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

(Company's Full Name)

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

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

ATTY. FRITZIE P. TANGKIA-FABRICANTE

810-8901

SEC Form 17-A (2011)  
(period ending June 30, 2011)

June\* 30  
Month Day  
Fiscal Year

Form Type

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

3,525

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

\* On 30 March 2011, the Securities and Exchange Commission approved the change of fiscal year from the "1<sup>st</sup> day of July of each year and end on the 30<sup>th</sup> day of June the following year" to the "1<sup>st</sup> day of October of each year and end on the 30<sup>th</sup> day of September the following year".

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

1. For the fiscal year ended: **30 June 2011**
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 SRC as of 30 June 2010

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Authorized Capital Stock	
Common	<b>₱3,375,000,000.00</b>
No. of shares subscribed & outstanding:	
Common	<b>2,911,885,870</b>
Amount of debt outstanding as of 30 June 2011	None registered

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

Yes []      No []

2,911,885,870 common shares are listed on the Philippine Stock Exchange.

12. Check whether the issuer:

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

Yes [] No []

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

Yes [] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the issuer. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of specified date within 60 days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Assuming that the number of stockholdings of non-affiliates as of 30 September 2011 is 825,443,536 common shares and assuming further that the market bid price of the shares as of same date is ₱1.10 then the aggregate market value of the voting stocks held by non-affiliates as of said date is ₱907,987,889.60.

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

(a) Incorporated by reference in Part III on Financial Information is the Consolidated Financial Statements of Roxas and Company, Inc. for the fiscal year ending 30 June 2011.

## PART I – BUSINESS

### 1. Business Development.

In 2008, the Roxas Group of Companies, of which Roxas & Company, Inc. (RCI), Roxas Holdings, Inc. (RHI), Roxaco Land Corporation (Roxaco) CADP Group Corporation (CADPGC) are a part, undertook a corporate reorganization. This was done to create a corporate structure that ultimately separates the sugar and the real estate businesses of the Roxas Group. The objective is to have a listed company for the sugar business, and another listed company for the real estate business.

On 23 June 2009, the Securities and Exchange Commission (SEC) approved the merger between RCI (SEC Registration No. 102373), the *absorbed* corporation, and CADPGC (SEC Registration No. 834), the

surviving corporation. The merger took effect on 29 June 2009. The SEC likewise approved CADPGC's change of corporate name to Roxas and Company, Inc. (the "Company").

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

### Sugar-Related Businesses

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

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

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

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

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

### Real Estate

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

## **2. Business.**

### **Description of the Company**

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

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

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

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

RHI's Batangas-based subsidiary, Central Azucarera Don Pedro, Inc. (CADPI), provides the refined sugar requirements of traders and industrial customers such as multinational food and beverage and pharmaceutical companies in Luzon.

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

### **Business Units and Operations**

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

#### Sugar-Related Businesses

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

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

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

### Real Estate

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

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

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

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

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

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

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

### **Principal Products and Services**

#### Sugar-Related Businesses

##### *Sugar*

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

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

### *Bioethanol*

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

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

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

<u>CADPI</u>		<u>CACI</u>		<u>Roxol</u>	
Raw sugar	19%	Raw sugar	95%	Anhydrous alcohol	63%
Refined sugar	72%	Refined sugar	1%	Ethyl alcohol	37%
Molasses	5%	Molasses	4%		
Tolling	4%				

### *Farm Services*

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

### Real Estate

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

Its joint venture projects include:

- (a) Peninsula De Punta Fuego, an 88-hectare world-class residential beach resort located in Nasugbu, Batangas developed in partnership with Landco Pacific Corporation (Landco). The Punta Fuego community consists of Spanish-Mediterranean inspired villas, a Beach Club, a Marina, a nine-hole golf course and a Country Club;
- (b) Terrazas De Punta Fuego, a 61-hectare prime seafront property, also located in Nasugbu, Batangas, and developed by Fuego Land Corporation (FLC), a 70%-30% joint venture company of Landco and Roxaco. This property is also home to Amara en Terrazas, a seaside condominium project;
- (c) Club Punta Fuego, an exclusive resort developed by FDC. Facilities include The Country Club, Upper Beach Club, Lower Beach Club, a Nelson-Haworth designed nine-hole golf course, twelve white sand beaches, casitas, a Marina, The Spa, The Boardwalk, Game Hall and KTC, Café Sol, double infinity pools and the Sunset Beach Cove. An associate membership to Club Punta Fuego is attached to every lot in Peninsula and Terrazas de Punta Fuego;

- (d) Woodstock Homes, a 5-hectare mass housing project located in Nasugbu, Batangas. This was developed by Roxaco-ACM Development Corporation, an incorporated joint venture company between Roxaco and ACM Landholdings, Inc. A total of 386 housing units and 100 open lots comprise the development, all of which have been sold out;
- (e) Goodwood Homes, a low-density residential development with only 150 duplex units in a 2-hectare area located in Imus, Cavite. The project was developed in joint venture with ACM Landholdings, Inc.;
- (f) The Orchards at Balayan, a 6-hectare property located in Balayan, Batangas. This is an open-lot residential subdivision developed by Roxaco in joint venture with Marilo Corporation; and
- (g) Anya Resort and Residences, a 57,907 square meter-property located in Tagaytay City. This is a low density boutique resort-type of residential subdivision being developed by Roxaco in joint venture with landowner VJ Properties, Inc.

On its own, Roxaco developed the following projects:

- (a) Landing Subdivision, a residential open lot subdivision located in Nasugbu, Batangas. It has a total area of 23 hectares. All phases have been completed and sold out;
- (b) Landing Commercial Building, a commercial facility with a total land area of 13,000 square meters consisting of 20 stalls. It is located along J.P. Laurel Street, Nasugbu, Batangas;
- (c) Palm Estates Subdivision, a 23.6-hectare open-lot residential project consisting of three phases. Located in Nasugbu, Batangas, it offers a wide spectrum of lots designed to cater to families from all economic walks of life;
- (d) Palm Homes, a 10-unit house and lot project in Palm Estates;
- (e) San Antonio Memorial Gardens, the first master-planned memorial park in Western Batangas; and
- (f) Landing Townhomes, a 1.2-hectare property, shall be the first townhouse development in Nasugbu, Batangas. It will consist of 114 two-storey residential units to be offered for sale and 32 commercial units to be offered either for sale or for rent.

## **Distribution Methods**

### Sugar-Related Businesses

The Sugar Group sells and distributes sugar and molasses to local markets through direct selling to various traders and consumers. It is not chiefly dependent on one or few major customers and/or related parties in the distribution of their products.

Roxol sells bioethanol fuel to local or domestic markets through direct selling to oil companies. It is also capable of producing and directly selling potable and industrial alcohol to local or domestic markets,



particularly the pharmaceutical and alcohol companies. It is not dependent on one or few major customers and/or related parties in the distribution of its products.

#### Real Estate

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

#### **Competition**

##### Sugar-Related Businesses

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

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

#### Real Estate

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

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

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

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

#### **Sources and Availability of Raw Materials and Names of Principal Suppliers**

##### Sugar-Related Businesses

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

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

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

#### Real Estate

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

#### **Transactions with and/or Dependence on Related Parties**

##### Sugar-Related Businesses

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

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

#### Real Estate

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

## Patents, Trademarks and Copyrights

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

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

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

## Need for Government Approvals of Principal Products

### Sugar-Related Businesses

The sugar business in the Philippines is regulated by policies and rules and regulations issued by the Sugar Regulatory Administration (SRA).

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

### Real Estate

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

## Effect of Existing or Probable Governmental Regulations on the Business

### Sugar-Related Businesses

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

### *The U. S. Quota System*

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

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

### *The SRA Quota or the Quedan Allocation System*

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

### *Value Added Tax System*

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

### *Executive Order No. 313*

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

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

### *Executive Order No. 420*

Executive Order No. 420 modified the rates of duty on sugar as provided for under the Tariff and Customs Code of 1978, as amended, in order to implement the ASEAN preferential rates of duty on cane sugar and beet sugar, among others. Under the Order, the tariffs on the said products were placed at 65% from 1997 up to 1998 after which, sugar could be placed under the sensitive list which would allow the gradual phase down of tariffs. Additionally, it provides that the Margins of

Preference (MOP) accorded under the ASEAN Preferential Trading Arrangements (PTA) will no longer be extended to any of the products covered under the same Order.

