 31, 2009 and June 30, 2009 ₱ 2,518.2 million (see Note 11).

The resulting increase in the valuation of these tangible assets based on the 2008 and 2006 valuation amounting to ₱1,010.0 million and ₱784.7 million, respectively, is presented as "Revaluation increment on properties" in the equity section of the consolidated balance sheets and in the consolidated statements of changes in equity.

Estimation of useful lives and residual values 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 December 31, 2009 and June 30, 2009 amounted to ₱ 8,391.0 million and ₱7,152.4 million respectively (see Note 11).

Impairment of nonfinancial assets
The Group assesses at each reporting date whether there is any indication that property, plant and equipment, investment in shares of stock of associates, investment properties and other nonfinancial assets 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 determines that there are no impairment indicators, hence, no impairment loss on nonfinancial assets was recognized in 2009, 2008 and 2007.

The total carrying value of the Group's property, plant and equipment as of December 31, 2009 and June 30, 2009 amounted to ₱10,910.1 million and ₱ 9.670.60 million, respectively (see Note 11).

The carrying value of the Group's investment properties as of December 31, 2009 and June 30, 2009 amounted to ₱ 347.3 million and ₱348.0 million, respectively (see Note 10).

The carrying value of the Group's investment in shares of stock of associates amounted to ₱727.4 million and ₱739.1 million as of December 31, 2009 and June 30, 2009, respectively (see Note 9).

Estimation of retirement benefits cost
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 actuaries 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 increases. 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 June 30, 2009 and 2008 amounted to ₱146.5 million and ₱122.3 million, respectively. On the other hand, net pension benefit obligation as of

June 30, 2009 and 2008 amounted to ₱74.2 million and ₱63.8 million, respectively. In 2009, 2008 and 2007, pension costs amounted to ₱63.4 million, ₱76.6 million and ₱83.6 million, respectively.

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 balance sheet date, 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 re-assessed at least on an annual basis to consider new relevant information. No provision is deemed necessary as of June 30, 2009, and 2008 and 2007.

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. No provision was made for these contingencies as of June 30, 2009, 2008 and 2007.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces such amounts to the extent that it is no longer probable that sufficient taxable profit in the future will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deductible temporary differences and carryforward benefits of MCIT amounting to ₱110.2 million and ₱107.9 million as of June 30, 2009 and 2008, respectively (see Note 24).

4. Cash and Cash Equivalents

Cash and cash equivalents at September 30 and June 30 consist of:

	December, 2009	June, 2009
	(In Thousands)	
Cash on hand and in banks	**313,350**	**₱295,656**
Short-term placements	**133,237**	**47,343**
	446,587	**₱342,999**

Short-term placements earn interest ranging from 2.6% to 3.2%, and 2009 and 2008, respectively, and have average maturities of 30 to 60 days. Interest income earned on cash in banks and short-term placements amounted to P1.4 million for the six months ended December, 2009 and ₱8.3 in for the fiscal year ended June 30, 2009, respectively.

5. Receivables

Receivables at September 30 and June 30 consist of:

	December,2009	June, 2009
	(In Thousands)	
Trade	**455,028**	**₱793,427**
Advances to planters and cane haulers	**95,014**	**27,664**
Advances for raw sugar purchases	**10,402**	**16,961**

Advances to employees	**39,303**	**51,402**
Advances to related parties (Note 16)	**104,158**	**68,980**
Others	**33,956**	**78,739**
	737,861	**1,037,173**
Less allowance for impairment of receivables	**35,800**	**36,380**
	702,061	**₱1,000,793**

Advances to employees pertain to advances for the Group's expenses which are subsequently liquidated. These advances also include interest and noninterest-bearing salary, housing and educational loans that are collected through salary deduction.

Other receivables include advances to suppliers for the purchase of local and imported materials and supplies.

Other receivables also include outstanding receivable from the 2002 sale of a portion of the RHI's land in Barrio Lumbangan, Nasugbu, Batangas to its employees. Due to the Reorganization Program discussed in Note 1, the employees were transferred to CADP, Inc., whereas the receivable remained with RHI. As of June 30, 2009 and 2008, remaining balance amounts to ₱4.1 million and ₱5.6 million, respectively. These loans bear annual interest of 12% and are payable over 10 years until 2012. Unearned interest income, relating to the current portion of such receivable (presented as a deduction from such receivable), amounts to ₱0.4 million and ₱0.5 million as of June 30, 2009 and 2008, respectively.

Details and movement of allowance for impairment of receivables determined using specific assessment as of June 30 follow:

	2007	Additions	Write-offs	2008	Additions	Write-offs	**2009**
				(In Thousands)			
Trade	₱3,588	₱5,998	₱–	₱9,586	₱230	(₱3,084)	**₱6,732**
Advances to planters and cane haulers	10,749	–	(4,705)	6,044	100	–	**6,144**
Advances to employees	3,455	–	(2,179)	1,276	103D	(103)	**1,276**
Others	17,191	4,908	(9,031)	13,068	9,399	(239)	**22,228**
	₱34,983	₱10,906	(₱15,915)	₱29,974	₱9,832	(₱3,426)	**₱36,380**

6. Inventories

Inventories at September 30 and June 30 consist of:

	December, 2009	June, 2009
	(In Thousands)	
At NRV:		
Raw sugar		**₱614,437**
Material and supplies	**415,443**	**511,526**
At cost:		
Refined sugar	**815,303**	**310,593**
Molasses	**28,528**	**19,869**
Materials in transit	**551,513**	**12,464**
	1,810,787	**₱1,468,889**

Allowance for inventory losses of raw sugar amounted to ₱50.4 million and ₱22.08 million as of December 31, 2009 and June 30, 2009, respectively.

Allowance for inventory obsolescence of materials and supplies amounted to ₱31.0 million and ₱25.7 million as of June 30, 2009 and 2008, respectively.

Cost of inventories recognized as expense and included in “Cost of sales” amounted to ₱1,150 million and ₱1,910.3, million in December and June 2009, respectively (see Note 20).

7. Real Estate for Sale and Development

Real estate inventories consist of:

	December, 2009	June, 2009
	(In Thousands)	
Real estate properties for sale	**96,292**	**₱51,782**
Raw land and land improvements	**237,655**	**278,493**
	333,947	**₱330,275**

No borrowing costs were capitalized in June 2009 and 2008, as no project was ongoing in both years (Note 15).

Real estate for sale and development aggregating to 686,681 square meters were used as collateral for the loans obtained by the Group (see Note 15).

Shown below are the aggregate cash price values and related aggregate carrying costs of real estate properties held for sale as of December 31, 2009 and June 30, 2009.

	December, 2009	June, 2009
	(In Thousands)	
Aggregate cash price values	**₱121,653**	**₱86,939**
Less aggregate carrying costs	**96,292**	**51,782**
Excess of aggregate cash price values over aggregate carrying costs	**₱25,361**	**₱35,157**

8. Prepayments and Other Current Assets

Prepayments and other current assets at December 31 and June 30 consist of:

	December, 2009	June, 2009
	(In Thousands)	
Deposit to suppliers	**₱47**	**₱119,667**
Creditable withholding taxes, net of allowance of ₱9,774 in 2009 and 2008	**103,677**	**81,142**
Prepaid taxes	**167,233**	**67,733**
Consumable biological assets	**12,747**	**14,796**
Others	**363,322**	**22,240**
	₱647,026	**₱305,578**

Consumable biological assets pertain to standing sugarcanes of NAVI.

Prepaid taxes comprise mainly of input value-added tax on purchases of equipment relating to the Expansion Project (see Note 11).

Other current assets consist mainly of advance payment made to a sugar milling company for tolling service of CACI's raw sugar and advance payments of input VAT for refined sugar sales.

9. Investment in Shares of Stock of Associates

The Group has the following associates:

	Percentage of Ownership		Main
	December, 2009	June, 2009	Activity
HPCo	**29.62***	**29.62***	Sugar manufacturer
Fuego Land Corporation (FLC)	**30.00**	**30.00**	Real estate developer
Fuego Development Corporation (FDC)	**30.00**	**30.00**	Real estate developer
Club Punta Fuego, Inc. (CPFI)	**26.63**	**26.63**	Recreation
Roxaco - ACM Development Corporation (RADC)	**50.00**	**50.00**	Real estate developer

**Effective ownership through RHI*

Details of investment in shares of stock of associates as of December 30 and June 30 follow:

	December, 2009	June, 2009
	(In Thousands)	
Acquisition cost	**₱308,180**	**₱308,185**
Accumulated equity in net earnings:		
Beginning of period / year	**297,711**	**283,816**
Equity in net earnings for the period	**32,734**	**82,415**
Less dividend income	**35,688**	**68,520**
End of the period / year	**294,757**	**297,711**
Unrealized gain on transfer of land	**(59,030)**	**(59,030)**
Allowance for impairment	**(15,228)**	**(15,233)**
Share in revaluation increment in land	**207,492**	**207,492**
	₱736,171	**₱739,125**

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

b. FDC was formed as a 70%-30% joint venture by Landco Pacific Corporation (LPC) and RLC specifically to carry out the business plan which provides, among others, 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, 24,000,000 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 total 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. On January 12, 2006, the SEC approved the transfer of land. The said transfer of land in exchange for shares of stock is exempt from all taxes except documentary stamp tax as approved by the Bureau of Internal Revenue (BIR) on August 10, 2005.

After the subscription of shares and assignment of land, the total equity interest of RLC to FDC increased from 30.0% to 52.0%. Although RLC owns 47.0% of the voting shares of FDC as of June 30, 2007, LPC which is the owner of the remaining 53.0% voting shares still controls FDC on the basis that LPC has the majority of the seats in the BOD of FDC. Further, the 47.0% ownership of RLC in FDC is deemed temporary since FDC's BOD approved on December 5, 2006 the conversion of certain of its liabilities to LPC into shares of stock. Once SEC approves this debt equity conversion between LPC and FDC, the ownership interest of LPC will revert to 70.0% and that RLC to 30.0%. On May 8, 2008, the SEC approved the increase in capital stock of FDC. As of June 30, 2009 and 2008, the Group eliminated the unrealized gain on the aforementioned transfer of land to the extent of the Group's ownership interest in FDC amounting to ₱59.0 million.

c. RLC provided for additional impairment of its investment in RADC amounting to ₱1.2 million in 2009 to reflect the impact of the adverse economic environment in which RADC operates.

d. The accumulated equity in net profit (losses) and share in fair value reserves in investee companies of ₱297.7 million and ₱283.8 million as of June 30, 2009 and 2008, respectively, is not available for distribution to shareholders unless received as cash dividends from the investee companies.

The summarized financial information of associates as of and for the year ended December 31, 2009 and June 30, 2009 follows:

	December, 2009	June 2009
	(In Thousands)	
Total assets	**₱3,481,839**	**₱3,235,228**
Total liabilities	**1,672,019**	**1,412,559**
Equity	**1,809,820**	**1,822,669**
Net income	**65,449**	**193,789**

10. **Investment Properties**

Investment properties of the Company and RLC consist of:

	December, 2009	June, 2009
	(In Thousands)	
Agricultural properties	**334,491**	**₱334,591**
Residential properties	**6,208**	**6,208**
Commercial properties	**1.050**	**1,050**
Building, net of accumulated depreciation of ₱ 10.8 million in December, 2009 and ₱ 10.3 million in June 2009	**5,564**	**6,107**
	347,313	**₱347,956**

The Company

As of June 30, 2009, certain parcel of land amounting to ₱175,329 were donated for the construction of churches, public schools and national roads. The Company also recognized loss on expropriation and erosion amounting to ₱1,070,319 and ₱13,399, respectively.

The total carrying amount of the Company's investment properties includes those parcel of land properties that are subjected to Comprehensive Agrarian Reform Law (CARL) with total land area of 2,241.90 hectares (see Note 18).

Total fair value of these investment properties, excluding those land properties subjected to CARL, amounted to ₱531.2 million based on the appraised value of the properties as of June 30, 2008. The Company did not obtain appraisal report for 2009 as they believe that there were no developments made where the property is located that will cause significant change in its fair value.

RLC

Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas. The estimated fair market value of the investment property as of June 30, 2009, based on the appraisal reports, amounted to ₱9.4 million.

