PW0000834

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 17-Q (September 30, 2010)**

| June | 30 | | | |
|---|---|---|---|---|
| *Month* | *Day* | Form Type | *Month* | *Day* |
| Fiscal Year | | | Annual Meeting | |

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

Total Amount of Borrowings

**3,565**

Total No. of Stockholders

Domestic

Foreign

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TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

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**Remarks** = pls. Use black ink for scanning purposes

**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: **30 September 2010.**

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 30 Sept 2010 | **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 for the period.**

2. Composition of the Board of Directors:

| | | |
|---|---|---|
| **PEDRO E. ROXAS** | - | Executive Chairman[1] |
| **ANTONIO J. ROXAS** | | |
| **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 |

***** On 07 October 2010, Mr. Renato C. Valencia was elected as a member of the Board of Directors. He replaced Mr. Francisco F. Del Rosario Jr. who resigned as President/CEO and Director of the Company effective 01 September 2010.

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.**

[1] On 07 October 2010, Mr. Pedro E. Roxas was designated by the Board of Directors as Acting President and Chief Executive Officer.

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. The loan facility is made available to RCI and RHI provided that the combined availment does not exceed the credit line.**

**As of 30 September 2010, RCI has availed of loans amounting to Php 427 Million, which bears an interest of 5.625% 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 therefor:

**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:

**None for the period.**

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

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

# A N N E X “A”

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
[Formerly CADP Group Corporation]
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2010 AND JUNE 30, 2010
Amounts in Thousands

| | Note | September-10 Unaudited | June-10 Audited |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4, 28 | 324,210 | 236,614 |
| Receivables | 5 | 962,909 | 940,944 |
| Inventories | 6 | 1,648,549 | 1,873,137 |
| Real estate for sale and development | 7, 15 | 327,937 | 331,371 |
| Prepayments and other current assets | 8 | 620,029 | 269,144 |
| Total Current Assets | | 3,883,634 | 3,651,210 |
| NONCURRENT ASSETS | | | |
| Installment Contracts Receivable, net of current portion | 5,15 | 19,138 | 36,206 |
| Property, plant and equipment | 11 | | |
| At cost | | 9,268,063 | 9,305,606 |
| At appraised values | | 2,485,515 | 2,485,515 |
| Investment in shares of stock of associates | 9 | 732,950 | 760,232 |
| Investment properties | 10, 15 | 344,120 | 344,392 |
| Net pension assets | 17 | 145,458 | 145,458 |
| Deferred income tax assets | 24 | 26,080 | 6,187 |
| Other noncurrent assets | 5 | 30,841 | 35,578 |
| Total Noncurrent Assets | | 13,052,165 | 13,119,174 |
| Total Assets | | 16,935,799 | 16,770,384 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Short-term borrowings | 12 | 2,828,452 | 2,502,404 |
| Accounts payable and accrued expenses | 13 | 583,636 | 716,925 |
| Customer's deposits | 14 | 154,810 | 150,300 |
| Income tax payable | | 15,464 | |
| Dividends payable | | 20,565 | 20,565 |
| Current portion of long-term borrowings | 7,15,28 | 76,339 | 76,339 |
| Total Current Liabilities | | 3,679,266 | 3,466,533 |
| NONCURRENT LIABILITIES | | | |
| Long-term borrowings | 15 | 6,126,507 | 6,124,969 |
| Net pension benefit obligation | 17 | 29,988 | 41,097 |
| Deferred tax liabilities | 24 | 721,809 | 725,150 |
| Total Noncurrent Liabilties | | 6,878,304 | 6,891,216 |
| Total Liabilities | | 10,557,570 | 10,357,749 |
| EQUITY | | 6,378,229 | 6,412,635 |
| Total Liabilities and Equity | | 16,935,799 | 16,770,384 |

*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 INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2010 AND 2009
[Amounts in 000 Philippine Peso, Except for Basic / Diluted Earnings (Loss) Per Share]

| | For the Quarter Ending September 30 | |
|---|---|---|
| | 2010 | 2009 |
| REVENUE ( Note 19) | 1,422,991 | 1,004,937 |
| COST OF SALES ( Note 20 ) | 1,223,446 | 941,304 |
| GROSS PROFIT | 199,545 | 63,633 |
| OPERATING EXPENSES (Note 21) | (142,029) | (155,231) |
| EQUITY IN NET EARNINGS OF ASSOCAITES ( Note 9) | 18,396 | 19,605 |
| INTEREST INCOME ( Note 4 and 5) | 3,743 | 3,597 |
| INTEREST EXPENSE ( Notes 12 and 15) | (135,200) | (33,243) |
| OTHER INCOME - net ( Note 23) | 10,598 | 68,035 |
| INCOME (LOSS BEFORE INCOME TAX) | (44,947) | (33,604) |
| PROVISION FOR INCOME TAX (Note 24) | | |
| Current | 17,245 | 1,615 |
| Deferred | (27,786) | (5,236) |
| | (10,541) | (3,621) |
| NET INCOME (LOSS) FOR THE PERIOD | (34,406) | (29,983) |
| Attributable to: | | |
| Equity holders of the Parent Company | (26,627) | (23,557) |
| Minoroty Interest | (7,779) | (6,426) |
| | (34,406) | (29,983) |
| BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 26) | (0.009) | (0.008) |

*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 SEPTEMBER 30, 2010 AND 2009
[Amounts in 000 Philippine Peso)

| | For the Quarter Ending September 30 | |
|---|---|---|
| | 2010 | 2009 |
| NET INCOME | (34,406) | (29,983) |
| OTHER COMPREHENSIVE INCOME | | |
| TOTAL COMPREHENSIVE INCOME | (34,406) | (29,983) |
| Attributable to: | | |
| Equity holders of the Parent Company | (26,627) | (23,557) |
| Minoroty Interest | (7,779) | (6,426) |
| | (34,406) | (29,983) |

*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
SEPTEMBER 30, 2010 AND 2009
Amounts in Thousands

| | 2010 | 2009 |
|---|---|---|
| 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) | (81,066) |
| SHARE IN REVALUATION INCREMENT IN PROPERTY | 136,322 | 136,322 |
| REVALUATION INCREMENT IN PROPERTY | 1,174,699 | 1,201,721 |
| SHARE IN FAIR VALUE RESERVE | 5,179 | 3,623 |
| RETAINED EARNINGS | | |
| Beginning balance | 2,363,169 | 2,264,426 |
| Share in net income (loss) for the period | (26,627) | (23,257) |
| | 4,301,819 | 4,231,913 |
| NON CONTROLLING INTEREST | | |
| Beginning balance | 2,084,189 | 1,989,014 |
| Share in net income (loss) for the period | (7,779) | (6,426) |
| TOTAL EQUITY | 6,378,229 | 6,214,501 |

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 THREE MONTH PERIOD ENDED SEPTEMBER 30, 2010 AND 2009
Amounts in Thousands

| | September-10 | September-09 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income (loss) before tax | (44,947) | (33,604) |
| Adjustments for: | | |
| Depreciation | 121,046 | 76,319 |
| Equity in net earnings of associates | (18,396) | (19,605) |
| Interest Income | (3,743) | (3,597) |
| Interest expense | 135,200 | 33,243 |
| Loss (Gain) on disposal of property | (220) | - |
| Net cash from operations before working capital changes | 188,940 | 52,756 |
| Decrease ( Increase) in: | | |
| Receivables | (5,822) | 273,746 |
| Inventories | 224,588 | 435,753 |
| Real estate | 3,434 | 481 |
| Prepayments and other current assets | (350,885) | (391,077) |
| Increase ( decrease ) in: | | |
| Accounts payable and accrued expenses | (100,037) | (125,639) |
| Customers' deposits | 4,510 | 223,476 |
| Other current liabilities | 15,464 | 21,251 |
| Increase (decreased) in net pension obligation | (11,109) | 8,065 |
| Cash generated from operations | (30,917) | 498,812 |
| Interest received | 3,743 | 3,597 |
| Income tax paid, including creditable withholding and final tax | 0 | (1,920) |
| Net cash from (used in ) operating activities | (27,174) | 500,489 |
| CASH FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (134,186) | (438,036) |
| Proceeds from sale of property, plant and equipment | | |
| Dividends received | 45,679 | |
| Decrease ( Increase) in other noncurrent assets | 4,737 | 14,101 |
| Net cash flows from ( used in) investing activities | (83,770) | (423,935) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from ( payments of ) short term borrowings | 337,048 | (1,225,975) |
| Proceeds from long-term borrowings | | 1,182,000 |
| Interest paid | (138,508) | (75,132) |
| Dividends paid | | (25,005) |
| Reacquisitionof shares of stock of subsidiaries | | (9) |
| Net cash flows from ( used in) financing activities | 198,540 | (144,121) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | 87,596 | (67,567) |
| CASH AND CASH EQUIVALENTS, Beginning | 236,614 | 342,999 |
| CASH AND CASH EQUIVALENTS, End | 324,210 | 275,432 |

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

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

*Group Restructuring and Merger*

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

The Company has 3,566 and 3,594 equity holders as of June 30, 2010 and 2009, respectively.

The Company is owned 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.

*Approval of Consolidated Financial Statements*
The consolidated financial statements as of June 30, 2010 and for the year in the period ended June 30, 2010, have been approved and authorized for issuance by the Company's Board of Directors (BOD) on October 7, 2010.

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

Basis of Preparation and Statement of Compliance
The interim consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting.*

The unaudited interim condensed 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, and are presented in Philippine peso, the Company's functional currency, and rounded to the nearest thousands, except when otherwise indicated.

The unaudited interim condensed consolidated financial statements, which have been prepared by the Company to be filed with the SEC for its quarterly reporting to comply with Securities Regulation Commission Rule 68.1, do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at June 30, 2010.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and revised standards, amendments to existing standards and new and amendments to Philippine Interpretation which became effective July 1, 2010.