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

*Executive Order No. 431*

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

*Executive Order No. 268*

Executive Order No. 268 issued on 9 January 2004 modified the rates of duty on other sugars as classified under (Heading 17.02) Section 104 of the Tariff and Customs Code of 1978, as amended, in order to implement the commitment to reduce the tariff rates on sixty percent (60%) of the products in the inclusion list to zero percent (0%) under the Common Effective Preferential Tariff (CEPT) scheme for the Asean Free Trade Area (AFTA).

*Executive Order No 295*

Executive Order 295 issued on 3 March 2004 modified the nomenclature and rates of import duty on sugar (Heading 17.01) under Section 104 of the Tariff and Customs Code of 1978, as amended. Under the Executive Order, sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be levied the MFN (Most Favored Nation) rates of duty therein prescribed. Moreover, the Order provides that sugar which are entered and withdrawn from warehouses in the Philippines for consumption shall be imposed the ASEAN CEPT rates of duty therein prescribed subject to qualification under the Rules of Origin as provided for in the Agreement on the CEPT Scheme for the ASEAN Free Trade Area signed on 28 January 1992.

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

*Republic Act No. 9367*

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

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

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

Department Circular No. DC 2007-05-006 was issued by the DOE on 17 May 2007 to implement R.A. 9367. It covers the production, blending, storage, handling, transportation, distribution, use and sale of biofuels, biofuel-blends and biofuel feedstock in the Philippines. It also clarifies specific provisions of the law and the roles and functions of the different government agencies and their relationship with the National Biofuels Board.

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

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

Real Estate

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

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

completion. The Securities and Exchange Commission has deferred the application of IFRIC 15 to January 2015.

**Estimated Amount Spent on Research and Development for the Past Three Fiscal Years, Extent to Which These Costs are Borne by Customers, if Applicable.**

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

However, CADPI contributes ₱2.00 per Lkg. of sugar produced to the Philippine Sugar Research Institute Foundation, Inc. (PHILSURIN) in compliance with SRA Sugar Order No. 2, series of 1995. During the last four (4) years, CADPI contributed about ₱21.55 million to research and development and this amount constitutes 0.13% of its revenues. For the last crop year, CADPI contributed ₱4.78 million or about 0.09% of its revenue.

Likewise, CACI also contributes ₱2.00 per Lkg. to PHILSURIN. For the current crop year, CACI allocated ₱5.70 million or about 15% of its total revenue. During the last four (4) years, CACI contributed about ₱12.23 million to research and development and this amount constitutes 0.11% of its revenues.

**Costs and Effects of Compliance with Environmental Laws**

Sugar-Related Businesses

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

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

1. Zero Basura Olympics Master Award and Championship in Composting Award – awarded by the Philippine Business for Social Progress (PBSP) ZBO for Business 2010 “A Race to Conquer Garbage in 300 Days” competition during the Earth Day celebration on 22 April 2010.
2. Plaque of Recognition – awarded by Nestle Philippines on 23 November 2006 for having exemplified its commitment to Sustainable Development by its well-balanced approach in achieving excellence in its business, social and environmental responsibility.
3. Award of Recognition - awarded by the DENR on 29 June 1994 for its pioneering initiative in waste minimization in an industrial plant.
3. Most Environmental Friendly Sugar Mill Award - awarded by the Philippine Sugar Millers Association, Inc. (PSMA) and the Association of Integrated Millers (AIM) on 17-19 August 1994.

4. Plaque of Appreciation - for its pioneering efforts in Waste Minimization by the Pollution Control Association of the Philippines, Inc. (PCAPI) during the PCAPI Convention on 27 April 1995.
5. Mr. Jeffrey G. Mijares, a Pollution Control Officer III of the Company was adjudged as one of the recipients of the Ten Outstanding Pollution Control Officers (PCO) Award (TOPCO) for the year 1998.

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

1. Totally close-loop cooling system for the sugar mill and refinery where 100% of cooling water is recycled.
2. Activated Sludge Wastewater Treatment System with Sessil Trickling Filter.
3. Wet Scrubbers for the steam boilers.

For the fiscal year 2010-2011, CADPI spent about ₱20.7 million for its pollution management program.

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

1. Likas Yaman Award for Environmental Excellence, as Best Partner in the Industry (National Winner) - awarded by the DENR on 10 June 1996.
2. Likas Yaman Award, Best Partner in the Industry in Western Visayas (Regional Winner) - awarded by the DENR on 28 June 1996.
3. Most Environment Friendly Company in Western Visayas, Region VI - awarded by the DENR on 30 June 1995.
4. Recipient of a Resolution of Appreciation from the Sanggunian Bayan of Pontevedra, Negros Occidental for a Zero-Pollution of Pontevedra River located at the downstream portion of the company's premises.

For the fiscal year 2010-2011, CACI spent about ₱3.95 million for the maintenance and improvement of its pollution control program.

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



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

#### Real Estate

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

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

#### **Total Number of Employees**

As of 30 June 2011, the Company, a holding and investment company, has two (2) executives and nine (9) employees.

#### Sugar-Related Businesses

As of 30 June 2011, RHI has nine (9) executive officers and sixty-seven (67) regular employees.

CADPI has 632 regular employees as of 30 June 2011. The company has a standing Collective Bargaining Agreement (CBA) with the Batangas Labor Union (BLU) for a period of five (5) years from 01 July 2006 to 30 June 2011. The company is currently negotiating a new collective bargaining agreement with BLU.

CACI, on the other hand, has 643 regular employees as of 30 June 2011. The company has a CBA with the Mag-Isa Mag-Ugyon Asosasyon Sang Mamumugon Sa Central Azucarera de la Carlota (MAMCAC) for a period of five (5) years from June 2010 to May 2015.

For the past three (3) years, the labor unions of CADPI and CACI have not staged a strike.

Roxol has 52 regular employees as of 30 June 2011. Roxol is not unionized.

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

#### Real Estate

Roxaco, on the other hand, has three (3) executives and twenty-eight (28) employees. Nine (9) of these Roxaco employees are based in its principal office in Nasugbu, Batangas and one (1) in a satellite office in Balayan, Batangas. The rest are based in its administrative and corporate office in Makati City.

## Property

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

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

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

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

## Sugar-Related Businesses

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

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

CADPI is the owner of sugar milling and refining facilities, machineries and furniture and fixtures, transportation equipment and tools located in Nasugbu, Batangas. As of 30 June 2011, these properties were valued, net of depreciation, at ₱4.219 billion. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

CACI is the owner of parcels land located in Barangay Consuelo, La Carlota City and in the Municipalities of La Castellana and Pontevedra in Negros Occidental including improvements machineries and installations, furniture and fixtures, transportation equipment and tools. As of 30 June 2011, these properties are valued, net of depreciation, at ₱3.487 billion. These properties are presently mortgaged with banking institutions to secure certain loan obligations.

Roxol is the owner of parcels of land located at La Granja/Esperanza valued at ₱11.755 million and in Brgy. Cubay valued at ₱1.639 million, both in La Carlota City, Negros Occidental. Roxol is on the tail end of its plant construction as of 30 June 2011. Total construction in progress as of 30 June 2011 amounted to ₱1.173 billion.

CFSI is the owner of parcel of land in Brgy. Cubay, La Carlota City, Negros Occidental, including various farm implements and transportation equipment. As of 30 June 2011 these properties are valued, net of depreciation, at ₱26.6 million.

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

CCSI is the owner of parcel of land in Brgy. Cubay, La Carlota City, Negros Occidental valued at ₱2.51 million.

### Real Estate

As of 30 June 2011, Roxaco's real estate inventories, consisting of real estate properties for sale, raw land and land improvements, were valued at ₱329.351 million (historical cost). Of these, properties with total area of 677,522 sqm and carrying costs of ₱179.356 million were used as collateral to secure certain loan obligations of the Company.

### **Legal Proceedings**

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

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

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

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural lands in Nasugbu, Batangas to non-agricultural lands<sup>1</sup>. However, the Court noted that RCI "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption".