11. Property, Plant and Equipment

Property, plant and equipment, valued at cost, as of December 31, 2009 and June 30, 2009 are shown below:

	December 31	June 30
Building and improvements	1,245,433	1,235,011
Machinery and equipment	6,106,854	5,207,977
Transportation and railroad equipment	155,551	126,766
Furnitures and fixtures	588,717	611,784
Construction in progress	5,402,806	4,967,334
Total	13,499,361	12,148,872
Accumulated Depreciation	(5,107,388)	(4,996,469)
	8,391,973	7,152,403

Land at appraised values and had it been carried at cost at the beginning and end of June 30 are as follows:

	December 2009	June, 2009
	(In Thousands)	
At appraised values:		
Beginning balance	**₱2,518,174**	**₱2,518,174**
Appraisal increase	–	–
	₱2,518,174	**₱2,518,174**
Cost	**₱32,620**	**₱32,620**

a. Construction in progress

Construction in progress as of December 31, 2009 and June 30, 2009 pertains mainly to the foregoing milling plant improvement project, refinery plant installation of sieving facilities, as well as construction 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 from Bryant, Florida, United States of America (USA) and Fairymead, Australia.

In August 2007, CADPGC entered into a purchase agreement, for and on behalf of then its wholly-owned subsidiaries, CADP, Inc. and CACI, with a foreign corporation to buy certain sugar mill equipment for a total purchase price of ₱951.6 million. The purchase pertains to different pieces of disassembled equipment that originated from "Bryant Sugar House", a sugar mill located in Bryant, Florida, U.S.A., of which the sellers had purchased from United States Sugar Corporation through a purchase and removal agreement executed on April 30, 2007.

To complement the mills from Bryant Sugar House, mill components and shredder were purchased from Australia in 2008.

The Group obtained short and long-term borrowings from various banks to finance the Expansion Project (see Notes 12 and 15).

Roxol Plant Construction Project
On June 27, 2008, in line with the Group's Expansion Project, Roxol entered into an agreement to construct its bioethanol plant in La Carlota City, Negros Occidental for a total contracted amount of US$20.9 million. As of December 31, 2009, construction in progress balance relating to Roxol plant development amounted to ₱ 738.6 million.

Capitalization of borrowing costs
In 2009 and 2008, interest from short and long-term borrowings amounting to ₱263.3 million and ₱45.5 million, respectively, directly incurred to finance the Expansion Project was capitalized to property, plant and equipment account. No capitalized borrowing costs were recorded in 2007. The Group amortizes such capitalized interest over the useful life of the qualifying asset to which it relates. Unamortized capitalized interest as of June 30, 2009 and 2008 amounted to ₱370.4 million and ₱91.3 million, with corresponding deferred income tax liability amounting to ₱111.1 million and ₱30.0 million, respectively (see Note 24).

Noncash additions to property, plant and equipment
As of June 30, 2009 and 2008, the Group has outstanding liability on purchase of equipment relating to the Expansion Project amounting to ₱86.6 million and ₱68.1 million, respectively (see Note 13).

b. Depreciation

Depreciation charged to operations are as follows:

	December 2009	June 2009	June 2008
		(In Thousands)	
Cost of sales (Note 20)	**156,598**	**₱274,204**	₱301,858
General and administrative expenses (Note 21)	**15,294**	**32,883**	28,836
	₱171,892	**₱307,087**	₱330,694

As of June 30, 2009 and 2008, fully depreciated property, plant and equipment, with an aggregate cost of ₱1,401.1 million and ₱954.5 million, respectively, are still being used in operations.

c. Property, plant and equipment as collateral

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

d. Capital expansion commitments

The Group has outstanding capital expansion commitments amounting to ₱1,542.8 million and ₱ 2,319.0 million as of June 30, 2009 and 2008, respectively.

12. Short-term Borrowings

CACI and CADP, Inc.

At various dates in 2009 and 2008, CACI and CADP, Inc. obtained unsecured short-term loans from various local banks to meet their respective working capital requirements. The loans, which are payable in lump sum on various dates, are subject to annual interest rates ranging from 5.0% to 9.5% and 4.7 % to 8.1%, respectively, and have terms ranging from 30 to 32 days in 2009 and 28 to 90 days in 2008.

As of December 31, 2009 and 2008, the balance of the short-term loan, net of related unamortized debt commitment fees, amounted to P 1,748 million, and ₱ 1,963 million, respectively.

RLC

Short-term borrowings also include loans from local banks availed by RLC to finance its working capital requirements, including the development of ongoing real estate projects. Loans amounting to ₱ 40.0 million and ₱25.0 million which have original maturities in October 2008 and December 2008, respectively, and have floating interest rates, were renewed by RLC in 2009. With the renewal, the ₱40.0 million and ₱25.5-million loans have fixed interest rates of 7.75% and 8.00%, respectively, for the first 30 days and to be repriced every month. These loans shall mature on December 8, 2009 and July 17, 2009, respectively. Total interest charged to the consolidated statements of income amounted to ₱5.1 million and ₱4.3 million in 2009 and 2008, respectively. As of December 31, 2009, these loans has a balance of P58.5 million.

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30 consist of:

	December, 2009	June, 2009
	(In Thousands)	
Trade suppliers	**637,005**	**₱335,159**
Accrued expenses	**237,685**	**173,073**
Payable to government agencies for taxes and contributions	**60,652**	**57,835**
Payable to related parties	**84,685**	**50,371**
Due to planters	**28,322**	**47,874**
Others	**11,378**	**220,379**
	1,059,727	**₱884,691**

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. These deposits will be applied against future deliveries of sugar and molasses which are expected to be completed in the next 12 months. Customers' deposits amounted to ₱ 535.4 million and ₱199.0 million as of December 31 and June 30, 2009 , respectively.

15. Long-term Borrowings

Long-term borrowings at June 30 consist of:

	December , 2009	June, 2009
	(In Thousands)	
Banco De Oro (BDO)	**3,186,469**	**₱2,114,494**
Syndicated loan facility:		
Bank of the Philippine Islands (BPI)	**1,170,737**	**940,562**
Rizal Commercial Banking Corporation (RCBC)	**333,794**	**219,944**
	4,691,000	**3,275,000**
Unamortized debt commitment fee	**(21,472)**	**(23,027)**
	4,669,528	**₱3,251,973**

a. Loans availed by RCI

On January 16, 2009, BDO approved the loan facility for the funding of the reorganization with a credit line of ₱650.0 million. This is secured by several investment properties owned by RCI and properties for development owned by RLC, its subsidiary, aggregating to 686,681 square meters and shares of stock of RHI held by the Company totaling to 597,606,670 shares. The loan facility is made available to the Company and RHI provided that the combined availment does not exceed the credit line. As of December 31, 2009, the Company has availed of loan amounting to ₱ 427.0 million. The loan bears interest of 6.06% per annum subject to quarterly repricing and shall mature on January 20, 2015.

b. Loans availed by RHI and its subsidiaries

i. BDO Loan Facility and BPI/RCBC Syndicated Loan Agreement

On February 8, 2008, RHI availed the loan facility from BDO with an aggregate amount of ₱ 6,189.0 million. The principal amount of debt accommodation is shared by RHI and CADP, Inc./CACI amounting to ₱1,570.0 million and ₱4,619.0 million, respectively. In addition, on February 14, 2008, CADP, Inc. and CACI entered into a Syndicated Loan Agreement with BPI/RCBC (with BPI as the lead bank) for a total credit line of ₱1,500.0 million.

RHI

On May 5, 2008, RHI availed loans from BDO amounting to ₱143.3 million. The principal of the loan is payable quarterly starting on the 4th year of the 10-year term. As of June 30, 2009 and June 30, 2008, the average interest rate was 5.94% and 6.63%, respectively, subject to quarterly repricing as agreed by the parties.

Short-term loans availed from BDO on May 5, 2008 and October 29, 2008, net of unamortized debt commitment fees, amounting to ₱392.6 million and ₱175.0 million 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. As of June 30, 2009 and June 30, 2008, the interest rates were 5.94% and 6.63%, respectively, subject to quarterly repricing as agreed by the parties.

RHI exercised its option to fix the quarterly interest rate of the loans at 8.84% beginning August 5, 2009 until the end of the loan terms.

CADP, Inc.

On February 14, 2008, CADP, Inc. entered into a loan agreement with BPI 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 8.00% 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 8.40% 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, CADP, Inc. availed loans from BPI and RCBC amounting to ₱167.2 million and ₱83.6 million, respectively, which bear interest of 6.50% and 6.60%, respectively. As of June 30, 2009, interest rates were 5.80% and 5.90% for BPI and RCBC loan, respectively. Promissory notes issued by CADP, Inc. to the banks are under the terms set forth in the Syndicated Loan Agreement. Loans availed are with 10-year terms and will all mature on May 5, 2018.

Likewise, on May 5, 2008, CADP, Inc. availed additional loan from BDO amounting to ₱365.9 million. The principal of the loans is payable quarterly starting on the 4th year of the 10-year term. As of June 30, 2009 and 2008, the interest rates were 5.90%, 6.63%, respectively, subject to repricing based on loan agreements.

On October 29, 2008, additional loans were availed by CADP, Inc. from BDO, BPI and RCBC amounting to ₱459.0 million, ₱143.6 million and ₱71.4 million, respectively, with interest rates of 6.60%, 6.50% and 6.60%, respectively. As of June 30, 2009, the interest rates of the availed loans were 5.90%, 5.80% and 5.90%, respectively, subject to quarterly repricing as agreed by the parties.

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, and with interest rates of 6.50%, 6.60% and 6.60%, respectively. Loans availed are with 10-year terms and will all mature on May 5, 2018. As of June 30, 2009, interest rates of the availed loans were 5.80%, 5.90% and 5.90%, respectively.

CADP, Inc. and CACI exercised their options to fix the quarterly interest rate of repricing BPI loans at 8.79% and BDO and RCBC loans at 8.84% beginning August 5, 2009 until the end of the loan terms.

Debt commitment fees
As part of the Syndicated Loan Agreement with BPI/RCBC, the Group incurred debt commitment fees amounting to ₱59.4 million in 2008. Of the total amount of debt commitment fees paid, ₱29.8 million pertains to the drawn portion of the total credit facility (referred to as "Unamortized debt commitment fees" and presented as a reduction from the principal loan balance), while the remaining ₱29.6 million pertains to the undrawn portion (presented as "Deferred charges" under "Other noncurrent assets"). As of September 30, 2009 and June 30, 2009 and 2008, unamortized debt commitment fees on long-term loans amounted to ₱22.4.0 million and ₱23.0 million, respectively, and ₱7.4 million relating to short-term loans as of June 30, 2008. Deferred charges amounted to ₱9.3 million and ₱22.3 million as of September 30 and June 30, 2009 and 2008, respectively.

Suretyship agreement, mortgage trust indenture and debt covenants
In relation with the BDO Loan Facility executed on February 8, 2008, RHI, CADP, Inc. 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, CADP, Inc., CACI and Roxol, 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, RHI, CADP, Inc. and CACI executed a Mortgage Trust Indenture (MTI) to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in Nasugbu, Batangas which consist mainly of RHI's land and CADP, Inc.'s properties with an aggregate carrying value of ₱1.3 billion and ₱2.2 billion, respectively, and CACI's properties in La Carlota, Negros Occidental amounting to ₱1.6 billion as of June 30, 2009.

The above loan agreements stipulate certain covenants, which include the following:

- maintenance of a reasonable amount of deposit with the creditor banks;
- registration of all collaterals, which must be free from liens and liabilities;
- maintenance of debt service coverage ratio and debt to equity ratio;
- prohibition on purchase of additional equipments except in pursuance of its sugar expansion and ethanol project;
- and prohibition on any material change in ownership of control of its business or capital stock or in the composition of its top level management.

As of December 31, 2009, June 30, 2009 and 2008, the Group is in compliance with these loan covenants.

c. Loans availed by RLC

On May 4, 2009 and August 28, 2009, November RLC availed of a loan from BDO with principal amount of ₱8.0 million each to finance the development of the Memorial Park.. On November 4, 2009 and December 21, 2009 availed additional ₱3.0 million and ₱ 21.0 million. The loan bears interest of 6.63% for 92 days, to be repriced every quarter, and will mature on May 4, 2014. This loan is secured by investment property with a carrying value of ₱9.0 million (see Note 10).

The maturity of long-term borrowing as of December 31 and June 30 are as follows:

	December, 2009	June, 2009
	(In Thousands)	
Between 1 and 2 years	**–**	**–**
Between 2 and 5 years	**₱3,251,973**	**₱1,453,037**
Over 5 years	**1,417,555**	**1,798,936**
	₱4,669,528	**₱3,251,973**

Total interest expense recognized from short and long-term borrowings, net of capitalized portion to property, plant and equipment (Note 11) amounted to ₱ 87.2 million in December, 2009 and ₱147.0 million in fiscal year ending June 30, 2009.