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 changes PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

*Effective 2011*

- Amendments to PFRS 2, *Share-based Payment - Group Cash-settled Share-based Payment Transactions*, clarifies the scope and the accounting for group cash-settled share-based transactions.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.

- PFRS 8, *Operating Segments*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*, clarifies that the terms of a liability that could result at anytime in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either “finance” or “operating” in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- Amendment to PAS 32, *Classification of Rights Issues*, this amendment to PAS 32, *Financial Instruments: Presentation*, addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment issued today requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 39, *Financial Instruments: Recognition and Measurement*, provides clarification on prepayment option, scope exemption for contracts between an acquirer and a vendor in a business combination, and gains or losses on cash flow hedges of a forecast transaction.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. It clarifies the requirements of PFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. It clarifies that: (a) the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability; (b) the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished and (c) the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

*Effective 2012*

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

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

- PAS 24, *Related Party Disclosures* (Revised) was revised in response to concerns that the previous disclosure requirements and the definition of a 'related party' were too complex and difficult to apply in practice, especially in environments where government control is pervasive. It addresses these concerns by providing a partial exemption for government-related entities and by simplifying the definition of a related party and removing inconsistencies.

*Effective 2013*

- Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction 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.

*Effective 2014*

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

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2011 and on the consolidated financial statements prior to period of initial application. The effects and required revised disclosures, if any, will be included in the consolidated financial statements when the relevant accounting standards and interpretation are adopted subsequent to June 30, 2011.

Consolidation

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

| | Percentage of Ownership | | | |
|---|---|---|---|---|
| | **2010** | **2009** | 2008 | Main Activity |
| RHI | **66** | **66** | 65 | 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 feedstocks, 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 | | | |
|---|---|---|---|---|
| | **2010** | 2009 | 2008 | |
| | Direct | | Direct | Indirect |
| CADPGC[1] | **–** | – | 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** | 99.99 | – | 89.21 |
| Najalin Agri Ventures, Inc. (NAVI) | **77.38** | 77.27 | – | 63.96 |
| Roxol Bioenergy Corporation (RBC)[2] | **100.00** | 100.00 | – | 100.00 |
| CADP Port Services, Inc. (CPSI)[3] | **100.00** | 100.00 | – | – |
| Roxas Power Corporation (RPC)[3] | **50.00** | 50.00 | – | – |

(1) The loss of ownership interest in CADPGC is the result of the restructuring undertaken by the Group through sale of all of RHI's equity interest in CADPGC to RCI effective January 23, 2009 (see Note 1). As a result, RHI has now a direct ownership interest in the sugar-related operating subsidiaries which were previously owned by CADPGC. Results of operation of CADPGC are included in the consolidated financial statements until January 23, 2009, the date on which RHI's control ceased.
(2) RBC was incorporated on February 29, 2008 and has not yet started commercial operations.
(3) CPSI and RPC were incorporated on July 17, 2008 and have not yet started commercial operations. RHI has control on RPC since it has the power to cast the majority of votes at the BOD's meetings and the power to govern the financial and reporting policies of RPC.

Unaudited interim condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

## 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited interim condensed 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 summary of significant judgments, accounting estimates and assumptions disclosed in the Group's annual consolidated financial statements as at June 30, 2010 represent a summary of judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the consolidated financial statements

## 4. Cash and Cash Equivalents

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

| | **September 2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Cash on hand and in banks | **₱297,432** | ₱190,933 |
| Short-term placements | **26,778** | 45,681 |
| | **₱324,210** | ₱236,614 |

Short-term placements earn interest ranging from 1.3% to 4.75% per annum in 2010, and have average maturities of 30 to 60 days. Interest income earned on cash in banks and short-term placements amounted to ₱1.4 million as of September 30, 2010 and ₱7.5 million in 2010 .

## 5. Receivables

Receivables at September 30 and June 30 consist of:

| | **September 2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Trade (Note 15) | **₱634,609** | **₱696,404** |
| Advances to: | | |
| Related parties (Note 16) | **143,898** | **144,755** |
| Employees | **44,989** | **39,380** |
| Planters and cane haulers | **144,107** | **38,547** |
| Advances for raw sugar purchases | **10,555** | **15,192** |
| Others | **17,882** | **39,797** |

| | | |
|---|---|---|
| | **996,040** | 974,075 |
| Less allowance for impairment of receivables | **33,131** | 33,131 |
| | **₱962,909** | ₱940,944 |

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

| | **September 2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Not later than 1 year | **₱12,855** | ₱13,676 |
| Later than 1 year | **19,138** | 36,206 |
| | **₱31,993** | ₱49,882 |

b. 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. This account also includes 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 CADPI, whereas the receivable remained with RHI. As of June 30, 2010 and 2009, remaining balance amounts to ₱4.1 million. 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 ₱0.8 million and ₱0.4 million as of June 30, 2010 and 2009, respectively.

Noncurrent portion of loans to CADPI employees as of June 30, 2010 and 2009 amounting to ₱3.2 million and ₱6.6 million, respectively, is presented under "Other noncurrent assets" account, net of unearned interest income of ₱0.8 million and ₱2.2 million, respectively.

## 6. Inventories

Inventories at September 30, 2010 and June 30, 2010 consist of:

| | **September 2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| At cost: | | |
| Refined sugar | **₱234,656** | ₱732,092 |
| Alcohol | **66,490** | 21,278 |
| Materials in transit | **79,830** | 19,532 |
| At NRV: | | |
| Raw sugar | **763,525** | 584,076 |
| Molasses | **123,100** | 135,025 |
| Material and supplies | **380,948** | 381,134 |
| | **₱1,648,549** | ₱1,873,137 |

Cost of inventories recognized as expense and included in “Cost of sales” amounted to ₱ 761.4 million for the quarter ended September, 2010 and ₱3,071.3 million for fiscal year ended June 2010. (see Note 20).

## 7. Real Estate for Sale and Development

Real estate inventories consist of:

| | September 2010 | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Real estate properties for sale | **₱40,139** | ₱40,359 |
| Raw land and land improvements | **287,798** | 291,012 |
| | **₱327,937** | ₱331,371 |

Borrowing costs directly incurred in connection to the construction of the Group’s real estate projects amounting to ₱ 0.551 million and ₱1.3 million were capitalized in September, 2010 and June 2010, respectively..

Real estate properties for sale and development of the Group with a carrying value of ₱178.9 million were used as collateral for the loan obtained from BDO by the Group (see Note 15).

Shown below are the aggregate cash price values and related aggregate carrying costs of real estate properties for sale as of September 30, 2010 and June 30, 2010.

| | September 2010 | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Aggregate cash price values | **₱69,543** | ₱95,145 |
| Less aggregate carrying costs | **25,334** | 40,359 |
| Excess of aggregate cash price values over aggregate carrying costs | **₱44,209** | ₱54,786 |

## 8. Prepayments and Other Current Assets

Prepayments and other current assets at September 30 and June 30 consist of:

| | September 2010 | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Input VAT and other taxes | **₱176,033** | ₱116,432 |
| Creditable withholding taxes, net of allowance of ₱13.7 million in 2010 | **125,713** | 113,816 |
| Consumable biological assets | **27,222** | 24,322 |
| Others | **291,061** | 14,574 |
| | **₱620,029** | ₱269,144 |

Consumable biological assets pertain to standing sugarcanes of NAVI.

Input VAT and prepaid taxes comprise mainly of input value-added tax on purchases of equipment and services relating to the Expansion Project and RBC Plant construction (see Note 11).

Other current assets consist mainly of prepaid insurance and rentals, advance payments made to a sugar refinery for tolling services and advanced input VAT.

## 9. Investment in Shares of Stock of Associates

The Group has the following associates:

| | Percentage of Ownership | | |
|---|---|---|---|
| | **2010** | 2009 | Main 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 June 30 follow:

| | **September 2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Acquisition cost | **₱308,185** | ₱308,185 |
| Accumulated equity in net earnings: | | |
| Beginning of year | **313,639** | 294,088 |
| Equity in net earnings for the period | **18,396** | 144,604 |
| Dividend income | **(45,678)** | (125,053) |
| End of year | **286,357** | 313,639 |
| Share in: | | |
| Revaluation increment in land* | **207,492** | 207,492 |
| Change in fair value reserve of an associate | **5,179** | 5,179 |
| Unrealized gain on transfer of land | **(59,030)** | (59,030) |
| Allowance for impairment | **(15,233)** | (15,233) |
| | **₱732,950** | ₱760,232 |

**Includes share of noncontrolling interests amounting to ₱71.2 million.*

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 Philippine 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 Philippine SEC approves this debt equity conversion between LPC and FDC, the ownership interest of LPC will revert to 70.0% and that of RLC to 30.0%. On May 8, 2008, the Philippine SEC approved the increase in capital stock of FDC. In 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 (nil in 2010).

d. The accumulated equity in net profit (losses) and share in fair value reserves in associates of ₱286.4 million as of September 30, 2010 and ₱313.6 million as of June 30, 2010 is not available for distribution to shareholders, unless received as cash dividends from the associates.

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

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| | *(In Thousands)* | | |
| Current assets | **₱2,027,928** | ₱1,971,823 | ₱1,577,458 |
| Noncurrent assets | **1,499,647** | 1,263,405 | 1,543,863 |
| Current liabilities | **1,390,882** | 1,179,198 | 943,358 |
| Noncurrent liabilities | **336,240** | 233,361 | 397,723 |
| Net assets | **1,800,453** | 1,822,669 | 1,780,240 |
| Revenue | **1,840,810** | 1,715,465 | 1,719,280 |
| Net income | **317,256** | 193,789 | 194,220 |

## 10. **Investment Properties**

Investment properties of the Company and RLC consist of:

| | **September 2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Agricultural properties | **₱332,105** | ₱332,105 |
| Residential properties | **6,194** | 6,194 |
| Commercial properties | **1,071** | 1,071 |
| Building, net of accumulated depreciation of P 11.7 million and ₱ 11.4 million in September 30 and June 30, 2010, respectively (Notes 11 and 21) | **4,750** | 5,022 |

| | | |
|---|---|---|
| | **₱344,120** | ₱344,392 |

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

Fair value of these investment properties, including those land properties subjected to CARL, amounted to ₱5,564.3 million based on the appraised values of the properties as of September 21, 2010 as determined by an independent, professionally qualified appraiser.