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

Consistent with the 2009 Supreme Court Decision that "Roxas and Co. can only look to the provisions of the Tourism Act, and not to PP 1520, for possible exemption," RCI filed in April 2010 with the Tourism Infrastructure and Enterprise Zone Authority ("TIEZA") an application to declare fourteen (14) Specific

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<sup>1</sup> The 04 December 2009 Decision in SC GRN 149548, 165450, 167453, 179650, 167845 AND 169163 may be accessed at <http://sc.judiciary.gov.ph/jurisprudence/2009/december2009/149548.htm>.

Geographic Areas located in the RCI landholdings as Tourism Enterprise Zones (“TEZs”). This application was based on the Tourism Act of 2009.

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

On 20 September 2011, RCI received from the Supreme Court a Decision dated 05 September 2011<sup>2</sup> affirming the exemption of a 21.1236-hectare property from CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.

There are three<sup>3</sup> other CARP-related cases that are pending with the Provincial Adjudicator (PARAD) of Western Batangas and the Department of Agrarian Reform (DAR).

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

#### Real Estate

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

#### Sugar-Related Businesses

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

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<sup>2</sup> Agapito Rom, et. al. vs. Roxas and Company, Inc., G.R. No. 169331.

<sup>3</sup> These cases are: (i) DAR Adm. Case No. A-9999-100-97, which is an application for exemption from CARP coverage of a 45.97 hectare property in Brgy. Aga on the ground that the said property has a slope of at least 18%. The DAR granted RCI’s application. However, the farmer-beneficiaries filed a Motion for Reconsideration, to which RCI filed an opposition; (ii) Petitions for the cancellation of CLOA No. 6646 covering a 21-hectare property. These cases stemmed from a Certificate of Finality issued by DAR exempting the subject property from CARP coverage. The Provincial Adjudicator of Batangas (PARAD) decided in favor of the Company and cancelled the CLOA. The farmers’ Motion for Reconsideration was subsequently denied by the PARAD. The cases are now with the Department of Agrarian Reform Adjudication Board (DARAB) in view of the appeal filed by the farmers; and (iii) DAR Case Nos. R-0401-0021 to 0058-2009 stems from a final and executory Supreme Court ruling exempting from CARP coverage a 30.1685-hectare property in Barangay Banilad, Batangas. As such, the Company filed with the PARAD Petitions for cancellation of CLOA 5189 insofar as the exempted area is concerned.

## Major Risks in the Business of the Company

The Company is an investment and holding corporation with focus on owning and holding operating companies engaged in the (a) manufacture and sale of sugar products, and (b) development and sale of real property projects. The dependence of its financial performance on its sugar subsidiaries and its lack of diversification on its revenue and earnings base represent a key business risk.

## Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders through the solicitation of proxies or otherwise.

## PART II – SECURITIES OF THE REGISTRANT

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

#### 1. Market Information

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

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

July 2009 to June 2010

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

July 2010 to June 2011

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

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

(b) Holders. There were 3,525 holders of the Company's listed shares as of 30 September 2011. The top twenty (20) holders of the Company's common shares as of said date were:

	<b>STOCKHOLDERS</b>	<b>NATIONALITY</b>	<b>TOTAL SHARES</b>	<b>%</b>
1	Antonio J. Roxas	Filipino	643,945,909	22.11%
2	SPCI Holdings, Inc.	Philippine National	642,779,593	22.07%
3	Pesan Holdings, Inc.	Philippine National	340,527,520 <sup>4</sup>	11.69%
4	HSBC OBO A/C 000-262931-575	Other Alien	273,234,090	9.38%
5	Pilar Olgado Roxas	Filipino	262,706,512	9.02%
6	Marta O. Roxas Dela Rica	Spanish	258,180,365	8.87%
7	Beatriz O. Roxas	Spanish	257,579,335	8.85%
8	Pedro E. Roxas	Filipino	194,120,649 <sup>5</sup>	6.67%
9	PCD Nominee Corporation	Philippine National	8,301,276	0.29%
10	Rizal Commercial Banking Corporation	Philippine National	3,048,161	0.10%
11	Antonio Roxas Chua	Filipino	2,379,610	0.08%
12	Mari Carmen Roxas de Elizalde	Filipino	1,361,241	0.05%
13	Santiago R. Elizalde	Filipino	1,210,930	0.04%
14	Francisco Jose R. Elizalde	Filipino	1,203,013	0.04%
15	Carlos Antonio R. Elizalde	Filipino	1,200,320	0.04%
16	Central Azucarera dela Carlota Retirement Trust Fund	Philippine National	1,178,400	0.04%
17	Equitable Securities FAO Inigo Elizalde	Filipino	933,810	0.03%
18	Severo A. Tuason & Company, Inc.	Filipino	537,000	0.02%
19	Dolores Teus De M Vara De Rey	Filipino	488,020	0.02%
20	Concepcion Teus Vda. De M Vara De Rey	Filipino	445,650	0.02%
	<b>SUBTOTAL</b>		<b>2,895,361,404</b>	<b>99.43%</b>
	OTHER STOCKHOLDERS		16,524,466	0.57%
	<b>GRAND TOTAL</b>		<b>2,911,885,870</b>	<b>100.00%</b>

## 2. Dividends.

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

<sup>4</sup> This does not include the 1,271,559 shares beneficially owned by Pesan Holdings, Inc. (PHI) but owned on record by the PCD Nominee Corporation, the top 9 stockholder. Mr. Pedro E. Roxas is the controlling stockholder of Pesan Holdings, Inc. (PHI). In total, Mr. Pedro E. Roxas owns, directly and indirectly, 536,681,945 RCI shares representing 18.43% of the subscribed capital stock.

<sup>5</sup> This does not include the 762,217 shares beneficially owned by Mr. Pedro E. Roxas but owned on record by the PCD Nominee Corporation, the top 9 stockholder.

<i>Declaration Date</i>	<i>Dividend Per Share</i>	<i>Record Date</i>	<i>Payment Date</i>
29 June 2006	₱ 0.06	14 July 2006	31 July 2006
5 October 2006	₱ 0.06	19 October 2006	10 November 2006
21 June 2007	₱ 0.06	13 July 2007	31 July 2007
20 September 2007	₱ 0.04	15 October 2007	8 November 2007
26 June 2008	₱ 0.06	15 July 2008	31 July 2008
2 October 2008	₱ 0.06	15 October 2008	30 October 2008

### 3. Recent Sales of Unregistered Securities

(a) Securities Sold.

There was no recent sale of unregistered or exempt securities.

(b) Exemption from Registration Claimed.

No application for exemption from the registration requirements of the Securities Regulation Code was filed by the Company during the fiscal year ending 30 June 2011.

### 4. Description of Registrant's Securities.

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

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

## PART III – FINANCIAL INFORMATION

### 1. Information on Independent Accountant

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

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

	<u>2009-2010</u>	<u>2010-2011</u>
1. Audit of registrant's annual financial statements:	₱ 700,000	₱ 700,000

2. Other assurance and related services	₱ 2,450,000 <sup>6</sup>	₱ 200,000
3. Aggregate fees billed for professional services for tax accounting, compliance and other tax services	none	none
4. All other fees	none	none

- (b) The Audit Plan, including the corresponding audit fees, is submitted by the external auditor to the Board of Director's Audit and Risk Committee. The Committee, headed by an independent director, reviews and recommends the same to the Board of Directors. It evaluates and decides on the fees as negotiated by both parties on the basis of reasonableness, the scope of work involved in the audit, inflationary increase in costs and the prevailing market price for such service in the audit industry.

## 2. Management's Discussion and Analysis or Plan of Operation

### FULL FISCAL YEAR

#### *Results of Operations*

Considering the prevailing high prices of sugar in the first three quarters of the fiscal year, consolidated Revenues reached ₱7.978 billion or 27% higher than the ₱6.289 billion realized in 2010. Revenue is also 34% higher than the ₱5.933 billion recorded Revenues in 2009. The Sugar Group contributed 99% or ₱7.910 billion of the Consolidated Revenues while the Property Group accounted for about 1% or ₱0.068 billion.