16. Related Party Transactions

a. RLC's outstanding balances and transactions with other related parties are as follows:

		December , 2009		June, 2009	
		Advances		Advances	
	Relationship	**To**	**From**	To	From
FDC	Associate	**₱53,399**	**₱9,150**	**₱68,980**	**₱9,150**
FLC	Associate	**–**	**26,324**	**–**	**26,324**
RADC	Associate	**–**	**10,968**	**–**	**10,968**
Marilo Realty Development Corporation	Joint Venture Partner	**–**	**1,651**	**–**	**3,929**
		₱68,980	**₱48,093**	**₱68,980**	**₱50,371**

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 are to 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 June 30, 2009, RLC is in negotiation with FDC for the settlement of these advances through issuance of Club Punta Fuego stock. RLC will receive 30% of the money from the sale of the club shares. Assignment fee charged to the consolidated statements of income amounted to ₱ 0.968 million and ₱1.98 million for the periods ended December 31, 2009 and June 30, 2009, respectively (see Note 23).

ii. Due to related parties represent advances from FLC, RADC, FDC and Marilo for working capital requirements of RLC. These advances are noninterest-bearing and have no fixed repayment terms.

b. Compensation of key management for the years ended June 30 follows:

	2009 (One Year)	2008 (One Year)	2007 (Six Months)
		(In Thousands)	
Salaries and other benefits	**₱52,538**	₱44,754	₱9,939
Pension cost (income)	**1,876**	(1,676)	6,316
	₱54,414	₱43,078	₱16,255

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

17. Retirement Benefit Plans

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 benefit for both normal 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 sheet at June 30, are determined as follows:

	2009	2008
	(In Thousands)	
Present value of obligation	**₱127,998**	₱136,569
Fair value of plan assets	**(274,708)**	(250,155)
Surplus	**(146,710)**	(113,586)
Unrecognized actuarial gains (losses)	**315**	(8,262)
Unrecognized transitional liability	**(138)**	(413)
Net pension plan assets	**(₱146,533)**	(₱122,261)

Plan assets cannot be returned to the Company, RLC, and RHI unless on circumstances discussed in Note 2. The net pension assets as of June 30, 2009 and 2008 of ₱146.5 million and ₱122.3 million, respectively, will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's 2009 and 2008 retained earnings related to net pension plan asset is not available for dividend declaration (see Note 25).

The movement in the defined benefit obligation over the year is as follows:

	2009	2008
	(In Thousands)	
Beginning of year	**₱136,569**	₱136,607
Interest cost	**13,389**	10,680
Current service cost	**5,460**	7,372
Benefits paid	**(1,768)**	(6,441)
Actuarial gain	**(25,652)**	(11,649)
End of year	**₱127,998**	₱136,569

The movement in the fair value of plan assets during the year is as follows:

	2009	2008
	(In Thousands)	
Beginning of year	**₱250,155**	₱272,420
Expected return on plan assets	**22,010**	22,331
Contributions	**4,916**	1,276
Benefits paid	**(1,768)**	(6,441)
Actuarial loss	**(605)**	(39,431)
End of year	**₱274,708**	₱250,155

Plan assets at June 30 consist of:

	June, 2009		**June, 2008**	
	Percentage	**Amount**	**Percentage**	**Amount**
		(In Thousands)		***(In Thousands)***
Stocks and government securities	**88%**	**₱241,743**	**68.3**	**₱170,742**
Cash and receivables	**12%**	**32,965**	**31.7**	**79,413**
	100%	**₱274,708**	**100.0**	**₱250,155**

Net Pension Benefit Obligation

CACI maintains a funded non-contributory defined benefit plan covering all 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 of 50 years of age. Normal and early retirement benefits are equivalent to one month latest salary for every year of service.

CADP, Inc. maintains funded non-contributory defined benefit plan covering all 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 CADP, Inc. even if below 60 years of age. Normal retirement benefits consist of an amount equivalent to two times the employee's latest monthly salary multiplied by the number of years of service.

The amounts recognized as net pension benefit obligation in the consolidated balance sheets at June 30 are determined as follows:

	2009	2008
	(In Thousands)	
Present value of obligations	**₱376,537**	₱364,890
Fair value of plan assets	**(261,780)**	(244,021)
Deficit	**114,757**	120,869
Unrecognized net transition obligation	**(32,627)**	(65,255)
Unrecognized actuarial losses (gains)	**(7,920)**	8,158
Net pension benefit obligation	**₱74,210**	₱63,772

The movement in the defined benefit obligation follows:

	2009	2008
	(In Thousands)	
Beginning of year	**₱364,890**	₱473,623
Interest cost	**37,554**	37,890
Current service cost	**19,098**	24,946
Benefits paid	**(41,606)**	(81,904)
Curtailment loss (gain)	**(2,704)**	6,430
Actuarial gain	**(695)**	(96,095)
End of year	**₱376,537**	₱364,890

The movement in the fair value of plan assets follows:

	2009	2008
	(In Thousands)	
Beginning of year	**₱244,021**	**₱216,688**
Expected return on plan assets	**17,842**	**16,012**
Contributions	**56,531**	**82,855**
Benefits paid	**(41,606)**	**(81,904)**
Actuarial gain (loss)	**(15,008)**	**10,370**
End of year	**₱261,780**	**₱244,021**

The subsidiaries' plan assets at June 30 consist of:

	2009		**2008**	
	Percentage	**Amount**	**Percentage**	**Amount**
		(In Thousands)		***(In Thousands)***
Stocks and government securities	**73%**	**₱191,099**	**79%**	**₱192,153**
Cash and receivables	**27%**	**70,681**	**21%**	**51,868**
	100%	**₱261,780**	**100%**	**₱244,021**

CADP, Inc. and CACI are expected to contribute ₱98.0 million to the fund for the year ending June 30, 2010.

Pension Cost

The consolidated pension costs recognized for the periods ended June 30 follow:

	2009 (One Year)	2008 (One Year)	2007 (Six Months, Note 2)
		(In Thousands)	
Current service cost	**₱24,558**	₱32,318	₱25,089
Interest cost	**50,943**	48,570	55,690
Return on plan assets	**(39,852)**	(38,343)	(38,897)
Actuarial loss (gain) recognized	**(2,142)**	4,590	(501)
Amortization of net transitional liability	**32,627**	32,627	32,627
Curtailment loss (gain)	**(2,704)**	6,430	–
Asset ceiling adjustment	**–**	(9,624)	9,624
	₱63,430	₱76,568	₱83,632

The actual return on plan assets was ₱26.8 million, ₱8.9 million, and ₱29.3 million in 2009, 2008 and 2007, respectively.

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

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

	2008	**2007**	**2006**
Discount rate	**10.29%**	**8%**	**11%**
Expected rate of return on plan assets	**7 to 9%**	**7 to 9%**	**9%**
Future salary increases	**8%**	**8%**	**5%**

As of June 30, 2009, the following are the assumptions: discount rate per annum of 10.3%, expected return on plan assets of 9% and future annual increase on salary of 8%.

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:

	2009 (One Year)	2008 (One Year)	2007 (Six Months, Note 2)
		(In Thousands)	
Present value of obligations	**₱504,535**	₱501,459	₱610,230
Plan assets	**536,488**	494,176	489,108

Deficit (surplus)	**(31,953)**	7,283	121,122
Experienced adjustments on plan assets-loss (gain)	**22,692**	(5,932)	(28,870)
Experienced adjustments on plan obligation-gain (loss)	**120**	(2,538)	51,553

Transition Liability

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

Present value of the obligation at the date of adoption	₱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.

CACI's Rightsizing Program

CACI implemented a rightsizing program which involved two phases. The first is an early retirement package and the second is the phasing out or abolition of departments, sections and positions that have been identified as redundant or no longer necessary to CACI's core business.

On July 20, 2007, CACI announced its early retirement program to employees, whereby the retirement benefit is equivalent to 1.2 times of monthly salary for every year of service. Total payments made in 2008 amounted to ₱43.2 million.

18. **Commitments and Contingencies**

a. CACI and CADP, Inc. (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. As of June 30 the Group has in its custody the following sugar owned by quedan holders:

	2009		2008	
	Total volume (In thousand LKg*)	**Estimated market value *(In millions)***	Total volume (In thousand LKg*)	Estimated market value *(In millions)*
Refined sugar	**964**	**₱852**	1,037	₱1,409
Raw sugar	**1,014**	**1,034**	1,411	1,266
	1,978	**₱1,886**	2,448	₱2,675

**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. CADP, Inc. entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of June 30, 2009 and 2008, CADP, Inc. has outstanding sales contracts for refined sugar with a total value of ₱1,279.60 million and ₱1,236.30 million, equivalent to 839,152 Lkg and 817,091 Lkg respectively. No losses are expected to arise from these contractual obligations.

   CADP, Inc. received cash deposits from customers for the above transactions as of June 30, 2009 and 2008 (see Note 14), which will be applied against future deliveries of sugar and molasses.

d. CADP, Inc. entered into agreements as follows:

   (i) Lease of offsite warehouse for a period of one year renewable at the option of the 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 ₱3.5 million in 2009, ₱3.5 million in 2008 and ₱3.7 million in 2007.

   (ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations in 2009, 2008 and 2007 amounted to ₱112.0 million, ₱172.3 million and ₱129.2 million, respectively.

e. On January 14, 2009, Roxol 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 Roxol's community development projects.

f. There are pending legal cases in the ordinary course of the Group's business as at June 30, 2009 and 2008, 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 in the 2009, 2008 and 2007 consolidated financial statements.

g. As of June 30, 2009 and 2008, the Group has unused lines of credit from local banks amounting to ₱2,124.0 million and ₱3,165.0 million, respectively.

h. Land Properties Subjected to Comprehensive Agrarian Reform Law (CARL). The CARL (Executive Order No. 229 and RA No. 6657) provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions. On May 16, 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 No. 1520, which declared the entire municipality of Nasugbu as a Tourist Zone.

   In October 2001, the DAR denied the Company's application for exemption. Upon appeal, the Court of Appeals reversed the DAR's ruling, in effect granting the Company's exemption application.

The Court of Appeals decision in GR SP No. 72131 is currently the subject of two petitions filed with the Supreme Court by the farmer-beneficiaries (GR No. 167540) and the DAR (GR No. 167543). Both the Company and the farmer-beneficiaries have already filed their respective Memorandum in GR No. 167540. The DAR's Petition, on the other hand, has been previously dismissed by the Supreme Court. The DAR subsequently filed a Motion for Reconsideration, for which the Supreme Court's decision is still pending as of September 24, 2009.

19. Revenue

The components of revenue are as follows:

(In Thousands)	December , 2009	December , 2008
Refined sugar	₱ 1,431.510	₱1,139,374
Raw sugar	769,638	973,806
Tolling fees	19,442	116,855
Molasses	84,769	69,055
Sale of real estate	33,711	36,043
Others	1,654	2
	2,340,724	₱2,335,135

20. Cost of Sales

The components of cost of sales are as follows:

	December , 2009	December , 2008
Purchased sugar	**₱ 909,208**	₱1,161,025
Cost of transporting cane to mill	**169,864**	168,261
Net changes in inventories	**70,936**	(28,786)
Direct labor	**200,927**	156,844
Trading cost		
Tolling fees	**50,189**	746
Manufacturing overhead:		
Materials and consumables	**263,980**	263,383
Repairs and maintenance	**197,915**	204,441
Depreciation (Note 11)	**156,598**	138,015
Taxes and licenses	**39,566**	107,889
Outside services	**78,323**	63,416
Rental	**33,588**	25,264
Communication, light and water	**36,680**	27,511
Provision for inventory losses and obsolescence (Note 6)		
Others	**(135,646)**	(262,350)
Cost of real estate	**21,328**	23,729
	₱2,093,456	₱2,049,388

21. **Operating Expenses**

The components of operating expenses are as follows:

	December , 2009	December , 2008
	(In Thousands)	
Selling expenses	₱8,965	₱9,309
General and administrative:		
Salaries, wages and other employee benefits (Notes 17 and 22)	145,221	160,972
Outside services	23,026	38,322
Taxes and licenses	28,938	37,772
Depreciation (Note 11)	15,293	15,298
Materials and consumables	10,943	15,577
Insurance	12,787	12,575
Travel and transportation	8,477	10,261
Rental	9,161	8,829
Repairs and maintenance	4,651	14,144
Communication, light and water	3,332	5,252
Corporate social responsibility	4,215	5,571
Representation and entertainment	5,175	5,155
Others	80,799	36,771
	352,018	366,499
	₱360,983	₱375,808

22. **Employee Benefits**

The components of employee benefits are as follows:

	2009 (One Year)	2008 (One Year)	2007 (Six Months, Note 2)
		(In Thousands)	
Salaries and wages	**₱365,105**	₱463,781	₱281,126
Allowance and other employee benefits	**141,175**	65,469	92,180
Pension cost (Note 17)	**63,430**	76,568	83,632
	₱569,710	₱605,818	₱456,938

23. **Other Income - net**

The components of other operating income are as follows:

(In Thousands	December , 2009	December , 2008
Sale of scrap	₱24,744	₱7,632
Sugar and molasses handling fees	5,444	4,607
Foreign exchange loss - net (Note 28)	(1,866)	2,678
Assignment fee (Note 16)	968	3,053

Gain on disposal of properties	679	312
Others	118,492	8,636
	₱148,461	₱26,918

24. Income Taxes

a. Components of the Group's recognized consolidated deferred income tax assets and liabilities at June 30:

	2009		2008	
	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**	**₱6,747**	₱7,714	₱–
Sugar inventory losses (Note 6)	**–**	**7,090**	911	–
Inventory obsolescence (Note 6)	**–**	**8,802**	11,839	–
Pension benefit obligation (Note 17)	**–**	**21,377**	21,911	–
Unamortized past service cost	**1,368**	**44,825**	43,376	1,370
Unrealized foreign exchange loss	**–**	–	850	12
NOLCO	**–**	**10,869**	–	2,551
Excess MCIT	**–**	**1,666**	6,894	–
Impairment of investment	**1,384**	–	1,213	–
Unrealized gross profit	**5,153**	–	8,835	411
	8,838	**101,376**	103,543	4,344
Deferred Income Tax Liabilities on:				
Revaluation increment on properties	**–**	**(642,871)**	(2,054)	(680,178)
Unamortized capitalized interest (Note 11)	**–**	**(111,115)**	(29,989)	–
Pension plan assets (Note 17)	**(657)**	**(42,766)**	(782)	(42,009)
Unamortized debt commitment fees (Note 15)	**–**	**(14,694)**	(13,274)	(4,145)
Unrealized foreign exchange gain	**(61)**	**(1,396)**	–	–
	(718)	**(812,842)**	(46,099)	(726,332)
Net Deferred Income Tax Assets (Liabilities)	**₱8,120**	**(₱711,466)**	₱57,444	(₱721,988)

[1] *Pertain to the Company and RLC*
[2] *Pertain to RHI, CADP, Inc, CACI and NAVI*
[3] *Pertain to the Company, RLC, CACI and CADP, Inc.*
[4] *Pertain to RHI and NAVI*

b. Details of NOLCO benefits and MCIT and the corresponding analysis of deferred income tax asset as of June 30 follow:

NOLCO

Incurred in	Amount	Applied	Expired	Balances as of June 30	Tax Effect	Available Until
			(In Thousands)			
2005	₱77,104	(₱69,358)	(₱7,746)	₱–	₱–	2008
2006	18,092	–	(18,092)	–	–	2009
2007	22,132	(8,291)	–	13,841	4,152	2010
2008	36,772	–	–	36,772	11,032	2011
2009	150,078	–	–	150,078	45,023	2012
	₱304,178	(₱77,649)	(₱25,838)	₱200,691	₱60,207	

MCIT

Incurred in	Amount	Applied	Expired	Balances as of June 30	Available Until
		(In Thousands)			
2005	₱4,871	₱–	(₱4,871)	₱–	2008
2006	6,588	–	(6,588)	–	2009
2007	4,856	–	–	4,856	2010
2008	7,409	(6,894)	–	515	2011
2009	1,517	–	–	1,517	2012
	₱25,241	(₱6,894)	(₱11,459)	₱6,888	

The Company and subsidiaries are subject to MCIT of 2% on its gross income as defined under the tax code, if normal income tax is less than the computed MCIT. The excess of MCIT over the normal income tax shall be carried forward on an annual basis and credited against the normal income tax for three immediately succeeding taxable years. Any balance of MCIT which has not been applied against the normal income tax for the three-year period will be closed to provision for income tax for financial reporting purposes.

c. Details of NOLCO, MCIT and other deductible temporary differences for which no deferred tax asset were recognized as of June 30 follow:

	2009	2008
	(In Thousands)	
NOLCO	**₱137,135**	₱34,577
MCIT	**5,222**	11,548
Allowance for impairment of receivables	**1,405**	1,404
Pension benefit obligation	**2,954**	4,017

Deferred income tax assets pertaining to NOLCO, MCIT and other deductible temporary differences amounting to ₱63.3 million and ₱71.5 million as of June 30, 2009 and 2008, respectively, were not recognized as management believes that it may not be probable that future taxable profit will be available against which the NOLCO can be utilized.

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

	2009 (One Year)	2008 (One Year)	2007 (Six Months, Note 2)
		(In Thousands)	
Provision for income tax at statutory rates	**₱79,155**	₱237,957	₱189,019
Adjustments resulting from:			
Capital gains tax paid on disposal of subsidiaries (Note 1)	**106,328**	–	–
Application of temporary differences and NOLCO for which no deferred tax asset was previously recognized	**(2,695)**	(14,373)	–
Unrecognized deferred income tax assets arising from temporary			1,346

differences and NOLCO	**18,770**	9,183	
Effect of change in future income tax rates applied on deferred income tax assets and liabilities	**2,520**	(3,277)	–
Expiration of excess MCIT	–	4,827	–
Tax effects of:			
Equity in net earnings of associates	**(26,785)**	(32,056)	(21,045)
Interest and dividend income already subjected to final tax	**(1,265)**	(2,266)	(3,884)
Depreciation on appraisal increase	**6,190**	6,666	6,666
Others	**4,829**	10,971	(3,787)
Provision for income tax	**₱187,047**	₱217,632	₱168,315

e. The President signed into law on June 17, 2008 RA 9504 amending provisions of the 1997 Tax Code. RA 9504 became effective on July 7, 2008, 15 days after its publication last June 22, 2008 in major newspapers of general circulation. The new law shall be effective starting taxable year 2008. The new law includes provision relating to the availment of optional standard deductions (OSD). Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made.

Under Republic Act 9337, the Expanded Value-Added Tax Act of 2005, which took effect on November 1, 2005, the corporate income tax rate shall be 35% for three years effective on November 1, 2005, and 30% starting on January 1, 2009 and thereafter; and the unallowable deduction for interest expense shall be 42% of the interest income subject to final tax, effective November 1, 2005 and 33% effective January 1, 2009.

On September 24, 2008, the Bureau of Internal Revenue has issued Revenue Regulation No. 10-2008 for the implementing guidelines of this law.

25. **Equity**

a. Share capital

Details of share capital at December 31 and June 30, 2009 and June 30, 2008 follow:

Authorized share capital at ₱1 par value	3,375,000,000
Issued and outstanding share capital	2,911,886,000

Due to the effect of merger, 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.

Group Restructuring and Merger of CADPGC and RCI
As discussed in Note 1, the Group has undertaken a corporate restructuring whereby a series of activities was consummated, the eventual result of which is the merger of CADPGC and RCI.

In December 2008, CADPGC sold its investments in operating subsidiaries and an associate to RHI, which previously owns 89.78% of CADPGC, for ₱3.8 billion. The effective ownership of RHI was increased from 89.78% to 100%. On January 23, 2009, RHI disposed its investment in CADPGC for ₱3.9 billion to RCI, RHI and CADPGC's ultimate parent company. Further, the Company has increased its effective ownership of 64.00% to 95.93%.

On June 23, 2009, the Philippine SEC approved the Plan and Articles of Merger executed on October 21, 2008 and April 29, 2009, respectively, between CADPGC and RCI. With the merger, CADPGC, which later renamed to Roxas and Company, Inc., became the surviving corporation effective June 29, 2009. The merger was accounted for similar to pooling of interests, resulting in a negative equity reserve of ₱3.8 billion and was presented as "Other equity reserve" section of the consolidated balance sheet and in the consolidated statement of changes in equity.

The Company plans to eliminate the Other equity reserve with a negative balance of ₱3.8 billion in the Company's consolidated financial statements by: (i) reclassifying the share premium of ₱1.6 billion to absorb the portion of the Other equity reserve pursuant to an equity restructuring for which approval from the SEC will be sought, and (ii) the remainder, by periodically applying a portion of the retained earnings of the Company, until the Other equity reserve is totally eliminated.

b. Retained earnings

The following amounts of retained earnings that are not available for dividend declaration as of June 30:

	2009	2008
	₱-	₱2,890,969
Treasury shares		
Application of revaluation increment against deficit	**203,074,578**	203,074,578
Share in Marina Trading Corp.'s negative goodwill upon adoption of PFRS 3		131,974,944
Pension plan asset - net of deferred tax liability		14,638,851
	₱203,074,578	₱352,579,342

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 purpose of dividend declaration, the retained earnings of the Company shall be restricted to the extent of deficit wiped out by the appraisal increment.

Further, unrestricted retained earnings includes ₱1,770.9 million and ₱1,663.6 million as of June 30, 2009 and 2008, respectively, which represents accumulated earnings of consolidated subsidiaries and unconsolidated associate which are not available for distribution to the Company's shareholders unless received as cash dividends from investees.

Dividends declaration
Cash dividends declared by the Company from retained earnings during the period ended June 30, 2009, 2008 and 2007 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
June 24, 2008	0.04	10,000,000	June 27, 2008
March 25, 2008	0.04	10,000,000	April 4, 2008
December 7, 2007	0.06	15,000,000	December 14, 2007
September 14, 2007	0.06	15,000,000	October 4, 2007
June 19, 2007	0.04	10,000,000	June 27, 2007
March 27, 2007	0.04	10,000,000	March 30, 2007

c. 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 2008 through June 2009		
First	₱1.76	₱1.74
Second	2.75	2.75
Third	1.68	1.68
Fourth	1.70	1.70
July 2007 through June 2008		
First	2.20	1.08
Second	1.88	1.40
Third	2.34	1.70
Fourth	1.92	1.70
July 2006 through June 2007		
First	2.40	2.40
Second	3.50	1.00
Third	1.84	1.84
Fourth	1.84	1.84

d. Treasury shares

Reacquisitions of shares by RHI on its Share Buy Back Program are as follows:

Year Reacquired	Number of Shares	Cost
	(In Thousands)	
2009	8,094	₱29,153
2008	196,323	675,940
2007 and previous years	22,507	63,767

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

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

	2009 (One Year)	2008 (One Year)	2007 (Six Months, Note 2)
Net income (loss) attributable to the equity holders of the Company *(in thousands)*	**(₱4,487)**	₱273,595	₱186,173
Weighted average number of shares issued and outstanding *(in thousands)*	**2,911,886**	2,911,886	2,911,886
Basic/diluted earnings (loss) per share	**(₱0.002)**	₱0.09	₱0.06

There are no potential dilutive common shares as at June 30, 2009, 2008 and 2007.

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 in 2009.

Management considers the total equity reflected in the consolidated balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt ratio and debt-to-equity ratio. Liabilities and equity pertains to the total liabilities and equity as shown in the consolidated balance sheets. The table below shows the leverage ratios of the Group as of June 30:

	2009	2008
	(In Thousands)	
Liabilities	**₱8,137,525**	₱4,516,500
Equity	**6,276,411**	6,440,312
Liabilities and equity	**₱14,413,936**	₱10,956,812
Debt ratio	**0.56:1.00**	0.41:1.00
Debt-to-equity ratio	**1.30:1.00**	0.70:1.00

28. **Financial Instruments**

<u>Financial Risk Management Objectives and Policies</u>
The main risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk and foreign currency risk. Risk management is carried out by the President and Treasurer under the 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.

The tables below summarize the maturity profile of the Group's financial liabilities at June 30 based on contractual undiscounted payments.