RLC
Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas (see Note 15). The estimated fair market value of the investment property as of June 30, 2010, amounted to ₱9.1 million, based on the appraisal reports dated September 21, 2010 determined by an independent, professionally qualified appraiser.

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

The value of the improvements was arrived at by using the cost approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is equivalent to the original or one that could furnish equal utility with no undue cost.

## 11. Property, Plant and Equipment

Property, plant and equipment, valued at cost, as of September 30, 2010 and June 30, 2010 are shown below:

| | September 2010 | | | | | |
|---|---|---|---|---|---|---|
| | **Buildings and Improvements** | **Machinery and Equipment** | **Transportation and Railroad Equipment** | **Office Furniture, Fixtures and Equipment** | **Construction in Progress** | **Total** |
| | | | *(In Thousands)* | | | |
| **Cost** | | | | | | |
| Beginning balances | **₱2,051,434** | **₱8,851,302** | **₱ 38,034** | **₱ 75,998** | **₱3,547,117** | **₱14,563,885** |
| Additions | **142** | **297** | **1,081** | **197** | **83,334** | **85,051** |
| Disposals | **0** | (753) | 0 | (500) | – | (1,253) |
| Ending balances | **2,051,576** | **8,850,846** | **39,115** | **75,695** | **3,630,451** | **14,647,683** |
| **Accumulated Depreciation** | | | | | | |
| Beginning balances | **(743,902)** | **(4,439,723)** | **(15,345)** | **(59,309)** | **–** | **(5,258,279)** |
| Depreciation | **(18,009)** | **(98,717)** | **(1,610)** | **(3,005)** | **–** | **(121,341)** |
| Disposal | **0** | **0** | **0** | **0** | | **0** |
| Ending balances | **(761,911)** | **(4,538,440)** | **(16,955)** | **(62,314)** | **–** | **(5,379,620)** |
| **Net Book Value** | **₱1,289,665** | **₱4,312,406** | **₱22,160** | **₱13,381** | **₱3,630,451** | **₱9,268,063** |

| | June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | **Buildings and Improvements** | **Machinery and Equipment** | **Transportation And Railroad Equipment** | **Office Furniture, Fixtures and Equipment** | **Construction in Progress** | **Total** |
| | | | *(In Thousands)* | | | |
| **Cost** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Beginning balances | ₱1,235,011 | ₱5,207,977 | ₱126,766 | ₱611,784 | ₱4,967,334 | ₱12,148,872 |
| Additions | 129,534 | 1,346,668 | 25,074 | 268,753 | 797,146 | 2,567,175 |
| Disposals | – | (10,820) | (118,449) | (982) | – | (130,251) |
| Reclassification | 686,889 | 2,307,477 | 4,643 | (803,557) | (2,217,363) | (21,911) |
| Ending balances | 2,051,434 | 8,851,302 | 38,034 | 75,998 | 3,547,117 | 14,563,885 |
| **Accumulated Depreciation** | | | | | | |
| Beginning balances | (704,591) | (3,647,479) | (124,947) | (519,452) | – | (4,996,469) |
| Depreciation | (67,429) | (321,051) | (8,790) | (11,869) | – | (409,139) |
| Disposal | – | 6,748 | 118,030 | 640 | – | 125,418 |
| Reclassification | 28,118 | (477,941) | 362 | 471,372 | – | 21,911 |
| Ending balances | (743,902) | (4,439,723) | (15,345) | (59,309) | – | (5,258,279) |
| **Net Book Value** | ₱1,307,532 | ₱4,411,579 | ₱22,689 | ₱16,689 | ₱3,547,117 | ₱9,305,606 |

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

| | **September 2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Beginning balance at appraisal values | **₱2,518,174** | ₱2,518,174 |
| Additions | **26,097** | 26,097 |
| Revaluation decrease | **(58,756)** | (58,756) |
| Ending balance at appraisal values | **₱2,485,515** | ₱2,485,515 |
| At cost | **₱59,229** | ₱59,229 |

a. Construction in progress

Construction in progress as of September , 2010 and June 2010 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 its then wholly-owned subsidiaries, CADPI and CACI, with a foreign corporation to buy certain sugar mill equipment for a total purchase price of US$19.5 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 March 2008.

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

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

of US$20.9 million. As of June 30, 2010 and 2009, the balance in the construction in progress relating to RBC plant amounted to ₱1,202.2 million and ₱584.8 million, respectively.

*Capitalization of borrowing costs*
Interests from short and long-term borrowings amounting to ₱178.6 million, ₱277.9 million and ₱45.5 million in 2010, 2009 and 2008, respectively, incurred to finance the Expansion Project were capitalized to property, plant and equipment. 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, 2010 and 2009 amounted to ₱524.2 million and ₱370.4 million with corresponding deferred income tax liability of ₱157.2 million and ₱111.1 million, respectively (see Note 24). The rates used to determine the amount of borrowing costs eligible for capitalization were 8.8%, 6.7% and 6.6% in 2010, 2009 and 2008, respectively, which were the average effective interest rates of the borrowings.

*Noncash additions to property, plant and equipment*
The Group has outstanding liability on purchase of equipment and construction services amounting to ₱54.7 million, ₱2.8 million and ₱68.1 million as of June 2010, 2009 and 2008, respectively (see Note 13).

b. Depreciation

Depreciation of property, plant and equipment and investment property (see Note 10) charged to operations are as follows:

| | September 2010 | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Cost of sales (Note 20) | **₱114,616** | **₱381,961** |
| General and administrative expenses (Note 21) | **6,430** | **28,264** |
| | **₱121,046** | **₱410,225** |

As of June 30, 2010, fully depreciated property, plant and equipment, with an aggregate cost of ₱1,400.6 million 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 ₱1,053.5 million and ₱1,542.8 million as of June 30, 2010 and 2009, respectively.

## 12. Short-term Borrowings

<u>CACI and CADPI</u>
At various dates in 2010, 2009 and 2008, CACI and CADPI 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 4.7% to 7.0%,

5.0% to 9.75% and 4.7 % to 8.1%, and have terms ranging from 29 to 32 days, 30 to 32 days and 28 to 179 days in 2010, 2009 and 2008, respectively.

As of September 30, 2010 and June 30 2010, the balance of the short-term loans, net of related unamortized debt commitment fees, amounted to ₱2,786.9 million and ₱2,449.9 million, respectively.

Total interest expense recognized from short-term borrowings amounted to ₱34.40 million, and ₱159.3 million in September 30, 2010 and June 30, 2010 excluding interest of ₱42.0 million in June 30, 2010, which were capitalized (see Note 11).

RLC

Short-term borrowings consist of loans from local banks which are availed of by RLC to finance working capital requirements, including the development of ongoing real estate projects. Loans amounting to ₱27.0 million and ₱25.5 million which have original maturities of October 2008 and December 2008, respectively, and have floating interest rates, were renewed by RLC in 2010. The ₱27.0 million and ₱25.5 million loans have fixed interest rates of 7.75% and 6.25%, respectively, for the first 30 days and to be repriced every month. The ₱27.0 million loan shall mature on December 8, 2010. The ₱25.5 million loan matured on May 11, 2010 and was subsequently renewed in August 2010. Total interest charged to the consolidated statements of income amounted to ₱4.0 million, ₱5.1 million and ₱4.3 million in 2010, 2009 and 2008, respectively.

As of September 30, 2010 and June 30, 2010, the balance of these short-term loans amounted to ₱41.5 million and ₱52.5 million, respectively.

## 13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30 and June 30 consist of:

| | **September 2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Trade suppliers | **₱234,873** | ₱160,801 |
| Accrued expenses: | | |
| Interest (Notes 12 and 15) | **83,652** | 85,842 |
| Contractors | **7,851** | 87,504 |
| Outside services | **722** | 17,738 |
| Payroll and other benefits | **6,975** | 9,892 |
| Purchases and others | **63,505** | 73,773 |
| Payable to government agencies for taxes and contributions | **77,829** | 75,034 |
| Payable to related parties (Note 16) | **56,398** | 55,566 |
| Due to planters | **24,256** | 18,857 |
| Others | **27,575** | 131,918 |
| | **₱583,636** | ₱716,925 |

Other payables include liabilities to third parties for sugar liens and other related fees and purchases of equipment relating to the Expansion Project (see Note 11).

## 14. Customers' Deposits

Customers' deposits represent noninterest-bearing cash deposits from buyers of the Group's sugar and molasses and cash received from the sale of real estate properties which did not meet the revenue recognition criteria as set out in Note 2. Deposits from buyers of sugars and molasses will be applied against future deliveries of sugar and molasses which are expected to be completed in the next 12 months (see Note 18). Deposits from sale of real estate properties are applied against the receivable upon recognition of revenue. Customers' deposits amounted to ₱154.8 million and ₱150.3 million as of September 30, 2010 and June 30, 2010, respectively.