The soaring prices of raw sugar and the increases in the hauling and energy costs also pushed up the consolidated Cost of Sales that amounted to ₱7.727 billion. The Cost of Sales also includes Impairment Losses of ₱326 million due to marking of Inventories to its market values. The total Cost of Sales is 44% higher than the ₱5.356 billion incurred in 2010 and 54% higher than the ₱5.024 billion reported in 2009. Consequently, Gross Profit Rate declined from 15% in 2010 and 2009 to 3% this year.

However, even if the Revenues jumped by 27%, the whole group was able to reduced the Operating Expenses by 10% from ₱742 million in 2010 to ₱671 million in 2011 due to the conscious effort to cut expenses and to postpone the hiring of replacements of employees who resigned during the year at the holding company level. The Operating Expenses during the year is even lower than the ₱684 million reported Operating Expenses in CY2009.

Interest Expenses, however, increased from ₱347 million in 2010 to ₱640 million this year because the interest charges on the funds used in the expansion projects of the sugar group were already recorded as period costs. These costs were capitalized in the previous years. Interest expenses in 2009 was only at ₱147 million. Interest income during the year slightly decreased from ₱17.606 million in 2010 to ₱15.116 million in 2011. This was attributable to diminishing principal balances of installment contracts receivable of the real estate business. Interest income in 2009 stood at ₱26 million.

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<sup>6</sup> The amount pertains to professional fees for the merger / long form report, pro-forma financial statements, and briefings with the Company's financial advisor.



Equity in net earnings of associates increased by 24% from ₱145 million in 2010 to ₱180 million this year. This is due to higher income reported by the associate Hawaiian-Philippine Company. It was only at the level of ₱82 million in CY2009.

Other income decreased by 70% from ₱292 million in 2010 to ₱86 million in 2011 because the current number was only for the income generated from scrap sales while previous years carries scrap sales and insurance proceeds for the generator set that exploded in April 2009 which was received in 2010. The Other income however is higher than the ₱61 million reported in 2009.

Because of the abrupt reduction of the sugar prices particularly at the last quarter of the fiscal year, the high cost of sales, the impairment losses and the increase of Interest Expenses, consolidated net loss after tax amounted to ₱783 million from the ₱209 million income after tax as reported in the previous year. This translates to basic/diluted earnings per share of (₱0.18) compared to ₱0.03 earnings per share in 2010 and ₱0.001 loss in 2009.

### ***Financial Condition***

Roxas and Company, Inc. and its subsidiaries', (the Group) consolidated total assets reached ₱22.007 billion at the end of 2011 compared to ₱21.059 Billion in 2010. This translates to 4.5% increase mainly due to higher level of inventories in the Sugar business. The accumulation of inventories was brought about by the general slowdown of sugar withdrawals experienced during the second half of the year. Some institutional sugar users opted to use sugar substitutes and lower-priced sugar pre-mixes due to the prevailing high sugar prices in the local market. Total Assets is 18% higher than the CY 2009 level which was at ₱18.7 billion.

Current assets increased to ₱4.473 billion from ₱3.651 billion in 2010 due to higher values of sugar inventories as mentioned above. In addition, prepayments and other current assets went up from ₱269 million in 2010 to ₱380 million in 2011 due to creditable withholding taxes and input taxes on capital expenditures. These increases were partly offset by the decrease in receivables due to improved collection and implementation of new collection scheme for sugar customers.

Non-current assets increased to ₱17.5 Billion from ₱17.4 Billion resulting from increase in property, plant and equipment and investment in shares of stocks of associates. The former was due completion of capital expenditures while the latter was due to higher share in net income from HPCo. Equity in net earnings for the year amounted to ₱177 million compared to ₱132 million in 2010.

Current liabilities increased from ₱3.467 billion last year to ₱11.124 billion this year. This is largely due to the reclassification of the Long Term Liabilities to Current Liabilities due to the breach of the bank covenant by the Sugar group.. Because of the losses incurred by the sugar group, as of June 30, 2011, the Group did not meet the minimum Debt Service Coverage Ratio (DSCR) required under the long-term loan agreements with certain creditor banks, which constitutes an event of default on such loans. In view of this, the non-current portion of long-term borrowings amounting to ₱6.2 billion is presented as current liabilities as of June 30, 2011. Short term borrowings increased from ₱2.502 billion in 2010 to ₱3.286 billion in 2011. These loans were used to finance the sugar inventories.

Considering that the breach was brought about by the temporary market reversals and did not affect the ability of the companies to service their loans, appropriate waivers of the breach of the covenants were issued by creditor banks before the release of the audited financial statements.

Consequently, Long-term borrowing, net of current portion decreased from ₱6.125 Billion in 2010 to ₱.027 Billion in 2011.

Accounts payable and accrued expenses went down from ₱717 million in 2010 to ₱610 million as of June 30, 2011. The decrease was attributable to payments of trade payables. Customers' deposits also went down from ₱150 million to ₱135 million due to application of customers' deposits to sales recognized in the period.

The decrease in net pension benefit obligation from ₱41 million to ₱2 million was due to payments during the period.

Total consolidated equity amounted to ₱9.806 billion, a decrease of ₱618 million or 6% from 2010 due to the consolidated net loss during the period.

Current ratio for this year decreased to 0.40:1.00 from 1.05:1.00 last fiscal year due to principally to the reclassification of the non-current portion of long-term borrowings to current liabilities. The Groups leverage position remained within the limits of existing loan covenants. Debt-to-equity ratio stood at 1.24:1.00 in 2011 from 1.02:1.00 in 2010. Unused working capital lines as of June 30, 2011 and 2010 from local banks amounted to ₱747 million and ₱2.814 billion, respectively. Book value per share decreased to P3.37 from ₱3.58 last year.

There are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
- Significant elements of income or loss that arose from continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

### **Sugar –Related Businesses.**

#### Production performance

#### **Crop Year 2010-2011 versus 2009-2010**

#### **Negros Operations**

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

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

### **Batangas Operations**

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

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

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

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

### **Results of Operation**

The high sugar prices in the domestic market for the period in review proved to be beneficial to the Sugar Group as it increased consolidated revenues to ₱7.910 billion, a 28% surge from ₱6.203 billion a year before.

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

Cost of sales rose by 45% to ₱7.684 billion from ₱5.303 billion in 2010. The increase is attributable to the following factors:

- Higher volume of raw sugar purchased during the period for the Group's refinery operations due to low raw sugar beginning inventory balance as CADPI recognized an accumulated five (5) year volume loss of ₱130 million. The increased raw requirement coupled with high raw sugar prices, as input to the refinery, weighed heavily on the refinery operations. Moreover, additional provision for warehouse losses amounting to ₱39 million based on a percentage of total raw sugar production and purchases was recorded;
- The recognition of ₱326 million in impairment losses on sugar and alcohol inventories as a result of the significant drop in sugar prices in the last quarter of fiscal year 2011,
- The Group sold some sugar inventories even at a loss at the last quarter of the fiscal year to generate cash for debt service and repairs and maintenance;
- Increase in energy cost and consumption owing to low cane fibre, slow start and extreme wet weather conditions at the start of milling, thus disrupting cane supply. Also, frequent stoppages at the start of the season led to insufficient bagasse supply; and
- The rise in depreciation from ₱407 million to ₱547 million due to the recognition of the completed mill capacity expansion programs in the books.

Selling expenses went up to ₱31 million, a 25% increase from ₱25 million of the prior year. The increase was driven by the 28% increase in sales this year.

Despite the increase in the consolidated sales of twenty-eight (28%), General and Administrative Expenses went down by five (5%) percent to ₱566 million this year from ₱596 million in last year. This significant reduction of expenses is the result of the conscious effort of the group to contain cost.

Equity in net earnings went up by 34% or to ₱177 million from ₱132 million due to positive improvement in an associate's operating performance.

Net interest costs increased to ₱582 million this year versus ₱314 million in the previous year because some of the interest cost on the expansion program in the previous year was still capitalized. Interest expenses on the loans used to finance the expansion program are now considered period costs.

Loss before income tax for fiscal year 2011 amounted to ₱707 million compared to an income before tax of ₱395 million a year ago. With this development, the Group's net provision for income tax went down to ₱11 million or 87% lower from prior year's ₱84 million.