	2009						
	On demand	**<1 year**	**>1-<2 yrs**	**>2-<4 yrs**	**>4-<5 yrs**	**>5 yrs**	**Total**
				(In Thousands)			
Accounts payable and accrued expenses*	**₱612,590**	**₱183,134**	**₱31,132**	**₱–**	**₱–**	**₱–**	**₱826,856**
Short-term borrowings	**–**	**3,232,191**	**–**	**–**	**–**	**–**	**3,232,191**
Long-term borrowings - net of current portion	**–**	**346,897**	**417,917**	**665,585**	**1,312,025**	**2,095,386**	**4,837,810**
Dividends payable	**–**	**8,919**	**–**	**–**	**–**	**–**	**8,919**
	₱612,590	**₱3,771,141**	**₱449,049**	**₱665,585**	**₱1,312,025**	**₱2,095,386**	**₱8,905,776**

**Excludes payable to government agencies amounting to ₱57,835.*
**Includes expected interest payments for short-term and long-term borrowings of ₱229.7 million and ₱1,585.8 million, respectively.*

	2008						
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
				(In Thousands)			
Accounts payable and accrued expenses*	₱437,265	₱206,079	₱19,249	₱36,782	₱–	₱–	₱699,375
Short-term borrowings	225,000	582,223	–	–	–	–	807,223
Current portion of long-term debt	–	22,797	–	–	–	–	22,797
Long-term borrowings	–	39,009	45,723	161,344	169,993	1,904,759	2,320,828
Dividends payable	–	42,178	–	–	–	–	42,178
	₱662,265	₱892,286	₱64,972	₱198,126	₱169,993	₱1,904,759	₱3,892,401

**Excludes payable to government agencies amounting to ₱22,428.*
**Includes expected interest payments for short-term and long-term borrowings of ₱85.4 million and ₱482.4 million, respectively.*

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

Concentration of credit risk with respect to trade receivables is limited considering the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the financial assets presented in the consolidated balance sheets. The maximum exposure is shown at gross, before the effect of mitigation through the use of master netting and collateral agreements.

	2009	2008
	(In Thousands)	
Cash in banks and short-term placements, excluding cash on hand	**₱339,553**	₱381,395
Trade receivables	**786,695**	468,456
Advances to employees	**38,463**	59,021
Advances to related parties	**68,980**	65,785
Others receivables	**56,511**	11,010
Available-for-sale investments	**8,229**	8,329
	₱1,298,431	₱993,996

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 table below shows the credit quality of financial assets and an aging analysis of past due but not impaired accounts as of June 30:

	2009							
	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*	**₱335,151**	**₱4,402**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱339,553**
Trade receivables	**195,095**	**509,226**	**30,400**	**16,206**	**4,212**	**31,556**	**6,732**	**793,427**
Advances to employees**	**554**	**36,726**	**1,168**	**–**	**15**	**–**	**1,276**	**39,739**
Advances to related parties	**68,980**	**–**	**–**	**–**	**–**	**–**	**–**	**68,980**
Other receivables	**20,604**	**1,514**	**27,981**	**4,382**	**330**	**1,700**	**22,228**	**78,739**
Available-for-sale investments	**–**	**7,534**	**695**	**–**	**–**	**–**	**–**	**8,229**
Total	**₱620,384**	**₱559,402**	**₱60,244**	**₱20,588**	**₱4,557**	**₱33,256**	**₱30,236**	**₱1,328,667**

**Excludes cash on hand amounting to ₱3.4 million*

***Excludes advances to employees subject to liquidation amounting to ₱11.7 million*

	2008							
	Neither past due nor impaired			Past due but not impaired			Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 60 Days	Over 90 Days	Financial Assets	Total
					(In Thousands)			
Cash in bank and time deposits*	₱377,780	₱3,615	₱–	₱–	₱–	₱–	₱–	₱381,395
Trade receivables	173,929	250,800	16,677	16,948	6,010	4,092	9,586	478,042
Advances to employees**	16,512	42,509	–	–	–	–	1,276	60,297
Advances to related parties	18,377	45,380	1,918	110	–	–	–	65,785
Other receivables	–	534	9,950	–	526	–	13,068	24,078
Available-for-sale investments	–	8,329	–	–	–	–	–	8,329
Total	₱586,598	₱351,167	₱28,545	₱17,058	₱536	₱4,092	₱23,930	₱1,017,926

** Excludes cash on hand amounting to ₱1.5 million*
***Excludes advances to employees subject to liquidation amounting to ₱13.6 million*

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

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

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

The Group recognized impairment loss on its financial assets amounting to ₱9.8 million, ₱0.7 million and ₱12.1 million in 2009, 2008 and 2007, respectively.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's cash flow interest rate risk arises from short and long-term borrowings issued at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group has long-term borrowings with interest being repriced on a quarterly basis. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at June 30, 2009 and 2008.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of income.

Percentage change in interest rates	Effect in consolidated income before income tax 2009	2008
	(In Thousands)	
For more than a year:		
+ 17%	**₱24,114**	₱20,925
- 17%	**(24,114)**	(20,925)
For less than a year:		
+10%	**1,601**	6,801
-10%	**(1,601)**	(6,801)

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's foreign currency risk relates to its US Dollar ($)-denominated cash and cash equivalents. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. The Group currently does not enter into derivative transactions to hedge its currency exposure.

The Group's foreign currency denominated assets consist of US$ cash in banks and in amounting to US$0.90 million and US$0.8 million in 2009 and 2008, respectively. As of June 30, 2009 and 2008, the exchange rates were ₱48.30 and ₱44.90 per US$1.00, respectively.

Net foreign exchange gain (losses) recognized in the consolidated statements of income amounted to ₱9.0 million gains, ₱7.2 million loss and ₱4.3 million loss in 2009, 2008 and 2007, respectively.

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Shown below is the impact on the Group's consolidated income before income tax of reasonably possible changes in exchange rate of the US$ against the Philippine Peso as of June 30, with all other variables held constant.

Movement in US$-Philippine peso exchange rates	Net effect in consolidated income before income tax 2009	2008
	(In Thousands)	
+ 5.00%	**₱2,174**	₱2,532
- 5.00%	**(2,174)**	(2,532)

There is no other impact on the Group's equity other than those already affecting the consolidated income before income tax.

Fair Values

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of June 30:

	2009		2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
	(In Thousands)			
Financial Assets				
Cash on hand	**₱3,446**	**₱3,446**	₱1,493	₱1,493
Loans and receivables:				
Cash in banks and short-term placements	**339,553**	**339,553**	381,395	381,395
Trade receivables	**786,695**	**786,695**	468,456	468,456
Advances to employees	**38,463**	**38,483**	59,021	61,399
Advances to related parties	**68,980**	**68,980**	65,785	65,785
Other receivables	**56,511**	**56,511**	11,010	11,010
Available-for-sale investments - unquoted equity instruments	**8,229**	**8,229**	8,329	8,329
	₱1,301,877	**₱1,301,897**	₱995,489	₱997,867
Financial Liabilities:				
Other financial liabilities:				
Accounts payable and accrued expenses:				
Trade payables	**₱335,159**	**₱335,159**	₱250,024	₱250,024
Accrued expenses	**173,073**	**173,073**	200,044	200,044
Due to planters	**47,874**	**47,874**	134,343	134,343
Related parties	**50,371**	**50,371**	46,441	46,441
Other liabilities	**220,379**	**220,379**	68,523	68,523
Dividends payable	**8,919**	**8,919**	42,178	42,178
Short-term borrowings	**3,002,500**	**3,002,500**	768,052	768,052
Current portion of long-term borrowings	**–**	**–**	22,797	22,797
Long-term borrowings - net of current portion	**3,251,973**	**3,243,620**	1,838,409	1,833,854
	₱7,090,248	**₱7,081,895**	₱3,370,811	₱3,366,256

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

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

Long-term borrowings - fixed 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% and 7.0% at

June 30, 2009 and 2008, respectively, for comparable instruments in the market. The rates were obtained from *Bangko Sentral ng Pilipinas*, representing bank average lending rates in 2009 and 2008.

Long-term borrowings - variable interest bearing loans. The carrying value of the financial instrument approximates the fair value at June 30, 2009 and 2008 due to regular repricing of its interest rates.

29. Segment Reporting

Business Segments

Financial information about business segments as of and for the years ended June 30, 2009, 2008 and 2007 follows:

	2009 (One Year)				
	Sugar Operation	**Real Estate Operation**	**Other Segments**	**Elimination/ Unallocated**	**Total**
			(In Thousands)		
Revenue					
External sales (Note 19)	**₱5,864,618**	**₱67,726**	**₱262**	**₱–**	**₱5,932,606**
Inter-segment sales	**736,409**	**–**	**–**	**(736,409)**	**–**
Total revenue	**₱6,601,027**	**₱67,726**	**₱262**	**(₱736,409)**	**₱5,932,606**
Segment Results	**₱142,529**	**₱7,021**	**₱8,626**	**(₱101,669)**	**₱56,507**
Other information					
Segment assets	**₱12,964,237**	**₱538,487**	**₱–**	**₱172,087**	**₱13,674,811**
Investment in share of stocks of associates (Note 9)	**557,432**	**181,693**	**–**	**–**	**739,125**
Consolidated segment assets	**₱13,521,669**	**₱720,180**	**₱–**	**₱172,087**	**₱14,413,936**
Consolidated segment liabilities	**₱7,805,065**	**₱187,299**	**₱–**	**₱145,161**	**₱8,137,525**
Additions to property, plant and equipment (Note 11)	**3,353,445**	**2,984**	**113**	**–**	**3,356,542**
Depreciation (Note 11)	**305,567**	**681**	**839**	**–**	**307,087**

	2008 (One Year)				
	Sugar Operation	Real Estate Operation	Other Segments	Elimination/ Unallocated	Total
			(In Thousands)		
Revenue					
External sales (Note 19)	₱6,077,312	₱52,403	₱234	₱–	₱6,129,949
Inter-segment sales	274,527	–	–	(274,527)	–
Total revenue	₱6,351,839	₱52,403	₱234	(₱274,527)	₱6,129,949
Segment Results	₱672,959	₱5,265	₱62,569	(₱278,548)	₱462,245
Other information					
Segment assets	₱9,320,796	₱532,986	₱–	₱376,646	₱10,230,428
Investment in share of stocks of associates (Note 9)	546,388	179,996	–	–	726,384
Consolidated segment assets	₱9,867,184	₱712,982	₱–	₱376,646	₱10,956,812
Consolidated segment liabilities	₱1,549,963	₱200,619	₱28,248	₱2,737,670	₱4,516,500
Additions to property, plant and equipment (Note 11)	2,193,738	455	865	195,156	2,390,214
Depreciation (Note 11)	304,426	24,804	858	606	330,694
Non-cash expenses other than depreciation	5,462	–	–	15,236	20,698

	2007 (Six Months, Note 2)				
	Sugar Operation	Real Estate Operation	Other Segments	Elimination/ Unallocated	Total
			(In Thousands)		
Revenue					
External sales (Note 19)	₱4,079,104	₱33,877	₱248	₱–	₱4,113,229
Inter-segment sales	305,436	–	–	(305,436)	–
Total revenue	₱4,384,540	₱33,877	₱248	(₱305,436)	₱4,113,229
Segment Results	₱383,110	₱37,600	₱–	(₱48,743)	₱371,967
Other information					
Segment assets	₱7,295,452	₱563,688	₱–	₱1,481,549	₱9,340,689
Investment in share of stocks of associates (Note 9)	545,454	157,630	–	–	703,084
Consolidated segment assets	₱7,840,906	₱721,318	₱–	₱1,481,549	₱10,043,773
Consolidated segment liabilities	₱2,401,887	₱224,078	₱–	₱77,492	₱2,703,457
Additions to property, plant and equipment (Note 11)	250,453	92	380	–	250,925
Depreciation (Note 11)	235,347	452	623	–	236,422
Non-cash expenses other than depreciation	30,919	–	–	–	30,919

Geographical Segments

Sales revenue from external customers by geographical market (regardless of where the goods were produced or service has been rendered) for the years ended June 30 follow:

	2009 (One Year)	2008 (One Year)	2007 (Six Months, Note 2)
		(In Thousands)	
Nasugbu, Batangas	**₱3,729,784**	₱3,902,969	₱2,869,475
La Carlota City, Negros Occidental	**2,202,560**	2,226,746	1,243,506
Other segments/unallocated	**262**	234	248
	₱5,932,606	₱6,129,949	₱4,113,229

The details of the carrying amounts of segment assets at June 30 and additions to property, plant and equipment by geographical area in which those assets are located for the years ended June 30 follow:

	Carrying amount of segment assets			Additions to property, plant and equipment		
	2009 (One Year)	2008 (One Year)	2007 (Six Months, Note 2)	**2009 (One Year)**	2008 (One Year)	2007 (Six Months, Note 2)
			(In Thousands)			
Nasugbu, Batangas	**₱10,664,180**	₱7,436,444	₱6,957,688	**₱2,178,481**	₱1,575,836	₱124,898
La Carlota City, Negros Occidental	**3,749,756**	2,793,976	2,383,001	**1,174,964**	617,902	125,555
	₱14,413,936	₱10,230,420	₱9,340,689	**₱3,353,445**	₱2,193,738	₱250,453

30. **Other Matter**

Registration with the Board of Investments (BOI)

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

ROXAS GROUP OF COMPANIES (Formerly CADP Group Corporation)
AGING OF RECEIVABLES
As of December 31, 2009