## 15. **Long-term Borrowings**

Long-term borrowings at September 30 and June 30 consist of:

| | **September 2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Banco De Oro Unibank, Inc. (BDO) | **₱4,237,000** | ₱4,237,000 |
| Syndicated loan facility: | | |
| Bank of the Philippine Islands (BPI) | **1,500,000** | 1,500,000 |
| Rizal Commercial Banking Corporation (RCBC) | **500,000** | 500,000 |
| | **6,237,000** | 6,237,000 |
| Unamortized debt commitment fee | **(34,154)** | (35,692) |
| | **6,202,846** | 6,201,308 |
| Less current portion | **76,339** | 76,339 |
| | **₱6,126,507** | ₱6,124,969 |

a. Loans availed by the Company

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 the Company and properties for development owned by RLC aggregating to 686,321 square meters and shares of stock of RHI held by the Company totaling to 597,606,670 shares (see Note 1). The loan facility is made available to the Company and RHI provided that the combined availment does not exceed the credit line. As of June 30, 2010, the Company has availed of loans amounting to ₱427.0 million which bear interest ranging from 5.63% to 6.25%, to be repriced every quarter as agreed by both parties. Long-term borrowings amounting to ₱217.0 million and ₱210.0 million are payable in quarterly installments until January 20, 2015 and October 15, 2015, respectively.

b. Loans availed by RHI and its subsidiaries

On February 8, 2008, RHI availed of 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 CADPI/CACI amounting to ₱1,570.0 million and ₱4,619.0 million, respectively. In addition, on February 14, 2008, CADPI and CACI entered into a Syndicated Loan Agreement with BPI/RCBC (with BPI as the lead bank) for a total credit line of ₱1,500.0 million.

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

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

As of June 30, 2009, the interest rate of the long-term loans was 5.9% per annum, subject to quarterly repricing as agreed by the parties. In 2010, the Company exercised its option to fix the quarterly interest rate of the loans at 8.84% beginning August 5, 2009 until the end of the loan terms.

<u>CADPI</u>
On February 14, 2008, CADPI 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 8.0% 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.

In 2008, CADPI 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. In 2009, interest rates were 5.80% and 5.90% for BPI and RCBC loan, respectively. Promissory notes issued by CADPI 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, CADPI 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, the interest rate was 5.90%, subject to repricing based on loan agreements.

On October 29, 2008, additional loans were availed by CADPI from BDO, BPI and RCBC amounting to ₱459.0 million, ₱143.5 million and ₱71.4 million, respectively, with interest rates of 6.60%, 6.50% and 6.60%, respectively. As of June 30, 2009, the interest rates of the availed loans from BDO, BPI and RCBC were 5.90%, 5.80% and 5.90%, respectively, subject to quarterly repricing as agreed by the parties.

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

On February 12, 2010, CADPI availed additional loans from the undrawn portion of the total credit facility from BPI, BDO and RCBC amounting to ₱329.3 million, ₱1,050.5 million and ₱ 166.2 million, respectively. Loans availed from BPI and RCBC with fixed interest rates of 8.70% and 8.84%, respectively, are payable in 29 equal quarterly installments beginning May 2011, which is the end of the three years grace period from initial drawdown dated May 2008. Loans availed from BDO carries fixed interest rate of 8.84% and are payable in 28 monthly installments beginning August 5, 2011.

<u>CACI</u>

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 payable in 29 and 28 quarterly installments beginning May 2011 for BPI and RCBC and August 2011 for BDO, respectively. As of June 30, 2009, interest rates of the availed loans with BPI, BDO and RCBC were 5.80%, 5.90% and 5.90%, respectively.

In 2010, CACI exercised its option 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.

On August 12, 2009, CACI availed additional loans from BPI and RCBC amounting to ₱230.2 million and ₱113.9 million, respectively. On November 5, 2009, CACI also obtained additional loan from BDO amounting to ₱781.0 million. Loans availed from BPI and RCBC with fixed interest rate of 8.74% and 8.88%, respectively, are payable in 29 equal quarterly installments beginning May 2011, which is the end of the three years grace period from initial drawdown dated May 2008. Loans availed from BDO, on the other hand, carries fixed interest rate of 8.94% and are payable in 28 quarterly installments beginning August 5, 2011.

*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"). Deferred charges amounting ₱16.3 million as of June 30, 2009 was all recognized as reduction to the outstanding loans upon full availments of the undrawn portion of the credit facility. As of September 30 and June 30, 2010, unamortized debt commitment fees on long-term loans amounted to ₱34.2 million and ₱35.70 million, respectively.

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

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

Further, RHI, CADPI and CACI executed a Mortgage Trust Indenture (MTI) to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in Nasugbu, Batangas which consist mainly of RHI's land and CADPI's properties with an aggregate carrying value of ₱1.9 billion and ₱4.9 billion, respectively, and CACI's properties in La Carlota, Negros Occidental amounting to ₱4.0 billion as of June 30, 2010.

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 September 30, 2010 and June 30, 2010, the Group is in compliance with these loan covenants.

c. Loans availed by RLC

On February 3, 2006, RLC entered into a loan agreement with Amalgated Investment Bank in the aggregate principal amount of ₱45.0 million for financing of RLC's ongoing development projects. These loans were secured by an assignment of ₱52.3 million installment contract receivables (see Note 5). The loan agreement provides that RLC shall maintain at all times a specified current ratio, debt to equity ratio and debt service coverage ratio, beginning 2006. RLC has complied with these requirements in 2009 and 2008. Full payment of the loan was made by RLC in 2009.

On February 3, 2009, RLC obtained a term loan facility from BDO amounting to ₱40.0 million to finance the development of the Memorial Park. The loan facility was issued on a staggered basis, with the first ₱8.0 million issued in 2009 and the remaining ₱32.0 million released in 2010. The loans bear fixed interest rates ranging from 6.13% to 6.63%, for the first 45 to 92 days and to be repriced every 30 to 180 days. Principal amounts are payable quarterly after the 2-year grace period allowed by the bank. The loans shall mature on May 4, 2014. This loan facility is secured by RLC's investment property, with carrying value of ₱5.0 million as well as the assignment of leasehold rentals from the said property (see Note 10).

The maturity of long-term borrowing as of June 30 is as follows:

| | **2010** | 2009 |
|---|---|---|
| | *(In Thousands)* | |
| Less than 1 year | **₱76,339** | ₱– |
| Between 1 and 2 years | **843,929** | – |
| Between 2 and 5 years | **3,048,224** | 1,453,037 |
| Over 5 years | **2,232,816** | 1,798,936 |
| | **₱6,201,308** | ₱3,251,973 |

Interest from long-term borrowings recognized as expense amounted to ₱182.9 million, ₱65.5 million and ₱9.4 million, net of capitalized amounts of ₱137.9 million, ₱241.9 million and ₱45.5 million in 2010, 2009 and 2008, respectively.

## 16. **Related Party Transactions**

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

| | | **September 2010** | | June 2010 | |
|---|---|---|---|---|---|
| | | **Advances** | | Advances | |
| | Relationship | **To (Note 5)** | **From (Note 13)** | To (Note 5) | From (Note 13) |

| | | | | | |
|---|---|---|---|---|---|
| FDC | Associate | **₱66,026** | **₱10,699** | ₱73,336 | ₱10,699 |
| FLC | Associate | **51,000** | **34,342** | 51,000– | 33,459 |
| RADC | Associate | – | **10,968** | – | 10,968 |
| Marilo Realty Development Corporation (Marilo) | Joint venture partner | – | **366** | – | 279 |
| VJ Properties, Inc. | Joint venture partner | **10,468** | – | 10,975 | – |
| Others | | **3,826** | **153** | 9,444 | 161 |
| | | **₱131,320** | **₱56,528** | ₱144,755 | ₱55,566 |

i. In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC will pay RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC shall be computed in proportion to the number of club shares which they have each assigned. In 2005, PFHC and FDC merged with FDC as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As of September 30, 2010, RLC is in negotiation with FDC for the allocation of the actual number of shares assigned. Assignment fee charged to the consolidated statements of income amounted to ₱5.5 million and ₱ 3.9 million in 2009 and 2008, respectively (nil in 2010).

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:

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Salaries and other benefits | **₱56,078** | ₱52,538 | ₱44,754 |
| Pension cost (income) | **292** | 1,876 | (1,676) |
| | **₱56,370** | ₱54,414 | ₱43,078 |

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 sheets at September 30 and June 30, 2010 are determined as follows: *(in thousands*)

| | |
|---|---|
| Present value of obligation | **₱198,420** |
| Fair value of plan assets | **(273,787)** |
| Surplus | **(75,367)** |

| | |
|---|---|
| Unrecognized actuarial gains (losses) | **(70,091)** |
| Unrecognized transitional liability | **–** |
| Net pension plan assets | **(₱145,458)** |

Plan assets cannot be returned to the Company, RLC, and RHI unless on circumstances discussed in Note 2. The net pension assets as of September 30, 2010 and June 30, 2010 of ₱145.5 million and will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's 2010 retained earnings related to net pension plan asset is not available for dividend declaration (see Note 25).

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.

CADPI 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 CADPI even if below 60 years of age. Normal retirement benefits consist of an amount equivalent to two times the employee's latest monthly salary multiplied by the number of years of service.

The amounts recognized as net pension benefit obligation in the consolidated balance sheets at September 30 and June 30, 2010 are determined as follows:

| | **2010** | June 2010 |
|---|---|---|
| | *(In Thousands)* | |
| Present value of obligations | **₱423,920** | ₱423,920 |
| Fair value of plan assets | **(345,382)** | (334,273) |
| Deficit | **78,538** | 89,647 |
| Unrecognized actuarial loss | **(48,550)** | (48,550) |
| Unrecognized transitional liability | **–** | – |
| Net pension benefit obligation | **₱29,988** | ₱41,097 |

18. **Commitments and Contingencies**

a. CACI and CADPI (the "Mills") have milling contracts with the planters which provide for a 65% and 35% sharing between the planters and 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:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Total volume (In thousand LKg*)** | **Estimated market value *(In millions)*** | Total volume (In thousand LKg*) | Estimated market value *(In millions)* |

| | | | | |
|---|---|---|---|---|
| Refined sugar | **387** | **₱707** | 942 | ₱998 |
| Raw sugar | **506** | **1,264** | 1,014 | 1,387 |
| | **893** | **₱1,971** | 1,956 | ₱2,385 |

**Equivalent to 50 kilogram bag per unit.*

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

c. CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of June 30, 2010 and 2009, CADPI has outstanding sales contracts for refined sugar with a total value of ₱1,441.6 million and ₱1,279.6 million, equivalent to 744,382 Lkg and 817,091 Lkg, respectively. No losses are expected to arise from these contractual obligations.