The Group ended the period with a net loss of ₱742 million versus ₱311 million net income last fiscal year. This is equivalent to a loss per share of ₱0.79 in June 30, 2011 and an earnings per share of ₱0.34 June 30, 2010.

Despite the recorded losses of the Group, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) still amounted to ₱797 million compared to ₱1.011 million of last year.

### **Property Group**

#### Results of Operations

Sales for FY 2010-2011 amounted to ₱68 million, 21% lower than last year's ₱86 million. Cost of sales on the other hand, amounted to ₱43 million, 18% lower than last year's ₱53 million. This translates to gross profit rate of 37% this year compared to 39% last year. This is due to sale of Peninsula lot in 2010 which carries a high contract price with lesser cost of sales.

Other income amounted to ₱18 million, 196% higher than last year's ₱6 million. This is due to gain realized on acquisition of 63% of capital stock of Fuego Hotels Property and Management Corporation in exchange for nine (9) CFPI shares amounting to ₱7.2 Million, fair value adjustment on investment properties amount to ₱ 1.4 Million and income from forfeited sales amounting to ₱4 Million.

Operating expenses amounted to ₱39 million, 4% higher than last year's ₱37 million. The increase was due to additional headcount, higher contribution to retirement fund as a result of 2010 actuarial valuation study, higher depreciation and higher marketing expenses due to intensified marketing efforts for new projects.

Finance costs reached ₱2.6 million, 42% lower than the ₱4.5 million in 2010. This is due to principal payments made in 2011.

Provision for income tax amounted to ₱1.5 million this year compared to ₱7.1 million last year. Bulk of last year's revenue has been subjected to deferred income tax in previous years following the National Internal Revenue Code taxation rule on sale of real properties.

As a result, net income after tax amounted to ₱10 million, 82% lower than the ₱ 578 million in 2010.

In fiscal year 2010-2011, Roxaco implemented projects to improve profitability and cash flows by:

- 1.) Strict and continuous monitoring of development expenses in Anya Resort and Residences to minimize potential cost overruns;
- 2.) Intensifying sales and marketing efforts to liquidate existing inventories in on-going projects;
- 3.) Launching and developing company-owned and controlled properties to maximize values to be realized from existing property holdings;
- 4.) Intensified collection efforts to collect maturing amortizations from the lotbuyers;
- 5.) Implemented cost cutting measures to reduce operating costs; and
- 6.) Continued strategic planning to identify future projects for residential resorts, hotels, commercial and mixed use developments.

#### **RESULT OF OPERATION FY 2009-2010 versus 2008-2009**

##### **Results of Operations**

Consolidated revenues reached ₱6.289 billion, 6% higher than ₱5,932 billion in 2009 and 3% higher than ₱6.129 billion in 2008. The Sugar Group contributed 99% or ₱6.202 billion of the Consolidated Revenues while the Property Group accounted for the 1% or ₱ .086 billion.

Cost of sales amounted to ₱5.355 billion. This is 7% higher than the ₱5.024 billion in 2009 and 8% higher than the ₱4.970 billion in 2008. Gross Profit therefore is ₱0.934 billion, 97% of which came from the Sugar Group while the balance was contributed by the Property Group.

Operating expenses increased by 8% from ₱683 million in 2009 to ₱742 million in 2010 in view of increased salaries, higher business and income taxes and group reorganization expenses (professional fees and listing fees ).

Interest income decreased by 32% from ₱26 million in 2009 to ₱18 million in 2010. This was attributable to diminished principal balances of installment contracts receivable of the real estate business.

Equity in net earnings of associates increased by 75% from ₱82 million in 2009 to ₱144 million this year. The favorable financial results of the associate Hawaiian-Philippine Company in 2010 contributed to higher profit performance. This was coupled by the equity in net earnings of associates in property related businesses.

Interest expense jumped to ₱346 million from ₱147 million in 2009. This was brought about by the additional borrowings for working capital requirements and group reorganization expenses during the period.

Other income increased by 383% from ₱61 million in 2009 to ₱292 million in 2010 due to income generated from scrap sales and insurance recovery for the generator set that exploded in April 2009 amounting to ₱141 million.

Consolidated net income after tax amounted to ₱209 million or 268% better than the ₱59 million. This translates to basic/diluted earnings per share of ₱0.03 compared to (₱.001) in 2009.

### **INTERIM RESULTS – 3RD QUARTER 2010-2011 VS. FY 2009-2010**

#### **Financial Condition**

The Roxas and Company's consolidated total assets reached ₱23.8 billion as of March 31, 2011. This is a 13% increase from the restated ₱21.06 billion as of June 30, 2010. Current assets went up to ₱ 6.4 billion from ₱3.65 billion. Likewise, current liabilities went up from ₱3.47 billion at end of June 2010 to ₱6.4 billion at end of current period. Current ratio slightly dropped to 1.01:1.00, from 1.05:1.00 as of June 2010.

Total loans as of the current period is higher by ₱2.51 billion due to availment of short-term loans to fund sugar working capital. However, the Groups leverage position remained within the limits of existing loan covenants. Debt-to-equity ratio stood at 1.29:1.00 as at March 2011 from 1.02:1.00 as at June 2010 (restated).

Unused working capital lines as of March 31, 2011 and June 30, 2010 from local banks amounted to ₱1.087 billion and ₱2.814 billion, respectively. Book value per share is at ₱3.58 both at March 31, 2011 and June 30, 2010 at restated figures.

#### ***Change in Financial Condition***

The increase in total assets from June 30, 2010 restated balance of ₱21.06 billion to ₱23.833 billion was due to higher level of inventories. This was due to the general slowdown sugar withdrawal experienced during the quarter. Some institutional sugar users opted to use sugar substitutes due to the prevailing high sugar prices.

Cash and cash equivalents went up from ₱237 million to ₱343 million, a 45% increase from June 30, 2010 due to, availments of short-term loans to fund raw sugar purchases.

Receivables are at ₱609 million as of March 31, 2011. This is ₱332 Million or 35% lower than June 30, 2010 balance of ₱0.941 billion due collections of sugar accounts and installment receivables on lot sales and application of dividends receivable by RLC from FLC against advances made in the past.

Inventories as at end March 2011 amounted to ₱4.86 billion, ₱2.99 billion or 160% higher than the June 30, 2010 balance of ₱1.873 billion due to slow sugar withdrawal of customers as mentioned above. In

addition, the commissioning and testing performed in RBC produced hydrous and anhydrous alcohol inventory during this period.

Prepayments and other current assets slightly increased to ₱279 million, a 4% increase from June 30 level of ₱269 million. This is due to Input VAT and prepaid CWT booked during the period.

Non-current assets slightly increased from ₱17.409 billion last report (as restated) to ₱17.415 billion as of March 31. This is mainly attributable to higher share in the net earnings of HPCo.

Current liabilities went up to ₱6.41 billion this period, an 85% increase from ₱3.466 billion as of June. This is largely attributed to short term loans availed to finance higher level of inventories. Short term borrowings increased by 100% from ₱2.502 billion as of June to ₱5.008 billion as of March, 2011. This was coupled by the increase in current portion of long-term borrowings from ₱ 76 million to ₱ 125 million as of March, 2011.

Accounts payable and accrued expenses went up by 36% from ₱717 million as of June to ₱975 million as of March 2011 due to payable to suppliers and contractors as a result of higher level of operations.

Customers' deposits increased from ₱150 million to ₱225 million due to deposits received from lot buyers of Roxaco Land Corporation and from sugar buyers.

Total consolidated equity stood at ₱10.42 billion as of June 2010 and March 2011.

### Results of Operations

Consolidated revenues reached ₱5.497 billion, 27% higher than ₱4.33 billion in 2010. 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 increased by 24% from ₱3.827 billion in 2010 to ₱4.749 billion in the current period. The increase was attributable to higher raw sugar purchases melted to refine sugar, higher fuel and energy costs and higher depreciation due to closing of strategic projects to its proper property, plant and equipment accounts. Gross profit rate this year is at 14% much better than last year's 12%.

Operating expenses this year of ₱519 million is 8% lower than last year's ₱564 million. This is due to the non-recurring group-reorganization-expenses incurred last year.