IN P'000	Total	Not yet due	Current	Past due 30 days	Past due 60 days	Past due 90 days	Past due 120 days
TRADE RECEIVABLES							
Sugar Customers	419,536		176,662	130,882	46,293		65,699
Real Estate Installment Buyers							
Palm Estates	22,328	20,396	803	412	157	86	474
Punta Fuego	10,092		366	102	102	102	9,420
Role Subdivision	2,386	1,996	38	38	34	30	250
Community Mortgage Program - SHC	373						373
Leasing	313		44	23	16	16	214
TOTAL	455,028	22,392	177,913	131,457	46,602	234	76,430
Less Allowance for doubtful accounts	(6,567)						(6,567)
Balance	448,461	22,392	177,913	131,457	46,602	234	69,863

	Total	Current	Past due 30 days	Past due 60 days	Past due 90 days	Past due Over 90 days
NON TRADE						
Planters and Planters Association	95,014	47,257	24,896	15,865		6,996
Officers and Employees	39,303	29,979	7,275	1,474	80	495
Contractors	10,402	2,955	3,768	1,543		2,136
Related Parties	104,158	8,000		495		95,663
Others	33,956	13,491	7,423	220	142	12,680
Total	282,833	101,682	43,362	19,597	222	117,970
Less : Allowance for doubtful accounts	(29,233)					(29,233)
	253,600	101,682	43,362	19,597	222	88,737
RECAP						
Trade	455,028	200,305	131,457	46,602	234	76,430
Non-Trade	282,833	101,682	43,362	19,597	222	117,970
Total	737,861	301,987	174,819	66,199	456	194,400
Less : allowance for doubtful accounts	(35,800)					(35,800)
	702,061	301,987	174,819	66,199	456	158,600

ANNEX "B"

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Corporate Information

Roxas and Company, Inc. (formerly CADP Group Corporation and referred to as the "Company") was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on 07 October 1918 with the primary purpose of operating mill and refinery facilities to manufacture sugar and allied products. On 07 October 1968, the Company's corporate life was extended for another 50 years until 2018.

The Company started its commercial operations in 1920 and on 29 November 1948, its shares of stock were listed in the Philippine Stock Exchange. On 01 July 2004, the CADPGC Parent Company spun off its Negros sugar milling business to Central Azucarera de La Carlota, Inc. (CACI), a wholly-owned subsidiary incorporated on 16 August 2002. The said spin-off was approved by the Philippine SEC on 10 February 2004 and involved the transfer of the CADPGC net assets amounting to ₱1,419.5 million to CACI in exchange for the latter's 200 million common shares at ₱1 per share.

The Company was previously 89.28%-owned by Roxas Holdings, Inc. (RHI), a public company incorporated and domiciled in the Philippines.

Prior to the merger between Roxas & Company, Inc. (SEC Identification No. 102373 and referred to as "RCI") and CADPGC (SEC Identification No. 834), RCI was CADPGC's and RHI's ultimate parent company.

RCI was incorporated and registered with the SEC on 16 December 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; and 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.

Group Restructuring and Merger

In 2008, the Roxas Group, of which RCI, RHI and CADPGC are a part, undertook a corporate reorganization. This was undertaken to create a corporate structure that ultimately separates the sugar and the real estate businesses of the Roxas Group. The objective is to have a listed company for the sugar business, and another listed company for the real estate business.

On 15 December 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. Thereafter, RHI sold CADPGC to RCI for ₱3,927.3 million on 23 January 2009. Hence, prior to the merger between RCI and CADPGC, the latter was 95.93% owned by RCI.

On 23 June 2009, the Securities and Exchange Commission approved:

i) the Plan and Articles of Merger executed on 21 October 2008 and 29 April 2009, respectively, by and between CADPGC, the surviving corporation, and RCI, the absorbed corporation;

ii) the Amended Articles of Incorporation of CADPGC, amending Articles I (name of the Corporation shall be "Roxas and Company, Inc.") and VIII (increase of authorized capital stock) thereof; and

iii) the increase of the CADPGC's capital stock from ₱1,962,500,000.00 divided into 1,962,500,000 shares with par value of ₱1.00 each to ₱3,375,000,000.00 divided into 3,375,000,000 shares with par value of ₱1.00

and issued the corresponding Certificates therefor.

In the respective Board Meetings of RCI and CADPGC, a resolution setting 29 June 2009 as the Effective Date of the merger was approved.

With the merger of RCI and CADPGC, and the latter being renamed to RCI, the Company now has interests in both RHI and its sugar-manufacturing subsidiaries, and Roxaco Land Corporation (Roxaco), the real property arm of the Roxas Group. It is envisioned that eventually, the two listed companies, RHI and the Company, will focus on their respective businesses – sugar and sugar-related businesses for RHI and real estate for the Company.

Business Operations of the Company's Subsidiaries

Sugar-Related Businesses

The Sugar Group's consolidated subsidiaries are Central Azucarera Don Pedro, Inc. (CADPI), which is based in Nasugbu, Batangas and CACI whose operations are located in La Carlota City, Negros Occidental, Roxol Bioenergy Corporation (RBC), CADP Consultancy Services, Inc. (CCSI), CADP Farm Services, Inc. (CFSI), Najalin Agri-Ventures, Inc. (NAVI), Jade Orient Management Services, Inc. (JOMSI), and CADP Insurance Agency, Inc. (CIAI).

CADPI owns and operates an 11,000-tons-cane-per-day sugar mill that manufactures raw sugar granular and light brown to yellowish in color, and molasses, a by-product.

CACI operates a 12,000-tons-cane-per-day sugar mill producing raw sugar and molasses.

Both companies source sugar cane from various planters and mill them under a 35% to 65% production- sharing agreement. The companies get 35% of the raw sugar produced while the planters retain 65% thereof as owners of the cane. Both companies subsidize the cost of transporting the sugarcane from the field to the factory.

CADPI also operates an 18,000 50-Kg. (Lkg.) bag per day refinery in its Nasugbu plant. This involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. CADPI's refinery operations represent a significant portion of the revenues of the Group. To ensure maximum utilization of the refinery, CADPI also offers tolling or sugar refining services to various traders and planters.

The Sugar Group instituted strategic and operating management systems and processes that aim to enhance its capability to monitor and control the operational effectiveness and efficiencies of the two consolidated subsidiaries.

In 2007-2008, the Sugar Group started to implement strategic projects to improve profitability and cash flows by:

- Increasing production capacity:

Mills

CACI	-	from 12,000 tons/day to 18,000 tons/day
CADPI	-	from 11,000 tons/day to 17,000 tons/day

Refinery

CADPI	-	from 18,000 Lkg/day to 22,500 Lkg/day

- Establishment of Bio-ethanol Plant

  On 29 February 2008, Roxol Bioenergy Corporation (RBC) was incorporated to engage in the business of producing, marketing and selling of bioethanol fuel, which business will include the construction and operation of an integrated sugar mill and bioethanol distillery complex that will produce bioethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials, renewable and alternative energy resources, including but not limited to steam, electricity and power.

  RBC is currently constructing its plant facility located at Brgy. RSB, La Carlota City, Negros Occidental. The project will cost approximately US$ 34 million or ₱1.4 billion. It is a stand-alone Bio-ethanol Plant with a capacity of 100,000 liters of anhydrous alcohol per day. The anhydrous plant will also use molecular sieve technology that will produce fuel ethanol grade alcohol with 99.86% minimum purity.

  On 24 October 2008, the Board of Investments approved its application for registration under EO No. 226 as New Producer of Bioethanol (Anhydrous) and Potable (Hydrous) Ethanol on a Pioneer Status and Non-Pioneer Status, respectively. As a registered entity, RBC is entitled to certain tax incentives such as income tax holiday (ITH) of six (6) years for its anhydrous ethanol and four (4) years for its hydrous ethanol, from January 2010 or actual start of commercial operations, whichever is earlier.

  The World Bank and RBC signed on 14 January 2009, a US$ 3.2 million Emission Reductions Purchase Agreement (ERPA) for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance the RBC's community development projects.

- Farm Services

  The Group will set off CADP Farm Services, Inc. (CFSI) for crop year 2009-2010 to operate in both Batangas and Negros with the primary goal of helping existing cane areas increase their productivity per unit area at the least cost through farm mechanization and the use of proven and accepted technologies such as use of high yielding varieties of cane, proper timing and method of fertilizer application, use of cane ripeners, use of bio-organic fertilizer, cane hauling, etc.

- Optimizing production-marketing mix, with greater emphasis given on direct sales to industrial customers.

- Optimizing manufacturing efficiencies through better management of production of steam and usage of fuel and electricity and reducing manufacturing downtime.

- Being prudent and cautious in capital investments.

- Reducing manufacturing and operating costs.

The Sugar Group also remains committed to its corporate social responsibility to maintain the environmental integrity in areas where it operates and to contribute to the welfare of communities surrounding its facilities.

It is a signatory to the United Nations Global Compact, which enlists the participation of private corporations in the protection of human rights of children and labor and advocates environmental commitment and the fight against corruption.

Property Group

Roxaco Land Corporation is a 100%-owned subsidiary of the Company. On its own or in joint venture with other property developers and landowners, Roxaco 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 60%-30%-10% joint venture company of Landco, Roxaco and Alexcy Corporation. This property is also home to a seaside condominium project: Amara en Terrazas;

~~(iii)~~ Club Punta Fuego, an exclusive resort developed by Fuego Development Corporation (FDC) which is 70% owned by Landco and 30% by Roxaco Facilities of the Club include The Main Club, Upper Beach Club, Lower Beach Club, a Nelson-Haworth designed nine-hole golf course, Casitas, a Marina, The Spa, The Boardwalk, Game Hall and KTC, Café Sol, double infinity pools and the Sunset Beach Cove. Buyers of the lots in the Peninsula and Terrazas may qualify as Associate Members of Club 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.; and

(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.

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 that are leased to different tenants. It is located along J.P. Laurel Street, Nasugbu, Batangas; and

(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.

Currently, Roxaco is developing San Antonio Memorial Gardens, the first masterplanned memorial park in Western Batangas. It expects to complete the development of Phase I of the Project by March 2010.

Roxaco also has investments in the following companies / projects:

(i) Roxaco-ACM Development Corporation (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.

~~(ii)~~ Fuego Development Corporation (FDC) was formed as a 70%-30% joint venture by Landco Pacific Corporation (LPC) and Roxaco for the development of residential villas at Peninsula de Punta Fuego and the full development of the Club Punta Fuego facilities.

(iii) Fuego Land Corporation (FLC) was formed as 60%-30%-10% joint venture by Landco Pacific Corporation, Roxaco and Alexcy Corporation. FLC was formed to develop the basic and upgraded facilities and amenities on some 429,870 sqm. of land located in Barangay Natipuan, Nasugbu, Batangas, known as Terrazas de Punta Fuego. The same company developed the Amara en Terrazas, a condominium development inside the Terrazas de Punta Fuego.

(iv) Club Punta Fuego., Inc. (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 maintenance of a golf course, resort, marina and other sports and recreational facilities on residential resort community project known as Peninsula de Punta Fuego. Roxaco has a 26.63% interest in CPFI.

In 2008-2009, Roxaco implemented projects/programs to improve profitability and cash flows by:

1.) finishing the development of the Palm Estates and The Orchards in Balayan;
2.) continuing to sell the above projects;
3.) Intensified collection efforts to collect maturing amortizations from the lotbuyers;
4.) reducing operating costs through cost cutting measures;
5.) starting the development of San Antonio Memorial Gardens; and
6.) undertaking strategic planning to identify future projects like resort, hotels, commercial and mixed use development.

Roxaco intends to establish a significant presence in the real estate industry in Southern Luzon and eventually nationwide. With resort town Nasugbu and the adjoining towns of Western Batangas as its base, the Company has set its sights in participating in the following key industry segments:

- First-home residential developments
- Leisure tourism
- Commercial retail and mixed-use developments

Palm Estates, which is the current residential development of Roxaco in Nasugbu, has been warmly received by both local and OFW markets and is down to its last 14 open lots out of 955 lots. In order to continuously introduce new products, Roxaco will offer limited number of pre-designed House-and-Lot units inside the Palm Estates subdivision.

The other residential project named The Orchards in Balayan has likewise experienced brisk sales performance and only 85% of its total inventory remains. Development of the project has already been completed. Construction of a model house unit is on-going and is scheduled to be completed by November 2009. This will be offered to the market for ₱2.8 million inclusive of the lot and will also be used to encourage other lot buyers to start constructing their homes as well.