   CADPI received cash deposits from customers for the above transactions as of June 30, 2010 and 2009, which will be applied against future deliveries of sugar and molasses. These deposits are classified as current liabilities (see Note 14).

d. CADPI entered into agreements as follows:

   (i) Lease of offsite warehouse for a period of one year renewable at the option of 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 ₱0.4 million in 2010 and ₱3.5 million in 2009 and 2008 (Note 21).

   (ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations in 2010, 2009 and 2008 amounted to ₱105.5 million, ₱112.0 million and ₱172.3 million, respectively.

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

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

   (ii) A guarantee/mortgage fee of ₱3.0 million shall be paid annually by CADPI to compensate RHI for the continuance of the mortgage. This guarantee fee agreement expired in April 2009.

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

   As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance RBC's community development projects (see Note 300029.

g. As of September 30 and June 30, 2010, the Group has unused lines of credit from local banks amounting to ₱2,540.0 million and ₱2,814.0 million, respectively (see Notes 12 and 15).

h. There are pending legal cases in the ordinary course of the Group's business as at June 30, 2010 and 2009, 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 2010 and 2009 consolidated financial statements.

i. 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 Department of Agrarian Reform (DAR) an application for CARL exemption of its three Haciendas in Nasugbu. This exemption application was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu as a Tourist Zone.

   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).

   In January 2010, the Company filed a Motion for Reconsideration of the December 2009 Supreme Court decision on the grounds that the Company landholdings should be declared CARP-exempt in view of a Philippine Tourism Authority enactment, delineating specific tourism priority areas in Nasugbu, Batangas, the Company's landholdings are located in these specific areas identified by the PTA as areas for tourism development.

   In April 2010, the Company filed with the Supreme Court a Motion to Hold in Abeyance (Re: Motion for Reconsideration filed in January 2010) on the ground that the Company heeded the observation of the Court by filing a letter-application with the Tourism Infrastructure and Enterprise Zone Authority requesting the latter to designate 14 specific geographic areas of the Company's properties as Tourism Economic Zones pursuant to Sections 59 and 61 of the Tourism Act of 2009.

   In June 2010, the farmer-beneficiaries represented by DAMBA and Kamahari filed an Opposition to the Company's Motion to Hold in Abeyance.

## 19. Revenue

The components of revenue as of September 30 are as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***(In Thousands)*** | |
| Refined sugar | **₱1,109,939** | ₱856,981 |
| Raw sugar | **248,412** | 92,412 |
| Molasses | **24,148** | 19,990 |
| Tolling fees | **8,070** | 18,015 |
| Sale of real estate | **30,239** | 17,302 |
| Others | **2,183** | 237 |

| | | |
|---|---|---|
| | **₱1,422,991** | ₱1,004,937 |

Others include farm income and changes in fair value of consumable biological assets (see Note 8).

20. **Cost of Sales**

The components of cost of sales as of September 30 are as follows:

| | **2010** | 2009 |
|---|---|---|
| | *(In Thousands)* | |
| Purchased sugar (Note 6) | **₱738,175** | ₱67,951 |
| Cost of transporting cane to mill (Notes 6 and 18) | **11,487** | 8,173 |
| Net changes in inventories (Note 6) | **284,473** | 630,519 |
| Direct labor (Note 22) | **67,044** | 71,223 |
| Tolling fees | **895** | 17,618 |
| Manufacturing overhead: | | |
| Fuel and oil | **44,718** | 84,935 |
| Depreciation (Notes 10 and 11) | **114,616** | 70,764 |
| Repairs and maintenance | **115,391** | 99,050 |
| Materials and consumables | **11,777** | 22,676 |
| Taxes and licenses | **24,337** | 19,313 |
| Outside services | **34,873** | 34,118 |
| Rental (Note 18) | **8,871** | 7,341 |
| Communication, light and water | **20,153** | 18,739 |
| Others | **(269,829)** | (221,125) |
| Cost of real estate | **16,465** | 10,009 |
| | **₱1,223,446** | ₱941,304 |

21. **Operating Expenses**

The components of operating expenses are as follows:

| | **September 2010** | September 2009 |
|---|---|---|
| | *(In Thousands)* | |
| Selling expenses | ₱5,084 | ₱3,710 |
| General and administrative: | | |
| Salaries, wages and other employee benefits (Notes 17 and 22) | 49,627 | 52,737 |
| Outside services | 11,972 | 12,059 |
| Taxes and licenses | 10,978 | 19,810 |
| Materials and consumables | 4,580 | 5,003 |
| Depreciation (Notes 10 and 11) | 6,430 | 5,555 |
| Insurance | 10,063 | 5,710 |
| Travel and transportation | 2,991 | 4,629 |
| Rental (Note 18) | 6,291 | 2,010 |
| Repairs and maintenance | ₱1,132 | ₱1,731 |
| Communication, light and water | 2,505 | 2,434 |

| | | |
|---|---|---|
| Representation and entertainment | 2,071 | 1,632 |
| Corporate social responsibility | 1,080 | 686 |
| Others | 27,225 | 37,525 |
| | 137,245 | 151,521 |
| | ₱142,029 | ₱155,231 |

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

## 22. Employee Benefits

The components of employee benefits as of September 30 are as follows:

| | 2010 | 2009 |
|---|---|---|
| | *(In Thousands)* | |
| Salaries and wages (Notes 20 and 21) | ₱95,162 | ₱97,396 |
| Allowance and other employee benefits (Notes 20 and 21) | 10,191 | 15,500 |
| Pension costs (Note 17) | 11,319 | 11,064 |
| | ₱116,672 | ₱123,960 |

## 23. Other Income - Net

The components of other operating income as of September 30 are as follows:

| | **2010** | 2009 |
|---|---|---|
| | *(In Thousands)* | |
| Recovery from insurance claim | ₱- | ₱38,448 |
| Sale of scrap | 10,447 | 19,100 |
| Sugar and molasses handling fees | 868 | 3,181 |
| Foreign exchange gains (losses) - net (Note 28) | (5,504) | 484 |
| Others | 4,787 | 6,822 |
| | ₱10,598 | ₱68,035 |

Recovery from insurance claim in 2010 pertains to the amount collected from the insurer in 2010, which represents recovery from irreparable equipment with carrying value of ₱1.8 million at the time of damage in 2009. As of June 30, 2009, no accrual was made on the insurance claim since management assessed that the collectability of such claim was not virtually certain.

## 24. Income Taxes

a. Components of the Group’s recognized consolidated deferred income tax assets and liabilities at June 30 represent the tax effects of the following temporary differences:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Net Deferred Income Tax Assets [(1)]** | **Net Deferred Income Tax Liabilities [(2)]** | Net Deferred Income Tax Assets [(3)] | Net Deferred Income Tax Liabilities [(4)] |

| | | | | |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| **Deferred Income Tax Assets on:** | | | | |
| Allowance for: | | | | |
| Impairment of receivables (Note 5) | **₱933** | **₱5,772** | ₱933 | ₱6,747 |
| Sugar inventory losses (Note 6) | **–** | **–** | – | 7,090 |
| Inventory obsolescence (Note 6) | **783** | **7,951** | – | 8,802 |
| Pension benefit obligation (Note 17) | **–** | **11,332** | – | 21,377 |
| Unamortized past service cost | **1,951** | **60,591** | 1,368 | 44,825 |
| Unrealized foreign exchange loss | **31** | **38** | – | – |
| NOLCO | **4,193** | **19,862** | – | 10,869 |
| Excess MCIT | **–** | **6,895** | – | 1,666 |
| Impairment of investment | **1,384** | **–** | 1,384 | – |
| Excess of book over tax basis of deferred real estate sales | **–** | **–** | 5,153 | – |
| | **9,275** | **112,441** | 8,838 | 101,376 |
| **Deferred Income Tax Liabilities on:** | | | | |
| Revaluation increment on properties | **–** | **(627,498)** | – | (642,871) |
| Unamortized capitalized interest (Note 11) | **–** | **(157,248)** | – | (111,115) |
| Pension plan assets (Note 17) | **(1,501)** | **(42,137)** | (657) | (42,766) |
| Unamortized debt commitment fees (Note 15) | **–** | **(10,708)** | – | (14,694) |
| Unrealized foreign exchange gain | **–** | **–** | (61) | (1,396) |
| Excess of tax over book basis of deferred real estate sales | **(1,416)** | **–** | – | – |
| Change in fair value of investment | **(171)** | **–** | – | – |
| | **(3,088)** | **(837,591)** | (718) | (812,842) |
| **Net Deferred Income Tax Assets (Liabilities)** | **₱6,187** | **(₱725,150)** | ₱8,120 | (₱711,466) |

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

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

*NOLCO*

| Incurred in | Amount | Applied | Expired | Balances as of June 30 | Tax Effect | Available Until |
|---|---|---|---|---|---|---|
| | | | *(In Thousands)* | | | |
| 2007 | ₱5,213 | (₱4,530) | (₱683) | ₱– | ₱– | 2010 |
| 2008 | 36,772 | – | – | 36,772 | 11,032 | 2011 |
| 2009 | 150,078 | – | – | 150,078 | 45,023 | 2012 |
| 2010 | 161,219 | – | – | 161,219 | 48,366 | 2013 |
| | ₱353,282 | (₱4,530) | (₱683) | ₱348,069 | ₱104,421 | |

*MCIT*

| Incurred in | Amount | Applied | Expired | Balances as of June 30 | Available Until |
|---|---|---|---|---|---|
| | | *(In Thousands)* | | | |
| 2007 | ₱4,856 | ₱– | (₱4,856) | ₱– | 2010 |
| 2008 | 515 | – | – | 515 | 2011 |
| 2009 | 1,517 | – | – | 1,517 | 2012 |
| 2010 | 5,948 | – | – | 5,948 | 2013 |
| | ₱12,836 | ₱– | (₱4,856) | ₱7,980 | |

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.