Equity in net earnings of associates increased from ₱80 million in 2010 to ₱119 million this year due to higher operating results from HPCo.

Interest income of P 8 million is 19% lower than last year due to diminished principal balances of installment contracts receivable on lot sales.

Interest expense increased by 154% from ₱165 million last year to ₱419 million this year as we are now paying interest on the total loans to date.

Other income went down by 70% from ₱220 million in 2010 to ₱66 million in 2011. 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 ₱1.7 million, compared to ₱40 million income last year.

### **Sugar –Related Businesses.**

#### **Batangas Operations**

CADPI's raw production as of March 31, 2011 improved to 739 thousand Lkg. from 694 thousand same period last year due to higher tons cane milled this year. Total tonnage for the period reached 1.190 million tons cane compared to 1.039 million tons cane milled last year.

Shorter operating period this year for the refinery was due to stoppages attributable to low level of raw sugar inventory at the beginning of operation and tripping of 15 MW turbo generator. Also, spill-over refinery operations were shorter by 16 days this year. Thus, refined sugar production this period is 1.862 million Lkg versus 2.055 million Lkg. last year.

#### **Negros Operations**

The fierce competition for canes in the Negros area resulted to a surge in hauling costs and various incentive programs of the mills. With CACI improving its own incentive program to the planters, the Company ended the period with an increase in total tonnage. Total tons cane milled went up to 1.620 million tons this period versus 1.209 million tons in previous year.

Recovery this period went down to 1.90 Lkg/TC compared to 2.07 Lkg/TC in 2010 but due to higher tonnage this year, raw production went up to 1.054 million Lkg from 873 thousand Lkg last year.

Despite the challenges, the high sugar prices this period helped contain the effect of high production and operating costs this year.

#### **Results of Operations**

The high sugar prices in the domestic market proved to be beneficial but at the same time a challenge. While raw prices contributed to the increase in consolidated revenues to P5.443 billion from P4.287 billion in 2010, a 27% surge, the soaring prices of raw sugar as input to the refinery together with high energy cost and usage and increased depreciation weighed heavily on the refinery operations in Batangas. Profit margins were squeezed as a refiner.

Consolidated gross profit rate is up to 13.3% versus last year of 11.3% on the account of better sugar and molasses prices, though refined price trekked up at a much slower pace.

Cost of sales rose by 24% to ₱4.72 billion from ₱3.794 billion in 2010. The increase was attributable to higher raw purchases volume requirement this period of the Group's refinery operations due to low raw inventory beginning balance. Likewise, energy cost and consumption increased owing to low cane fiber, slow start and energy imbalance caused by increased capacity of the mills. The increase in depreciation from ₱167 million to ₱257 million was due to closing of strategic projects to its proper property, plant and equipment accounts. The net of P 130 million-sugar loss incurred by CADPI, estimated to have been accumulated in the last five years, likewise weighed down the Company's bottomline. The sugar loss



was caused by incorrect weighing of raw sugar for melting, resulting in discrepancy between records and physical inventory.

Other operating income substantially decreased to ₱60 million from ₱216 million due to one off transaction recognized last year, the ₱141 million gain on insurance claim.

Equity in net earnings of an associate increased by 81% to ₱ 126 million from ₱70 million in previous year. This was due to higher net income of HPCo.

Financing costs reached ₱400 million versus ₱147 million in prior period due to direct expensing of interest this year. Last year's interest costs on strategic projects of the Group were capitalized.

Provision for taxes, net of deferred tax, decreased by 91% from ₱43 million to ₱4 million as of end March 2011 on the account of CADPI's NOLCO for this period

The Sugar Group ended the period with a net consolidated income of ₱46 million versus net income of ₱119 million in prior period. The year to date March 2011 net income is equivalent to an earnings per share of ₱0.05 compared to the year ago earnings per share of ₱0.13.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to ₱718 million from ₱510 million in prior period. The Sugar Group's operating income significantly increased this year from ₱239 million to ₱322 million.

### **Property Group**

#### Results of Operations

Sales for the period amounted to ₱54.6 million, 28% higher than last year's ₱42.8 million. Cost of sales on the other hand, amounted to ₱29.3 million, 21% higher than last year's ₱ 24.1 million. This translates to gross profit rate of 46% this year compared to 44% 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 ₱13.2 million, 4% higher than last year's ₱12.8 million. This is due to higher rental income and income from forfeited lot sales.

Operating expenses amounted to ₱27.8 million, 5% higher last year's ₱26.5 million. The increase is due to additional manpower headcount and higher contribution to retirement fund as a result of the latest actuarial valuation.

Selling and marketing expenses went up by 158% from ₱3.48 million in 2010 to ₱8.7 million in 2011. 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 ₱2.1 million, 41% lower than the ₱3.5 million in 2010 This is due payments made on short term loans and lower interest rates.

Operations resulted to net loss before tax of ₱ .090 million, which is better than the ₱2.0 million loss before tax 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:

<b>Performance Indicator</b>	<b>2010-2011</b>	<b>2009-2010</b>	<b>2008-2009</b>
Raw sugar production	8.165 M bags	6.947 M bags	8.123 M bags
Refined sugar production	1.970 M bags	3.324 M bags	3.965 M bags
Milling recovery	1.90 Lkg/TC	2.09 Lkg/TC	2.02 Lkg/TC
EBITDA	P786 million	P984 million	P669 million
Return on equity	(8%)	5%	3%

#### Top Five Performance Indicators – Property Group

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

- Realized gross profit (RGP) on sale of developed real estate (lots only). This is recognized in full when the collection of the total contract price reached 25%. At this stage, it is reasonably assured that the risks and rewards over the developed assets have been transferred to the lotbuyer.
- Number of lots sold. The lot sold and its terms of sale will determine when would be recognized and how much is the potential income to the Company.
- Collection efficiency on trade receivables. Income recognition is a factor of collection, plus the interest income component.
- Earnings before interest, taxes and depreciation - This is the measure of cash income from operations.
- Return on Equity – denotes the capability of the Company to generate returns for the shareholders.

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

<b>Performance Indicator</b>	<b>2010-2011</b>	<b>2009-2010</b>	<b>2008-2009</b>
Realized gross profit on real estate sales	₱ 25.0 Million	₱33.416 Million	₱ 22.802 Million
Number of lots sold / reserved	194 lots	684 lots	105 lots
Collection efficiency	98%	95%	85%
EBITDA	₱16.56 million	₱69.6 million	₱26.634 million
Return on equity	1.95%	10.88%	2.15%

#### Key Variable and Other Qualitative and Quantitative Factors

- 1) The company is not aware of any known trends, events, or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.
- 2) The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- 3) The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- 4) Description of material commitments for capital expenditures.

The Sugar Group had an allocation of ₱40.2 million in capital expenditures for crop year 2011-2012 of which ₱18.8 million is for CADPI for the integrated mill and refinery operations, ₱16.3 million for CACI and ₱5 million for CFSI.

For 2011-2012, the Property Group has projected development costs for existing projects in the amount of ₱54 million and additional ₱41 million as initial development costs for new projects.

In addition, RLC has projected ₱0.8 million regular capital expenditures which includes replacement of office equipment and a licensed software.

- 5) The company is not aware of any known trend, events or uncertainties that will have material impact on sales.
- 6) The company is not aware of causes for any material changes from period to period in the financial statements.

## **PART IV – MANAGEMENT AND SECURITY HOLDERS**

### **1. Incumbent Directors and Officers of the Issuer**

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

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

**Ramon Y. Dimacali** is 63 years old and is a Filipino. Mr. Dimacali is the Chairman of the Audit and Risk Committee and a member of the Compensation Committee and the Nomination, Election and Governance Committee. He has been a member of the Board of Directors since 20 November 2002. Mr. Dimacali is the President and CEO of Federal Phoenix Assurance Company Inc. and Chairman of Asia Pacific College. He holds key positions in Manchester Ltd. (Interphil Laboratory), IBM Philippines Retirement Board, International Fellowship Program (Ford Foundation), Larger Than Life, Inc., and Manila Polo Club. He was formerly the President and CEO of IBM Philippines, Inc. Mr. Dimacali was educated at the University of the Philippines where he earned his BS Civil Engineering and his Master in Business Administration. Mr. Dimacali is an independent director of the Company and he has possessed all the qualifications and none of the disqualifications of a director since he was first nominated and elected as a director of the Company.