In line with these encouraging performances, plans are underway to introduce a new residential development in Nasugbu which will offer House-and-Lot packages, on top of the traditional open lot products. This is in response to the clamor of the market for such conveniently packaged housing products which can be amortized together either through bank or Pag-ibig financing. The present low-interest climate combined with the aggressive efforts of the government to push housing as a priority in its programs has made home-buying easier and more affordable. Loan rates, particularly with Pag-ibig, have recently been stretched to up to 30 years with an increased loanable amount of ₱3 million.

The existing Orchards subdivision shall also be expanded which will offer packaged housing units aside from open lots to tap the traditionally strong and resilient Balayan market. This new phase shall also leverage on the existing brand franchise that the Orchards has already established.

On the leisure tourism front, Roxaco has already identified key priority resort destinations for its first potential venture. Locations are presently being identified and lined up both in Manila and in leading tourism areas for boutique resort hotel developments. This is also in line with the growing trend of global tourism which has been experiencing a significant increase despite the continuing threat of terrorism, health pandemics, and natural disasters. In 2008 alone, the World Tourism Organization has reported that a record number of approximately 900 million travelers, of which a significant number came from the Asian region - now considered as one of the fastest growing region in terms of travel and tourism. As the Philippines continues to market itself as an exciting multi-featured destination to the European and Asian market, Roxaco aims to position itself and capitalize on this growing trend.

The Philippine economy has long been supported by the strong and resilient amount of remittances coming from Filipinos working abroad, despite the recent global financial crisis. Most of this money go to consumer spending which is why commercial mall developers have been aggressively expanding their network across the country. Roxaco is now preparing the plans for a landmark mall development in Nasugbu to try to create a leisure and recreational destination in the area and serve the commercial needs of the locality.

In an effort to continue to cement its presence in the Western Batangas area and create more real estate products to serve the different needs of the market, Roxaco has finalized plans to launch the first memorial park development in Nasugbu named San Antonio Memorial Gardens. It will have its own chapel and wakerooms for the convenience of the lot owners and all the open spaces shall be perpetually maintained thus ensuring the upkeep of the property and appreciation of values. Several classes of lots from the basic lawn lots to the spacious estate lots for the mausoleums shall be offered to suit different buyer needs and preferences.

Throughout these plans to expand Roxaco's presence across the different segments, it has remained committed to creating better value for its customers while ensuring that all developments shall be eco-friendly and environmentally sustainable. This is in line with Roxaco's belief that progress and ecological responsibility can and should co-exist for the benefit of all the stakeholders.

INTERIM RESULTS – 2ND QUARTER 2009-2010 VS. CY 2008-2009

Financial Condition

Consolidated total assets of Roxas and Company, Inc. and its subsidiaries (the "Roxas Group") reached ₱16.124 billion as at 31 December 2009 compared to its 30 June 2009 figure of ₱14.414 billion. The increase in the Total Assets was driven principally by the strategic investments of the Sugar Group to increase production capacities and achieve operational efficiencies and the Bio-ethanol business. Current assets also increased from ₱3.449 billion last June 2009 to ₱3.940 billion as of 31 December 2009 mainly because of the increase in inventories of the Sugar Group. Likewise, current liabilities increased to P 4.407 billion in December 2009 from ₱4.100 billion in June 2009.

Current ratio of the Roxas Group increased this period to 0.89:1 from 0.84:1 brought about by higher inventories and lower balance of short term borrowings. Long-term borrowings loans went up to ₱4.670 billion from ₱3.252 billion last June 2009. The additional loans were used to fund the capacity expansion and other strategic projects of the Roxas Group and additional group reorganization costs.

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The leverage position of the Roxas Group remained within the limits of certain loan covenants. Debt to equity ratio went up from 1.30:1.00 as of 30 June 2009 to 1.58:1.00 in the current period.

Unused working capital lines as of December 31, 2009 and June 30, 2009 from local banks amounted to ₱ 3.2 billion and ₱968 million, respectively. Book value per share decreased to ₱2.14 from ₱2.16 because of the recorded loss during the period.

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

The Roxas Group's consolidated total assets amounted to ₱16.124 billion as at 31 December 2009. The 12% upsurge in the Group's total assets versus June 2009's level is mainly attributable to the increase(d) of Property, Plant and Equipment (PPE) account. PPE balance as at December 2009 amounted to P10.9 billion, P1.2 billion or 13% higher than the P9.7 billion posted in June 2009. This was due to on-going expansion of milling and refining facilities of CADPI and CACI, the construction of ethanol plant in La Carlota City for RBC and acquisition of tractors and farm implements for the farm operations of CFSI.

Current assets increased by 14% from 30 June 2009 level due to higher inventories and prepayments. This was partly offset by lower receivable balances.

Current liabilities increased by 8%, or from ₱4.1 billion to ₱4.4 billion, due to higher level of accounts payable and customers' deposits. Accounts payable and accrued expenses increased to P 1.06 billion from P 0.885 billion in June 2009. Customers' deposit were higher at P535 million versus P199 million in June 2009. These deposits will be applied against future deliveries of sugar and molasses of the Sugar Group and to open lot sales for the Property Group in the next 12 months.

Short term borrowings went down from ₱ 3.003 billion to ₱ 2.771 billion due to payments made during the period and transfer of bridge loans to long term borrowings. Consequently, long-term borrowings went up to ₱4.67 billion from ₱3.252 billion in June 2009 because of the use of the working capital lines to support the capacity expansion and other investments of the Company

Total consolidated equity amounted to ₱6.239 billion, which is ₱39.3 million lower compared to the June 30, 2009 balance of ₱6.276 because of the recognized losses during the period.

Results of Operations

Consolidated revenues for the first half of fiscal year 2009-2010 reached ₱2.341 billion or 0.2% higher than year-ago figure of ₱2.335 billion. The Sugar Group contributed 98.6% or ₱2.307 billion of the Consolidated Revenues while the Property Group accounted for the 1.4% or ₱33.7 million.

Cost of sales amounted to ₱2.093 billion, which is 2% higher than last year's figure of ₱2.049 billion. Gross Profit therefore is ₱0.247 billion, 95% of which came from the Sugar Group while the balance was contributed by the Property Group.

Due to continuous cost containment measures of the Group, general and administrative expenses went down to ₱361.8 million from ₱375.8 million a year ago. Salaries and wages decreased due to retirement of employees under the discontinued railroad operations in prior years, decreased outside services cost and reduction in usage of materials and consumables, etc. This was partly offset by additional reorganization costs paid during the current period.

Interest income decreased by 36% from ₱11.6 million in 2008 to ₱7.4 million in 2009 as a result of the property group's marketing promo of zero percent interest on year-one of the installment payments. This was coupled by diminishing balances of principal amounts on installment contracts receivable.

Equity in net earnings of associates decreased by 12% from ₱37.4 million in 2008 to ₱32.7 million this year due to unfavorable results of the Roxas Group's associate companies in the property group..

Interest expense increased by 18% from ₱74.2 million as of December 2008 to ₱87.3 million this year as a result of additional long term loan availments.

Other income increased substantially from ₱26.9 million as of December 2008 to ₱148.5 million this year due to income generated from scrap sales and insurance recovery for the generator set that exploded in April 2009.

Consolidated net loss after tax amounted to ₱39.3 million or 57% better than the ₱91.9 million loss last year.

Sugar–Related Businesses

Batangas Operations

CADPI started its mill operations on November 26, 2009, two (2) days delayed from last year. Total tonnage for the period reached 237,000 versus 305,000 last year.

Recovery improved this period, 1.59 Lkg/tc compared to 1.42 Lkg/tc in prior year. Raw sugar production as of December 31, 2009 posted at 344,000 Lkg versus 411,000 Lkg in same period last year.

The decrease in tonnage was brought about by the delay due to stoppages in operations in mid-December when the 50 MW turbo generator broke down. Operations were stopped for two (2) weeks.

With longer refinery operation spilled over last year, refined sugar production was higher in prior year at 1,255,000 Lkg compared to 798,000 Lkg in the current period.

Negros Operations

With the decline in cane supply in Negros area, CACI's cane tonnage this year went down to 896,000 tons versus 1,001,000 tons in prior year. Coupled with lower recovery this period of 2.041 Lkg/tc compared to 2.086 Lkg/tc last year, raw production this year decreased to 1,805,000 Lkg from 2,080,000 Lkg in previous year.

Consolidated revenues slightly increased to ₱2.307 billion in 2009 from ₱2.299 billion in 2008, brought about by higher refined sugar sales this year amounting to P1.432 billion from prior year's P1.139 billion. Refined sales volume went up by 213,260 Lkg from 814,099 Lkg last year.

Cost of sales this year amounted to ₱2.072 billion from ₱2.026 billion last year. Gross profit margin went down to 10% versus 12% in previous year.

Other operating income substantially increased from ₱20 million to P144 million due to sale of scrap materials and recovery from insurance claim of CADPI amounting to ₱99 million for the fully depreciated generator set that exploded in April 2009.

Due to continuous cost containment measures of the Group, general and administrative expenses went down to ₱291 million from ₱336 million a year ago. Salaries and wages decreased due to retirement of employees under the discontinued railroad operations in prior years, decreased outside services cost and reduction in usage of materials and consumables, etc.

Equity in net earnings of an associate slightly decreased from ₱29 million to ₱27 million this year.

Net financing cost this year went up to ₱75 million from ₱68 million due to increased long-term loans this year.

The Group posted net income of ₱5.3 million versus net loss of ₱90 million in prior period due to improved performance of CACI this year, increasing its raw sales volume with higher raw prices.

This translated to earnings per share of ₱0.005 this year from loss per share last year of ₱0.09

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to ₱250 million from ₱104 million in prior period due to positive operating results this year, while the Group incurred operating loss last year.

For crop year 2009-2010, CACI started its operations on 18 September 2009, four (4) days earlier than last year's start of operations. This resulted to higher tonnage this period, 38,000 tones cane milled as of 30 September 2009 versus 28,000 tons in prior period.

Recovery is lower this period, 1.678 Lkg/TC compared to 1.70 Lkg/TC last year. Raw sugar production as of September posted at 46,000 Lkg. versus 30,000 Lkg. as of June.

Consolidated revenues increased by 10% to ₱980 million from the ₱891 million in September 2008. The increase was brought about by the higher refined sugar sales amounting to ₱857 million in 2009 as compared to ₱572 million in 2008, refined volume and price increase. As of the period under review, selling prices of raw sugar and molasses were also higher from previous year.

Though cost of sales amounted to ₱870 million this period and ₱796 million in previous year, gross profit rate for 2009 and 2008 stood at 11%.

Operating income substantially increased from ₱6.5 million to ₱64.7 million due to sale of scrap materials and recovery from insurance of CADPI for the generator set which exploded in April 2009.

Operating expenses slightly decreased to ₱135 million from ₱137 million in previous year.

Equity in net earnings of an associate slightly decreased from ₱13 million to ₱12 million this year.

Net financing costs this year went down to ₱28 million from ₱32 million in 2008 due to lower short-term loan availments and settlements of loans in the current period.

The Sugar Group ended this period with a positive bottom figure of ₱4.6 million from previous year's loss of ₱42 million. CADPI contributed to the positive performance of the Sugar Group with ₱23 million in net income in 2009 from a net loss of ₱30 million in 2008.

This translated to earnings per share of ₱0.005 this year from loss per share last year of ₱0.05.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to ₱100 million from ₱21 million in prior period due to positive operating results, while the Group incurred operating loss last year.

Property Group

For the first half of FY 2009-2010, Realized Profit on Real Estate Sales reached ₱12.4 Million. This is 1% higher than last year's ₱12.3 million.

Other income amounted to ₱10.6 million, 27% lower than ₱14.6 million last year. This is a result of Roxaco's marketing promo of zero percent interest on installment sales on year one of amortization payments. This was coupled by diminishing balances of principal amounts on installment contracts receivable .and absence of assignment income from FDC.