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

| | **2010** | 2009 |
|---|---|---|
| | *(In Thousands)* | |
| NOLCO | **₱267,886** | ₱137,135 |
| MCIT | **1,085** | 5,222 |
| Allowance for impairment of receivables | **10,782** | 10,782 |
| Pension benefit obligation | **3,325** | 2,954 |

Deferred income tax assets pertaining to NOLCO, MCIT and other deductible temporary differences amounting to ₱85.7 million and ₱50.5 million as of June 30, 2010 and 2009, respectively, were not recognized as management believes that it may not be probable that future taxable profits will be available against which the NOLCO, MCIT and other deductible temporary differences can be utilized.

## 25. **Equity**

a. Share capital

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

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

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

*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, RCI acquired CADPGC for ₱3.9 billion from RHI. As a result, the Company has increased its effective ownership of 64.00% to 95.93% of CADPGC.

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.

In October 2009, the Group adopted management's plan to eliminate the Other equity reserve with a negative balance of ₱3.8 billion in the 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 Group, until the Other equity reserve is totally eliminated.

In 2010, the Group revisited the aforementioned plan. It is evaluating the option to carry in the consolidated financial statements the investment properties at fair value and apply the full or partial amount of increase in the properties' values against the Other equity reserve subject to the approval by the Company's BOD and the Philippine SEC. Management is in the process of completing the documentations to secure the approvals.

b. Retained earnings

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

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| Treasury shares | **₱–** | ₱– | ₱2,890,969 |
| Application of revaluation increment against deficit | **203,074,578** | 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** | ₱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 ₱2,340.3 million, ₱2,077.4 million and ₱1,947.4 million as of June 30, 2010, 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 and 2008 (none in 2010) 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 |

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 2009 through June 2010 | | |
| First | ₱2.20 | ₱1.70 |
| Second | 2.06 | 1.80 |
| Third | 1.80 | 1.08 |
| Fourth | 1.58 | 0.95 |
| July 2008 through June 2009 | | |
| First | 1.76 | 1.74 |
| Second | 2.75 | 2.75 |
| Third | 1.68 | 1.68 |
| Fourth | 1.70 | 1.70 |
| 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 |

d. Share Buy Back Program

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

| Year Reacquired | Number of Shares | Cost *(In Thousands)* |
|---|---|---|
| 2009 | 8,094,000 | ₱29,153 |
| 2008 | 196,322,949 | 675,940 |
| 2007 and previous years | 55,007,240 | 63,767 |
| | 259,424,189 | ₱768,860 |

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

Basic/diluted earnings (loss) per share as of September 30 are computed as follows:

| | **2010** | 2009 |
|---|---|---|
| | (in thousands, except earnings per share | |
| Net income (loss) attributable to the equity holders of the Company | **(₱26,627)** | (P23,557) |
| Weighted average number of shares issued and outstanding | **2,911,886** | 2,911,886 |
| Basic/diluted earnings (loss) per share | **(₱0.009)** | (₱0.008) |

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

## 27. **Seasonality of Operations**

Demand for raw and refined sugar products are significantly influenced by seasons of the year. The seasonality also influences production and inventory levels and product prices. Annual repairs and maintenance are performed before the start of the milling, which is normally in the first and second quarter of the crop/financial year.

## 28. **Financial Instruments**

The Group's principal financial instruments comprise of cash and cash equivalents, trade receivables, and accounts payable and accrued expenses, which arise directly from its operations. The Group has other financial instruments such as advances to employees and a related party, dividends payable and short and long-term borrowings.

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

The qualitative and quantitative disclosures on risks associated with the Group's financial instruments and the related risk management processes and procedures are disclosed in the annual consolidated financial statements as at June 30, 2010.

## 29. **Segment Reporting**

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

a. The Company

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

b. Real Estate

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

c. Sugar-Related Businesses

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

   - CADPI, which is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 15,000 and 13,000 metric tons as of June 30, 2010 and 2009, respectively. CADPI's raw sugar milling is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. Canes are sourced from both district and non-district planters and are milled by CADPI under a production sharing agreement (see Note 18). The refinery operation, on the other hand, involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.

- CACI, which produces raw sugar and molasses and to trade the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 18,000 and 13,000 metric tons, is located in La Carlota, Negros Occidental.

- RBC, established to engage in the business of producing, marketing and selling of bio-ethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials. Its plant facility is located in La Carlota, Negros Occidental.

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

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

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

The segment information of the Group is disclosed in the annual consolidated financial statements as at June 30, 2010.

## 30. The Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows that are Unusual Because of their Nature, Size or Incidence

Other than those disclosed in the each notes to the unaudited interim condensed consolidated financial statements, if any, there are no assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents,.

## 31. The Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Period of the Current Year or Changes in Estimates of Amounts Reported in Prior Years, if those Changes Have a Material Effect in the Current Interim Period

There are no significant changes in estimates reported in prior interim periods of the current year or changes in estimates reported in prior years, which are considered to have material effect on the unaudited interim condensed consolidated financial statements.

ROXAS GROUP OF COMPANIES ( Formerly CADP Group Corporation)
AGING OF RECEIVABLES
As of September 30, 2010

| IN P'000 | Total | Not yet due | Current | Past due 30 days | 60 days | 90 days | 120 days |
|---|---|---|---|---|---|---|---|
| TRADE RECEIVABLES | | | | | | | |
| Sugar Customers | 602,616 | | 381,858 | 124,577 | 31,017 | | 65,164 |
| Real Estate Installment Buyers | | | | | | | |
| Palm Estates | 14,064 | 10,939 | 788 | 636 | 530 | 794 | 377 |
| Punta Fuego | 15,401 | | | | | | 15,401 |
| Role Subdivision | 793 | 383 | 8 | 21 | 30 | 55 | 296 |
| San Antonio Memorial Gardens | 912 | 852 | 30 | 30 | | | |
| Community Mortgage Program - SHC | 373 | | | | | | 373 |
| Leasing | 450 | | 47 | 40 | 29 | 28 | 306 |
| TOTAL | 634,609 | 12,174 | 382,731 | 125,304 | 31,606 | 877 | 81,917 |
| Less Allowance for doubtful accounts | (2,751) | | | | | | (2,751) |
| Balance | 631,858 | 12,174 | 382,731 | 125,304 | 31,606 | 877 | 79,166 |

| | Total | Current | Past due 30 days | 60 days | 90 days | Over 90 days |
|---|---|---|---|---|---|---|
| NON TRADE | | | | | | |
| Planters and Planters Association | 154,662 | 18,244 | 31,659 | 64,783 | | 39,976 |
| Officers and Employees | 44,989 | 4,884 | 6,884 | 7,737 | | 25,484 |
| Related Parties | 143,898 | | | | | 143,898 |
| Others | 17,882 | 677 | 330 | 189 | 227 | 16,459 |
| Total | 361,431 | 23,805 | 38,873 | 72,709 | 227 | 225,817 |
| Less : Allowance for doubtful accounts | (30,380) | | | | | (30,380) |
| | 331,051 | 23,805 | 38,873 | 72,709 | 227 | 195,437 |
| RECAP | | | | | | |
| Trade | 634,609 | 394,905 | 125,304 | 31,606 | 877 | 81,917 |
| Non-Trade | 361,431 | 23,805 | 38,873 | 72,709 | 227 | 225,817 |
| Total | 996,040 | 418,710 | 164,177 | 104,315 | 1,104 | 307,734 |
| Less : allowance for doubtful accounts | (33,131) | | | | | (33,131) |
| | 962,909 | 418,710 | 164,177 | 104,315 | 1,104 | 274,603 |

Certified True and Correct : SINDULFO L. SUMAGANG
VP - CFO

**ANNEX "B"**

## MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

*Corporate Information and Business Operations*

*Corporate Information*

Roxas and Company, formerly CADP Group Corporation ( RCI or 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 Parent 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. On July 1, 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 August 16, 2002. The said spin-off, was approved by the Philippine SEC on February 10, 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.

Roxas & Company, Inc. (RCI) was incorporated and registered with the Philippine SEC on December 16, 1981 to engage in various agricultural ventures such as, but not limited to, the production of sugar, coconut, copra, coffee, and other crops, and to swine raising and other kinds of livestock, to act as managers or managing agents of persons, firms, associations, corporations, partnerships and other entities including but not limited to those engaged in agriculture and related businesses; to provide management, investment and technical advice to agricultural, commercial, industrial, manufacturing and other kinds of enterprises; 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*

RCI 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 than sugar-related subsidiary, RHI sold CADPGC to RCI for ₱3,927.3 million on January 23, 2009. Just before the merger, CADPGC was 95.93% owned by RCI.

On June 23, 2009, upon approval of Philippine SEC, 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. The effectivity of the merger is on June 29, 2009. On the same date, the Philippine SEC approved CADPGC's change in corporate name to Roxas and Company, Inc.

As a result of the group reorganization, RCI is now a listed company having subsidiaries involved in sugar related business, Roxas Holdings Inc. (RHI) which is also a listed company, and in real estate development, Roxaco Land Corporation (RLC).

The discussion below provides an overview of the operation of sugar related businesses, thru Roxas Holdings, Inc..:

*Central Azucarera Don Pedro, Inc. (CADPI)*

CADPI, which is based in Nasugbu, Batangas, 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.

It also operates an 18,000 50-Kg. (Lkg.) bag per day refinery. 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.

CADPI is the largest sugar manufacturer in the Luzon region in terms of capacity and production. It has a market share of over 45% with the remaining 55% market share held by six other mills.

*Central Azucarera de La Carlota, Inc. (CACI)*

CACI whose operations are located in La Carlota City, Negros Occidental, operates a 12,000-tons-cane-per-day sugar mill producing raw sugar and molasses.

Its primary purpose is to engage in the business of manufacturing sugar, molasses, syrups, sweeteners and other related products and by-products and to trade the same on wholesale/retail basis. The Company is formed primarily to operate the sugar milling facilities in Negros Occidental.

In Negros Occidental, CACI, together with RHI associate, Hawaiian Philippine Company (HPCo) has the second largest market share of about 21% based on tons of cane milled.