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

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

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

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

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

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

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

## Corporate Officers

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

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

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

## Significant Employees

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

## Family Relationships

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

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

## Involvement in Legal Proceedings

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

- (a) any bankruptcy petition filed by or against any business of which a director/independent director, officer or person nominated for election as director/independent director was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment in a criminal proceeding, domestic or foreign;
- (c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director, officer or persons nominated for election as director/independent director in any type of business, securities, commodities or banking activities; and
- (d) any final finding by a domestic or foreign court, the Securities and Exchange Commission or comparable foreign body, or any quasi-judicial or regulatory body, that any director/independent director, officer or any person nominated for election as director/independent director, has violated a securities or commodities law or regulation.

## 2. Executive Compensation

### Compensation of Directors

Section 6 of Art. 3 of the By-Laws of the Company provides that the members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two (2%) of the net income of the Company before tax. Presently, the members of the Board of Directors receive a per diem of ₱10,000 for every meeting attended. A director of the Company who attends all regular quarterly meetings receives a total of ₱40,000.00 annually. Each of the members of the three committees--(i) Audit and Risk; (ii) Nomination, Election and Governance; and (iii) Compensation-- also receive a per diem of ₱10,000.00 per meeting. No warrants and options have been granted to the directors and officers within the past three (3) years.

### Compensation of Executive Officers

Name and Principal Position	Year <sup>7</sup>	Salary	Bonus	Other Annual Compensation *
	<b>2008-09</b>			
CEO Pedro E. Roxas - Executive Chairman				₱60,000
A Ramon A. Picornell, Jr. - President & CEO				₱60,000
B Asuncion S. Aguilar – SVP Finance & Treasurer				
C Florencio M. Mamauag, Jr. – VP Legal & Compliance Officer				

<sup>7</sup> The Company's fiscal year starts on 01 July and ends on 30 June of the succeeding year.

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

<sup>8</sup> Mr. Del Rosario, Jr. resigned from the Company effective 31 August 2010.

<sup>9</sup> Effective 25 January 2010.

<sup>10</sup> Effective 30 March 2011, the Company's fiscal year is from 01 October of each year to 30 September of the following year.

<sup>11</sup> With the resignation of Mr. Francisco F. Del Rosario, Jr., Mr. Pedro E. Roxas was designated as Acting President and Chief Executive Officer on 07 October 2010 and was subsequently elected as President and CEO on 17 November 2010.



Name and Principal Position	Year <sup>7</sup>	Salary	Bonus	Other Annual Compensation *
E All officers & directors as group unnamed		₱3,108,531	₱82,500	₱510,000

\* Director's fees.

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

#### Estimated Compensation and Bonus for FY 2011-2012

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

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

### 3. Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities as of 30 September 2011:

<i>Title of Class</i>	<i>Name and Address of Owner/Relationship with Issuer</i>	<i>Name of Beneficial Ownership and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class<sup>12</sup></i>
Common	Antonio J. Roxas 7/F CG Building 101 Aguirre Street,	Antonio J. Roxas	Filipino	643,945,909 (direct)	22.11%

<sup>12</sup> The percentages of shareholding were arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 2,911,885,870 common shares, the total outstanding shares as of 30 September 2011.

<i>Title of Class</i>	<i>Name and Address of Owner/Relationship with Issuer</i>	<i>Name of Beneficial Ownership and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class<sup>12</sup></i>
	Legaspi Village, Makati City Director				
Common	SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City	SPCI Holdings, Inc. <sup>13</sup>	Philippine National	642,779,593 (direct)	22.07%
Common	Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman President & CEO	Pedro E. Roxas/ Pesan Holdings, Inc.	Filipino/ Philippine National	536,681,945 (direct & indirect)	18.43%
Common	HSBC OBO Manila A/C 000-262931-575 12/F, The Enterprise Center Tower I, 6766 Ayala Avenue Makati City	HSBC <sup>14</sup>	Other Alien	273,234,090 (direct)	9.38%
Common	Pilar Olgado Roxas Unit 3201 Regent Parkway Condominium, 21 <sup>st</sup> Drive, Bonifacio Global City, Taguig	Pilar Olgado Roxas	Filipino	262,706,512 (direct)	9.02%

<sup>13</sup> Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde are directors of the Company. The Board of Directors of SPCI, consisting of its 6 shareholders, collectively, has the power to decide on how the shareholdings of SPCI in the Company shall be voted.

<sup>14</sup> The Company has no official information as to who is/are the beneficial owner/s of the shares in the name of HSBC OBO Manila.

<i>Title of Class</i>	<i>Name and Address of Owner/Relationship with Issuer</i>	<i>Name of Beneficial Ownership and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number and Nature of Ownership</i>	<i>Percent of Class<sup>12</sup></i>
Common	Marta O. Roxas Dela Rica c/o 7F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City	Marta Olgado Roxas Dela Rica	Spanish	258,180,365 (direct)	8.87%
Common	Beatriz Olgado Roxas Unit 3201 Regent Parkway Condominium, 21 <sup>st</sup> Drive, Bonifacio Global City, Taguig Director	Beatriz Olgado Roxas	Spanish	257,579,335 (direct)	8.85%
<b>TOTAL</b>				<b>2,875,107,749</b>	<b>98.73%</b>

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

(b) Security Ownership of Management as of 30 September 2011.

The following table sets forth the number of shares owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of 30 September 2011:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Citizenship</i>	<i>Number and Nature Of Ownership</i>	<i>Percent of Class</i>
Common	Pedro E. Roxas Executive Chairman President / CEO	Filipino	536,681,945 (direct & indirect)	18.43 %
Common	Antonio J. Roxas Director	Filipino	643,945,909 (direct)	22.11%
Common	Beatriz O. Roxas Director	Spanish	257,579,335 (direct)	8.85%

Common	Carlos Antonio R. Elizalde <sup>15</sup> Director	Filipino	1,252,923 (direct)	0.04%
Common	Francisco Jose R. Elizalde <sup>16</sup> Director	Filipino	1,203,013 (direct)	0.04%
Common	Ramon Y. Dimacali Independent Director	Filipino	1,000 (direct)	0.00%
Common	Guillermo D. Luchangco Independent Director	Filipino	1,000 (direct)	0.00%
Common	Eduardo R. Areilza Director	Spanish	1,000 (direct)	0.00%
Common	Renato C. Valencia Director	Filipino	1,000 (direct)	0.00%
Common	Sindulfo L. Sumagang Vice-President / Chief Finance and Risk Management Officer/Treasurer	Filipino	0	0.00%
Common	Peter D. A. Barot Corporate Secretary	Filipino	0	0.00%
Common	Fritzie P. Tangkia- Fabricante Asst. Corp. Secretary	Filipino	0	0.00%
<b>Common</b>	<b>Directors and Officers As a</b>			

<sup>15</sup> Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). SPCI, in turn, owns 642,779,593 or 22.07% of the Company's shares.

<sup>16</sup> Please see footnote 15.

	<b>Group</b>		<b>1,440,667,125</b>	<b>49.47%</b>
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(c) Voting Trust Holders of 5% or More.

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

(d) Change in Control

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

(e) Certain Relationships and Related Transactions

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

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

Messrs. Pedro E. Roxas and Antonio J. Roxas, and Ms. Beatriz O. Roxas, incumbent directors of the Company, are also directors of RHI, a publicly-listed subsidiary of RCI. Mr. Eduardo R. Areilza, an incumbent director of RCI, is a member of RHI's Board of Advisors. As of 30 September 2011, the Company owns 65.70% of the total issued and outstanding capital of RHI.