Operating expenses amounted to ₱19.4 million, 33% higher than ₱14.6 million in 2008. This is due to salary increase given in July 2009, professional fees for various pre-project development studies and marketing expenses on a new project, San Antonio Memorial Gardens. Finance costs reached ₱2.5 million, 27% lower than year ago figure due to lower interest rates and diminishing principal balances. Operations resulted to net loss after tax of ₱ 0.123 million, 102% unfavorable compared to December 2008 net income after tax of ₱ 5.2 million,

Top Five Performance Indicators

Sugar-Related Businesses

As maybe concluded in the foregoing description of the business of the Sugar Group, its 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 Sugar Group in three fiscal years, shows general improvement in the financial and operating results:

Performance Indicator	2009	2008	2007
Raw sugar production	8.123 M bags	9.002 M bags	8.381 M bags
Refined sugar production	3.965 M bags	3.659 M bags	3.883 M bags
Milling recovery	2.02 Lkg/TC	1.83 LKg/TC	1.99 LKg/TC
EBITDA	₱669 million	₱973 million	₱996 million
Return on EQUITY	3%	8%	9%

Property Group

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

- Income from sale of developed real estate (lots only). This is recognized in full when the collection of the total contract price reached 50%. 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 shows the top five performance indicators of Roxaco in three fiscal years:

Performance Indicator	FY 2008-2009 (12 mos)	FY 2007-2008 (12 mos)	Jan-June 2007 (6 mos)
Income from sale of developed real estate	₱22.802 M	₱ 24.638 M	₱ 10.886 M
Number of lots reserved/sold	105 lots	127 lots	66 lots
Collection efficiency	85%	98.42%	97.73%
EBITDA	₱19.781 M	₱ 41.38 M	₱ 54.311 M
Return on Equity	2.15%	5.29%	7.56%

Key Variable and Other Qualitative and Quantitative Factors

1) The Roxas Group 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 Roxas Group 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 Roxas Group 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.

Sugar-Related Businesses

The Sugar Group had an allocation of ₱1.2 billion to complete the expansion project for crop year 2009-10 – ₱669 million for CADPI and ₱567 million for CACI and an allocation of ₱122.5 million for regular capital expenditures in 2009-2010, broken down into ₱51.5 million for the CADPI integrated mill and refinery manufacturing operations and ₱71 million for CACI. The major CAPEX for this operating period are as follows:

CADPI

Raw Manufacturing

Mills and Boilers Department

(a) The Mills received budget allocation of P1.6 million for the installation of pneumatic controlled valve for CK#2 turbine, acquisition of one unit chipping hammer and electric drill, one unit welding machine, oxy-acetylene cutting outfit for the new cane preparation station, one unit 12 bar, 900 LT/Min spray pump, installation of modified warning/indicating system, purchase of portable oil filter, testing device for hydraulic accumulator and installation of CCTV/Video unit.

(b) The Boilers received budget allocation of ₱22.9 million for the relocation of reclaim drag conveyors to fit with the expansion project setup; partial concreting of 2,000 sq mtrs of bagasse yard at 3000 sqm; acquisition and installation of boiler feed water system and installation of online monitoring for hardness in the water softeners, etc.

(c) The Electrical Department received budget allocation of ₱8.2 million for the acquisition of 26 units electric motor; acquisition of one lot motors and control, etc.

(d) The Plant Maintenance Department received budget allocation of ₱3.9 million for the acquisition of 2 units bare pump (132 gpm); lathe machine, magnetic drill; repair of asphalt pavement in north side of old truck dumpers; drainage canal at Apt. A, B, C, D going to irrigation with cover (phase 1).

(e) The Boiling House Department received budget allocation of ₱0.3 million for the acquisition of two units welding machine (220-440 volts).

(f) The Planters Services Department received budget allocation of ₱0.6 million for the acquisition of container van for truck yard; secondhand vehicle to replace the previous one, a Mini Cruiser.

Refined Manufacturing

(g) The Refinery Department received budget allocation of P2.5 million for the construction of locker room/mess hall and additional lockers; acquisition and installation of two units pumps as replacement to existing sluicing; installation of one unit Nash SC6 vacuum pump for evaporator.

Support Group

(h) The IT Group received budget allocation of ₱1 million for the acquisition of 30 units of desktop computers; four units laptop computers; three units DOT matix printers.

(i) The Quality Control Department received budget allocation of ₱2.4 million for the acquisition of one high pressure sterilizer; one unit incubator; one unit Bio safety cabinet; one unit distilling apparatus; two units conductivity meter; one unit fume hood.

(j) The EMS Department received budget allocation of ₱2.7 million for the purchase and installation of CCTV at Gate 1; installation of independent plant wide fire hydrant system.

(k) The IMW Department received budget allocation of ₱3.8 million for the enclosure of canopy of warehouse 1; extension of canopy enclosure at warehouses 3 and 5; purchase of portable piling conveyor; extension of lime warehouse building; extension of structural area at sub-warehouse no.2.

CACI

(a) The Mills Department received budget allocation of ₱4.6 million for the purchase of one unit 5 tonner split/floor type 3 air conditioning system; one piece perforated roller 1 ½ pitch top for Farrel Mill No. 6; Amerigear coupling for Farrel Mill Drive; one unit speed reducer for ICC of Farrel mill.

(b) The Boiler Department received budget allocation of ₱15.6 million for the replacement of condensate test tank no. 1A; rehabilitation/modification of existing Ion Exchange Towers; retubing of Kawasaki Boiler No. 3; Replacement of KB2 Fuel Gas ductings; purchase of 3 units motor reducer 5 HP with electrical controls; purchase of one unit motor gear reducer drive each for belt conveyor Nos. 2 and 4; purchase of belt conveyor for bagasse belt conveyor no. 4; modification of JTA ash settling tank and accessories; purchase of 2 units valve actuator for JTA Main Steam stop valve and by pass valve; installation of JTA main steam isolation valve.

(c) The Electrical Department received budget allocation of ₱2.5 million for the replacement of power house roofing; rehabilitation of 6 units drive motor for FCB High Grade Centrifugals.

(d) The Instrumentation Department received budget allocation of ₱8.8 million for the repair of truck scale 1; installation of electronic cane tracking system for Farrel Mill; replacements of single loop controls of KB3 to PC based control; installation of dedicated air filter/dryer to critical stations; retrofit control of one unit FCB HG centrifugal; conversion of 1 sugar scale from mechanical to electronic.

(e) The Boiling House Department received budget allocation of ₱11.7 million for the modification of Bryant evaporator juice line from cell 1 to cell 2; modification of clarified juice strainer; purchase and installation of 2 units gate valves (24" diameter x 125 psig); renovation of OH Evaporators building and clarifier roofing; modification of Bryant evaporator entrainment separator; fabrication and installation of cooled condensate collection tank; upgrading of syrup filters; replacement of worn out tube sheet of Kawasaki evaporator 4 Th cell; modification of soda re-circulation system for Evaporation cleaning.

(f) The ESD-PMRM Department received budget allocation of ₱5.8 million for the purchase of geared motor and rubber belt for main inclined conveyor; rehabilitation of 125 HP IR air compressors and replacement of drive motor; rehab of 2 units nash vacuum pumps; rehab of new house and old house injection pumps; rehab of 2 units raw bucket elevators.

(g) The ESD Machine Shop received budget allocation of ₱1.3 million for the transfer and installation of overhead crane from A mill to machine shop; purchase of sprocket cutter.

(h) The ESD SCES received budget allocation of ₱4 million for the partial repair of another 12 units residential houses for supervisors; partial repair of chapel; installation of drinking water line for factory area; partial repair of OH Building structurals; construction of concrete road from entrance bridge to mangala bridge.

(i) The EMSD/Safety section received budget allocation of ₱13.4 million for the rehabilitation of De Agua dam; rehabilitation of Colonia water reservoir; rehabilitation of spray pond 2 concrete flooring; purchase of 1 unit Marathon Electric induction motor; renovation and installation of additional fire hydrant pipeline in the factory; purchase of one unit 1.5 HP air conditioner for safety office use.

(j) The QCD received budget allocation of ₱1.6 million for the purchase of 1 unit air conditioner; purchase of laboratory size/mini centrifugal basket.

(k) The ISD received budget allocation of ₱624 thousand for various hardware requirement.

Roxol Bioenergy Corporation (RBC)

Construction of the RBC Ethanol Plant in La Carlota City is still on going with a total budget of ₱1.453 billion.

CADP Farm Services, Inc. (CFSI)

CFSI will start its operations in Crop Year 2009-2010 with total budget of ₱155 million.

Property Group

Roxaco has started Phase 1 of its San Antonio Memorial Gardens. The land development contract amounting to ₱38.8 million was awarded to a local contractor. As of 31 December 2009, Roxaco has paid the contractor amount of ₱28.7 million based on a 74.08% accomplishment.

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

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

102122010000010

SECURITIES AND EXCHANGE COMMISSION

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

Barcode Page
The following document has been received:

Receiving Officer/Encoder	: Darwin San Jose
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Receipt Date and Time	: February 12, 2010 08:30:53 AM
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Company Representative

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Company Information

SEC Registration No.	PW00000834
Company Name	ROXAS AND COMPANY, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	102122010000010
Document Type	17-L (FORM 11-L:NTCE TO DELAY RPT)
Document Code	17-L
Period Covered	February 12, 2010
No. of Days Late	0
Department	CFD
Remarks	

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R O X A S AND C O M P A N Y, I N C.
(F O R M E R L Y C A D P G R O U P
C O R P O R A T I O N)

(Company's Full Name)

7 T H F L O O R C G B U I L D I N G
1 0 1 A G U I R R E S T R E E T L E G A S P I
V I L L A G E M A K A T I C I T Y

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

ATTY. FRITZIE P. TANGKIA-FABRICANTE

810-8901

SEC FORM 17-L

June 30
Month *Day*
Fiscal Year

Form Type

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

Total Amount of Borrowings

3,587
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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-L
NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [ ]   Form 17-Q [√]

Period-Ended/Date of Required Filing: 31 December 2009 / 15 February 2010

Date of this Report: 12 February 2010

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: N/A

1. SEC Identification Number: 834   2. BIR Tax Identification No. 000-269-435.

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

4. Makati City, Philippines
   Province, country or other jurisdiction of incorporation

5. Industry Classification: ______________ (SEC Use Only)

6. 7F, CG Bldg., 101 Aguirre St., Legaspi Village, Makati City
   Address of principal office   Postal Code 1229

7. PLDT: (632) 810-89-01
   Issuer's telephone number, including area code

8. **CADP GROUP CORPORATION**
   6F, CG Bldg., 101 Aguirre St., Legaspi Village, Makati City
   Former name, former address, and former fiscal year, if changed since last report.

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

   Yes [√]   No [ ]

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

   Securities registered with the Philippine Stock Exchange:

Securities registered: No. of shares

Class A, common shares	2,911,885,870

Part I - Representations

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

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

(b) The subject amended annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date [ ]; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth (5^{th}) day following the prescribed due date. [√]

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

Part II - Narrative

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

The Company will not be able to file its Quarterly Report (SEC Form 17-Q) for the period ending on 31 December 2009 on or before the 15 February 2010 deadline because its sugar-manufacturing subsidiaries are still finalizing the material information on the sugar group's business risks, financial conditions and results of operations. The sugar group was not able to finalize the needed information due to numerous tasks likewise demanding immediate attention.

Without the information from the various sugar-operating companies under it, RCI will not be able to make a complete report.

The Company undertakes to submit the report within five (5) calendar days after the prescribed deadline, or on or before **20 February 2010**.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification:

Atty. Fritzie P. Tangkia-Fabricante
Asst. Corporate Secretary/Compliance Officer
AVP for Legal Affairs
7^{th} Floor, Cacho-Gonzales Bldg.
101 Aguirre Street, Legaspi Village
1229 Makati City, Metro Manila
810-8901 / 751-9537

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [√] No [ ] Reports: ....

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [ ] No [√]

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ROXAS & COMPANY, INC.
(Formerly **CADP GROUP CORPORATION)**

By:

FRITZIE P. TANGKIA-FABRICANTE
Assistant Corporate Secretary
AVP for Legal Affairs and Compliance Officer

12 February 2010.

12 February 2010

Philippine Stock Exchange
Disclosures Department
4/F, Philippine Stock Exchange Inc., PSE Centre
Exchange Road, Ortigas Center
Pasig City, Metro Manila

Attention : **Ms. Janet Encarnacion**
Head – Disclosures Department

Re : **REQUEST FOR EXTENSION TO SUBMIT QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2009**

Gentlemen:

Roxas & Company, Inc. would like to request for extension of deadline to submit its Quarterly Report for the period ended 31 December 2009.

The Company will not be able to file the above-mentioned report on its deadline of 15 February 2010 because its sugar-manufacturing subsidiaries are still finalizing the material information on the sugar group's business risks, financial conditions and results of operations. The sugar group was not able to finalize the needed information due to numerous tasks likewise demanding immediate attention.

Without the information from the various sugar-operating companies under it, RCI will not be able to make a complete report.

The Company undertakes to submit the report within five (5) calendar days after the prescribed deadline or upon submission of the report to the Securities and Exchange Commission, whichever is earlier. The Company understands that failure to comply with the undertaking may result to the imposition of applicable penalty/ies and/or sanction/s.

Very truly yours,

FRITZIE P. TANGKIA-FABRICANTE
AVP for Legal Affairs/Compliance Officer