*Roxol Bioenergy Corporation (RBC)*

On February 29, 2008, 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.

On April 29, 2010, the Company amended the Articles of Incorporation which revised the Company's primary business objective to "engage in the business of producing, marketing and selling of bio-ethanol fuel and industrial and potable ethanol including, but not limited to, anhydrous alcohol, rectified spirits and extra-neutral alcohol which business will include the construction and operation of an integrated sugar mill and bio-ethanol distillery complex that will produce bio-ethanol fuel, both hydrous and anhydrous and industrial and potable ethanol including, but not limited to, anhydrous alcohol, rectified spirits and extra-neutral alcohol from sugarcane and related raw materials, renewable and alternative energy resources, including but not limited to steam, electricity and power".

RBC substantially completed the construction of its plant facility located at La Carlota City, Negros Occidental at a cost of approximately US$ 34 million or P1.4 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.

The Company has not yet started its commercial operations as of June 30, 2010 and testing and commissioning of the plant is ongoing and is expected to be completed in the last quarter of 2010.

On October 24, 2008, the Board of Investments (BOI) 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.

In December 2009, due to delay in the construction of the plant, RBC filed a letter request extending its start of commercial operations to July 2010. However, the Company has yet to start its commercial operations in the last quarter of 2010.

*CADP Farm Services, Inc. (CFSI)*

CFSI was organized and registered principally to engage in the business of transporting sugar cane, sugar and its by-products including all kinds of commercial cargoes to and from sugar factories, sugar refineries, millsites or warehouses and or similar establishments by land with secondary purpose of engaging in various sugar farm services.

It started to operate in Crop Year 2009-2010 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 can ripeners, use of bio-organic fertilizer, cane hauling, and the like.

*Other Subsidiaries*

CCSI, Najalin Agri-Ventures, Inc. (NAVI), Jade Orient Management Services, Inc. (JOMSI) and CADP Insurance Agency, Inc. (CIAI) are engaged in various activities such as consulting, sugarcane farming, management services and insurance, respectively.

Roxas Power Corporation (RPC) and CADP Port Services, Inc. (CPSI) were organized to engage in the business of buying, acquiring, leasing, constructing, maintaining and operating plants, work systems, poles, poles wire, conduit, ducts and subway for the production, supply, distribution and sale of electricity for light and power and any other use to which electricity may be applied and to engage in the general business of providing port ancillary services such as port cargo handling, arrastre and stevedoring, shoring, lashing, cleaning, shipping rebundling, rebugging and other related services on board vessels, respectively. The Companies have not yet started commercial operations.

In Crop Year 2007-2008, the Sugar Group started to implement strategic projects to improve profitability and cash flows, through capacity expansion, farm services and ethanol venture. As of June 30, 2010, the expansion projects are substantially complete for both Nasugbu and Negros plant sites. However, refinery expansion was deferred for the meantime.

The Strategic Projects aims to increase milling capacity from 23,000 tons cane per day (TCD) to 31,000 TCD. CACI will have a heightened capacity to produce Direct Consumption Raw Sugar (DCRS) from the previous 400,000 bags/year to 700,000 bags/year.

The Sugar Group continues to optimize production-marketing mix, with greater emphasis given on direct sales to industrial customers, manufacturing efficiencies through better management of production stream and usage of fuel and electricity and reducing manufacturing downtime, being prudent and cautious in capital investments and reduction of 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.

The discussion below provides an overview of the operation of the real estate business.

Roxaco Land Corporation (RLC) is 100% owned subsidiary of RCI. RLC is engaged in real estate development projects mostly open lots subdivisions in Batangas Province. Its projects includes :

1.) Peninsula de Punta Fuego – an 88 hectare world class residential resort community project in joint venture with Landco Pacific Corporation located in Nasugbu, Batangas.

2.) Roxaco Landing Subdivision – RLC's first open lot subdivision project covering 22 hectares located in Nasugbu, Batangas

3.) Palm Estates –is a self contained middle income community on a 30 hectare property consisting of residential open lot subdivisions, a school and commercial areas also located in Nasugbu, Batangas.

4.) Landing Commercial – a one-storey commercial building consisting of 20 stalls and an attic for lease located at the center of Nasugbu town, Batangas.

5.) The Orchards at Balayan – a 6 hectare open lot subdivision in Barangay Gumamela, Balayan, Batangas , a joint venture project with Marilo Corporation.

6.) San Antonio Memorial Gardens – This is the latest project of RLC consisting of a 10-hectare master planned memorial park project in Banilad, Nasugbu, Batangas.

RLC has investments in the following companies / projects:

1.) Roxaco-ACM Development Corporation (RADC-50% equity). This joint venture company was incorporated primarily to develop a 5 hectare property in Nasugbu, Batangas into a socialized housing project known as Woodstock- Nasugbu.

2.) Fuego Development Corporation (FDC- 30%). FDC is the development company of Club Punta Fuego, a world class seaside resort located in Nasugbu, Batangas.

3.) Fuego Land Corporation (FLC- 30%) . FLC was formed specifically to carry out the development of some 429,870 sqm. of land located in Barangay Natipuan, Nasugbu, Batangas, known as Terrazas de Punta Fuego

4.) Club Punta Fuego., Inc. (CPFI- 26.63%). 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.

5.) Goodwood Homes – 50%. This is joint venture project with ACM Land Holdings, Inc. under its subsidiary company – ACM Columbia Heights, Inc. The project is a low-density development with 150 duplex units in a 2 hectare area in Imus, Cavite.

In 2009-2010, Roxaco implemented projects to improve profitability and cash flows by:

1.) Completing the Phase 1 development and the aggressive selling of San Antonio Memorial Gardens (SAMG)
2.) Aggressive selling its residential projects: Orchards at Balayan and Palm Estates
3.) Intensified collection efforts to collect maturing amortizations from the lotbuyers
4.) Implemented cost cutting measures to reduce operating costs
5.) Continued strategic planning to identify future projects for residential resorts, hotels, commercial and mixed use developments.

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 and second-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 six (6) 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 11% of its total inventory remains. Development of the project has already been completed. The first model house was completed in 2009 while the second one was completed in September 2010. These are being offered to the market for ₱2.8 million and ₱ 3.4 million, respectively inclusive of the lot, and is being 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 – 1ST QUARTER 2010-2011 VS. CY 2009-2010

Financial Condition

The Roxas and Company's consolidated total assets slightly increased to P 16.94 billion as of September 30, 2010 compared to ₱ 16.8 billion as of June 30, 2010. Current assets went up to P3.88 billion from P3.65 billion . Likewise, current liabilities went up from ₱3.47 billion at end of June 2010 to ₱ 3.679 billion at end of current period. Current ratio slightly improved to 1.06:1.00, from P 1.05:1.00 as of June 2010.

Total loans as of the current period is higher by P 327 million due to availment of short-term loans to fund sugar importation. However, the Groups leverage position remained within the limits of existing loan covenants. Debt-to-equity ratio stood at 1.66:1.00 as at September 2010 from 1.62:as at June 2010..

Unused working capital lines as of September 30, 2010 and June 30, 2010 from local banks amounted to ₱2.563 billion and ₱2.814 billion, respectively. Book value per share slightly went down to ₱2.19 from ₱2.20 in June.

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 slight increase in total assets from June 30, 2010 balance of P 16.77 billion to P 16.936 billion was due to higher cash and cash equivalent level coming from increased sales in the first quarter and availments of short-term loans during the period. The proceeds from loans and cash generated from operations were used for the purchase of imported sugar and for off-season repairs and maintenance of the milling and refinery facilities of the Group.

Cash and cash equivalents went up from P 237 million to P324 million, a 37% increase from June 30, 2010 due to higher sales and accounts receivable turn over this period and short term loan availments.

Inventories as at end September 2010 amounted to P1.649 billion, P224 million or 12% lower compared to the June 30, 2010 balance of P1.873 billion due to increased sales of refined sugar in the current period.

Prepayments and other current assets increased to P 620 million, a 120% increased from June 30 level of 269 million. This is due to off-season repairs and maintenance costs that were initially deferred but will be recognized within the fiscal year.

Non-current assets slightly increased from ₱13.119 billion last report to ₱ 13.052 billion as of September 30. This is mainly attributable to the increased in deferred income tax assets resulting from NOLCO of a Sugar Group subsidiary,

Other non current assets decreased to P31 million from P36 million as of June due to reclassification to current assets of employees' receivable related to the sale in 2002 of a portion of RHI's land in Barrio Bilaran, Nasugbu, Batangas.

Current liabilities went up to ₱3.679 billion this period, a 6% increase from ₱ 3.466 billion as of June. This is largely attributed to short term loans availed to finance sugar importations. Short term borrowings increased from ₱ 2.502 billion as of June to ₱ 2.828 billion as of September, 2010.

Accounts payable and accrued expenses went down to ₱ 584 million from ₱717 million as of June. The decrease was attributable to payments of trade payables and cost containment measures through reduction in materials inventory balance.

Customers' deposits slightly increased from P 150 million to P 154 million due to deposits received from lot buyers of Roxaco Land Corporation.

Total consolidated equity amounted to ₱ 6.378 billion, a decrease of ₱ 34 million due to the consolidated loss for the period.

Results of Operations

Consolidated revenues reached ₱1.422 billion, 42% higher than ₱ 1.005 billion in 2009. This mainly due to sale of higher selling prices of raw and refined sugar. Sale of sugar constituted 98% of the consolidated revenues..

Cost of sales amounted to ₱ 1.223 billion. This is 30% higher than the ₱ 0.941 billion in 2009 which is due to higher depreciation charged this year resulting from completed expansion projects. Gross profit rate this year is at 14% much better than last year's 6%.

Operating expenses this year of ₱ 142 million is 9% lower than last year's ₱ 155 million. This is due to the group reorganization expenses incurred last year..

Equity in net earnings of associates slightly decreased from ₱20 million in 2009 to ₱18 million this year. Although the Sugar Group's equity in net earnings in HPCo increased this year, this was offset by share in net losses from the affiliates of the property group.

Interest income of ₱ 3.7 million is almost at the same level of last year.

Interest expense increased by 307% from ₱ 33 million last year to ₱ 133 million this year as we are now paying interest on the total loans to date.

Other income went down by 84% from ₱ 68 million in 2009 to ₱ 11 million in 2010. This is due to income generated from scrap sales and insurance recovery for the generator set that exploded in 2009.

Consolidated net loss for the period amounted to ₱34 million or just P 4.0 million higher than last year's loss of ₱ 30 million.

**Sugar –Related Businesses.**

Results of Operations

As of September 30, 2010, there are no operations yet for milling facilities in Negros and in Batangas. However, in the same period last year, CACI started its operation on September 18, 2009 with total tonnage of 38,000, recovery at 1.678 Lkg/TC, thus ending the first quarter with 46,000 Lkg in raw sugar production.

CADPI had spill over operation up to July 12, 2010 of its refinery.

Net revenues for the three-months ended September 30, 2010 amounting P 1.392 billion is higher by 41% compared to P 0.987 billion in the same period last year. This is due to higher selling prices of raw and refined sugar in 2010. Refined sugar sales for Q1 2010 recorded at P1.111 billion versus P849 million in 2009, despite lower sales volume this period of 552 thousand Lkg from 629 thousand Lkg in previous year. Raw sales surged to P248 million from P92 million, 123 thousand Lkg of raws were sold this period compared to 81 thousand Lkg in 2009.

Cost of sales of P1.207 billion is 30% higher than P 0.931 billion last year. This was due to higher prices of raw sugar higher and higher depreciation charged this year as expansion projects were substantially completed as of this period and closed to corresponding PPE accounts. Total depreciation charged for Q1 2010 amounted to P120 million versus P76 million same period last year. Likewise, interest expense went up as the related interests on loans used in the strategic projects closed to PPE were charged to expense. Interest expense this period amounted to P127 million versus P28 million in prior year due to the loans used to finance the expansion of the sugar mills.

In April 2010, the Philippine Government allowed the importation of sugar through the National Food Authority (NFA). The Group imported a total of 356,326.20 Lkg of Thai and Guatemalan raws, which were eventually sold locally and for use as feedstock to the refinery of CADPI. The 86,236 Lkg of Thai refined sugar was also sold.

The foregoing translated to an improvement in gross profit margin at 13.3% compared to 5.7% in the same period last year.

Operating expenses went down to P122 million this year from P130 million last year due to payments made in prior year for documentary stamp tax and mortgage trust indenture (MTI) relative to loan availments of the Group – long and short term.

Higher equity in net earnings of an associate was recorded this period. from P12 million to P21 million in the current period due to higher operating results of HPCo.

Other income decreased to P8 million from P67 million last year. This is due to the proceeds from insurance claim received by CADPI in prior year amounting to P38 million and scrap sales of both sugar companies.

The high interest and depreciation charges this period put a heavy impact on the Group's operating results, ending the first quarter with a net loss of P23 million, 21% higher from the loss incurred in 2009 of P19 million. Loss per share for both periods amounted to P0.02.

Earnings before interest, taxes, depreciation and amortization (EBITDA) as of September 30, 2010 and 2009 amounted to P191 million and P69 million, respectively.

Property Group

Results of Operations

Sales for the quarter amounted to ₱ 30.2 million, 75% higher than last year's ₱ 17.3 million Cost of sales on the other hand, amounted to ₱ 16.5 million, 65% higher than last year's ₱ 10 million. This translates to gross profit rate of 46% this year compared to 42% last year. Higher gross profit rate this year is due to sale of Peninsula de Punta Fuego lot which carries a high contract price with lesser cost of sales.

Other income amounted to ₱ 5.5 million, 20% better than last year's ₱ 4.5 million. This is attributable to penalties collected from delinquent accounts and income from forfeited sales.

Operating expenses amounted to ₱ 8.3 million, slightly lower than last year's ₱ 8.6 million. The decrease was to due to professional fees on various studies for new projects that were incurred last year.

Selling and marketing expenses went up by 206% from ₱ 1.5 million in 2009 to ₱ 4.5 million in 2010. This is due to costs incurred as a result of aggressive marketing efforts to sell San Antonio Memorial Gardens and Anya project.

Finance costs reached ₱0.795 million, 40% lower than the ₱ 1.33 million in 2009. This is due payments made on short term loans.

Provision for income tax amounted to ₱ 1.8 million this year compared to ₱ 0.52 million last year. This is mainly due to higher revenues.

As a result, net income after tax amounted to ₱ 3.9 million, better than the ₱ 0.106 million loss last year.

Top Five Performance Indicators – Sugar Related Businesses

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

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

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

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

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

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

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

| **Performance Indicator** | **2009-2010** | **2008-2009** | **2007-2008** |
|---|---|---|---|
| Raw sugar production | 6.947 M bags | 8.123 M bags | 9.002 M bags |
| Refined sugar production | 3.324 M bags | 3.965 M bags | 3.659 M bags |
| Milling recovery | 2.09 Lkg/TC | 2.02 LKg/TC | 1.83 LKg/TC |
| EBITDA | P984 million | P669 million | P 973 million |
| Return on EQUITY | 5% | 3% | 8% |

<u>Top Five Performance Indicators – Property Group</u>

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

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

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

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

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

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

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

| Performance Indicator | 2009-2010 | 2008-2009 | 2007-2008 |
|---|---|---|---|
| Income from sale of developed real estate | ₱ 33.416 M | ₱ 22.802 M | ₱ 24.638 M |
| Number of lots reserved/sold | 684 lots | 105 lots | 127 lots |
| Collection efficiency | 97% | 85% | 98.42% |
| EBITDA | ₱26.324 M | ₱ 26.634 M | ₱ 19.441 M |
| Return on Equity | 2.34% | 2.15% | 5.29% |

Key Variable and Other Qualitative and Quantitative Factors

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

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

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

4) Description of material commitments for capital expenditures.

The Sugar Group had an allocation of ₱442.6 million to complete the expansion project for crop year 2010-2011 of which ₱ 87 million is for CADPI, ₱47 million for CACI, ₱ 27.6 million for CFSI and P281 million for RBC. In addition, the Sugar Group has an allocation of ₱92 million for regular capital expenditures in 2010-2011, broken down into ₱22 million for the CADPI integrated mill and refinery operations and P70 million for CACI..

RLC has started phase 1 of its San Antonio Memorial Gardens. The land development contract was awarded to local contractor amounting to ₱ 38.8 million. As of June 30, 2010, the land development is almost 100% complete.

In December, 2009, the Company entered into a joint venture agreement with VJ Properties, Inc. (VJPI) for the development of Anya Resorts and Residences in Tagaytay, Cavite. The Company agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. The land development contract was estimated to be at ₱ 100 million.

In addition, RLC has projected ₱ 3.4 million regular capital expenditures which includes transportation equipment, computers and software procurement.

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

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

## 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 17 November 2010.

By:

**PEDRO E. ROXAS**
Executive Chairman/~~President~~ & CEO

**SANTIAGO R. ELIZALDE**
Treasurer

**SINDULFO L. SUMAGANG**
Vice-President – Chief Finance Officer

**PETER D.A. BAROT**
Corporate Secretary

**VIRGINIA R. ALCAIDE**
Finance Manager

SUBSCRIBED AND SWORN to before me this NOV 18 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 |
|---|---|---|---|---|
| Pedro E. Roxas | EB0094507 | 13 April 2010-<br>12 April 2015 | 28642759/<br>26 Feb. 2010 | Makati City |
| Santiago R. Elizalde | XX1819427 | 16 Mar 2010-<br>15 Mar 2015 | 01013524/<br>26 Feb. 2010 | Makati City |
| Sindulfo L. Sumagang | Phil. Drivers License No. E03-88-002867 | Expiry 20 Oct. 2011 | 29118019/<br>28 Jan. 2010 | Las Piñas City |
| Peter D.A. Barot | XX2900132 | 30 Jan. 2009-<br>29 Jan. 2014 | 28644955/<br>04 Mar. 2010 | Makati City |
| Virginia R. Alcaide | Phil. Drivers License No. N26-05-002298 | Expiry 15 Aug. 2013 | 28642771/<br>26 Feb. 2010 | Makati City |

Doc. No. 201;
Page No. 42;
Book No. XVIII;
Series of 2010.

ANTONIO M. SANTOS
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
PTR NO. 2086553 MB JAN. 08, 2010
IBP NO. 08917 LIFE TIME JAN. 8, 2010
ROLL NO. 23410 LIFE TIME

111122010000552

# SECURITIES AND EXCHANGE COMMISSION

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

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Company Information

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| Company Name | ROXAS AND COMPANY, INC. |
| Industry Classification | |
| Company Type | Stock Corporation |

**Document Information**

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| Department | CFD |
| Remarks | |

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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 17-L**

| June | 30 | | | |
|---|---|---|---|---|
| *Month* | *Day* | Form Type | *Month* | *Day* |
| Fiscal Year | | | Annual Meeting | |

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

Total Amount of Borrowings

**3,565**

Total No. of Stockholders

Domestic

Foreign

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TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

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STAMPS

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**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: 30 September 2010 / 15 November 2010

Date of this Report: 12 November 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 30 September 2010 on or before the 15 November 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.

**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 AND COMPANY, INC.**

By:

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

12 November 2010.

12 November 2010

**Philippine Stock Exchange**
Disclosures Department
3/F, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

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

Re : **REQUEST FOR EXTENSION TO SUBMIT QUARTERLY REPORT FOR THE QUARTER ENDING ON 30 September 2010**

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**Gentlemen:**

Roxas and Company, Inc. would like to request for the extension of deadline to submit its Quarterly Report for the quarter ending on 30 September 2010.

The Company will not be able to file the above-mentioned report on its deadline of 15 November 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