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

## **PART V - CORPORATE GOVERNANCE**

The Board approved the Company's Revised Manual on Corporate Governance on 08 December 2009 in conformity with Memorandum Circular No. 6, Series of 2009 issued by the Securities and Exchange Commission. Since the effectivity of the Company's original Manual on Corporate Governance on 01 January 2003, the Company has complied with the principles contained in the Manual, both the original and the revised, insofar as they may be relevant to the Company's business. The Company likewise established an evaluation system to measure or determine the level of compliance of its Board of Directors and top-level management with the Manual. The evaluation system basically consists of determining the Company's compliance with certain best practices act such as the observance of the

basic rights of shareholders, equitable treatment of shareholders, recognizing the shareholders' role in corporate governance, timely disclosure and transparency and Board responsibility. Measures are also being undertaken by the Company to ensure full compliance with the leading practices it has adopted in the Manual such as the constitution of the Audit & Risk Committee, Compensation Committee, and Governance, Nomination and Election Committee, the election of the required number of independent directors to its Board of Directors, the amendment of Section 2 of Article II of its By-Laws dealing on the qualifications and disqualifications of its directors in order to adopt the provisions of the Manual which deal on the qualifications and disqualifications of directors. The Company has not deviated from or violated the provisions of the Manual. The Company undertakes to improve its corporate governance practices as may be required by law or the exigency of the business.

## **PART VI - EXHIBITS AND SCHEDULES**

Exhibits and Reports on SEC Form 17-C.

(a) Exhibits

Certified 2010-2011 Consolidated Financial Statements with Supplementary Schedules.

(b) Reports on SEC Form 17-C.

1. In a report dated 02 July 2010, the Company disclosed that in its regular meeting held on the same day, the Board of Directors of the Company appointed Mr. Renato C. Valencia as Advisor to the Board of Directors. Further, in the exercise of RCI's responsibilities as the parent company of Roxas Holdings, Inc. (RHI), the Board approved management's recommendation for RCI's Vice-President and Chief Finance Officer, Mr. Sindulfo L. Sumagang, to perform administrative and functional supervision over the departments of RHI involving controllership, financial planning and IT services.

The Board also passed and approved resolutions authorizing RCI's stock transfer agent, Unionbank of the Philippines, to issue un-certificated shares of RCI and for this purpose, to link with the electronic registry of PASTRA Net, Inc.

2. In a report dated 24 August 2010, the Company disclosed that Mr. Francisco F. Del Rosario, Jr. has resigned as Director and President / Chief Executive Officer of the Company effective 01 September 2010.
3. In a report dated 07 October 2010, the Company disclosed that in its regular meeting held on the same day, the Board of Directors of Roxas and Company, Inc., upon the favorable recommendation of its Audit Committee, approved the Audited Financial Statements of the Company (Parent and Consolidated) as of, and ending on, 30 June 2010.

Further, upon the favorable recommendation of its Nomination Committee and in conformity with the Company's By-Laws, the Board unanimously elected Mr. Renato C. Valencia as a member of the Board of Directors, and designated Mr. Pedro E. Roxas as Acting President and Chief Executive Officer of the Company.

The Board likewise set the Annual Stockholders' Meeting of the Company on 17 November 2010 at 10 o'clock in the morning to be held at the Makati Shangri-La, Ayala Avenue corner Makati Avenue, Makati City, 1200 Metro Manila. The record date for the purpose of the meeting is 15 October 2010.

4. In a report dated 17 November 2010, the Company disclosed that the shareholders of RCI, in the Annual Stockholders' Meeting, elected the following persons to the Board of Directors of the Company for the fiscal year 2010-2011:

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

The auditing firm of Sycip Gorres Velayo & Co. was also elected as the external auditor of the Company for the fiscal year 2010-2011.

Immediately after the stockholders' meeting, the newly-elected members of the Board of Directors held an organizational meeting where the following officers were elected:

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

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

Audit Committee

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

Compensation Committee

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

### Nomination Committee

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

5. In a report dated 19 January 2011, the Company disclosed that it received a copy of the Supreme Court's Resolution dated 14 December 2010 denying (i) RCI's *Motion for Reconsideration* of the 04 December 2009 Decision in SC GR Nos. 149548, 167505, 167540, 167543, 167845, 169163 and 179650<sup>17</sup>; and (ii) RCI's *Motion to Hold in Abeyance* the Resolution of its earlier Motion for Reconsideration.

It likewise disclosed that RCI's application to designate specific geographic areas within the 2,900-hectare properties as Tourism Enterprise Zones (TEZs) pursuant to Republic Act No. 9593, otherwise known as the "Tourism Act of 2009", remains pending with the Tourism Infrastructure and Enterprise Zone Authority ("TIEZA").

6. In a report dated 28 January 2011, the Company submitted (i) a Sworn Certification on Compliance with the Revised Manual on Corporate Governance for the year 2010; and (ii) a

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<sup>17</sup> GRN 167540 / 167543 - These involved an application for exemption of 2,930.29 hectares of land (Haciendas Banilad, Caylaway and Palico) based on Presidential Proclamation No. 1520, which reclassified Nasugbu into a tourist zone. The Supreme Court reversed the Court of Appeals and ruled that PP 1520 did not automatically convert the agricultural lands in the three municipalities, including Nasugbu, to non-agricultural lands. However, the Court noted that RCI "can only look to the provisions of the Tourism Act, and not to PP 1520, for possible exemption".

GRN 179650 – This involved an application for CARP exemption of 6 parcels of land with a total area of 51.5472 hectares based on a 1982 Municipal Zoning ordinance. The Supreme Court ruled that "in view of the discrepancies in the location and identity of the subject parcels of land", RCI's application cannot be granted.

GRN 149548 – The only issue raised here by RCI is the legality and validity of the Court of Appeals' decision directing the Department of Agrarian Reform to install farmer beneficiaries within the 51.5472-hectare lot subject of GRN 179650. The High Court ruled that in view of its ruling in GRN 179650, this particular petition should likewise be denied.

GRN 167505 – The Supreme Court granted RCI's application for CARP exemption of a 45.97-hectare property, subject to payment of disturbance compensation to the affected farmer-beneficiaries.

GRN 167845 involves the cancellation of CLOA No. 6654 insofar as 103 hectares are concerned, while GRN 169163 sought the cancellation of the same CLOA 6654 for the remaining 400 hectares. In GRN 167845, the Supreme Court affirmed the Court of Appeals' Decision to remand the case to the Department of Agrarian Reform Adjudication Board. In GRN 169163, the Court that the CLOAs covering the other lots in Hacienda Palico and the other two haciendas, except for the 45.97-hectare property subject of GRN 167505, should be respected since RCI failed to prove that the said haciendas are CARP-exempt.



Sworn Certification on the attendance of each director of the Corporation in Board meetings held during the same year.

7. In a report dated 28 January 2011, the Company disclosed that it received a copy of a letter dated 26 January 2011 from the Office of the General Accountant of the Securities and Exchange Commission.

The SEC confirmed that the RCI-proposed adjustments “do not run counter to the principles laid down in the [Philippine Financial Reporting Standards] and would allow a more understandable financial information for users”. These proposed adjustments are:

- a) Change in accounting policy of Investment Property from cost to fair value, and accordingly, record the Revaluation Surplus; and
- b) Transfer of debit balance of “Other Equity Reserve” amounting to ₱3,988,787,511 to “Retained Earnings”.

With the said confirmation, RCI will be able to (a) record the increase in fair value of its Investment Properties in the amount of ₱4,285,754,280 and a corresponding restriction in the retained earnings in the amount of ₱4,008,246,780 (net of related deferred tax liability), and (b) eliminate the negative balance of “Other Equity Reserve” in the amount of ₱3,988,787,511 presented in its equity by transferring the said reserve to Retained Earnings.

8. In a report dated 02 February 2011, the Company disclosed that it filed a Motion for Leave To File and To Admit Second Reconsideration in the CARP-related cases that are pending with the Supreme Court. The Company asked the Supreme Court to reverse its Resolution dated 14 December 2010 and issue a Resolution holding in abeyance the resolution of its Motion for Reconsideration dated 13 January 2010 until after the Tourism Infrastructure and Enterprise Zone Authority shall have finally decided whether Haciendas Banilad, Palico and Caylaway in Nasugbu, Batangas can be converted into Tourism Enterprise Zones, and thereby exempt from the coverage of CARP.

9. In a report dated 10 February 2011, the Company disclosed that in a regular meeting of the Board of Directors held on the said date, the Board approved the following:

- a) Amendment of Article VI, Section 1 of RCI’s By-Laws by changing RCI’s fiscal year from 01 July-30 June to 01 October-30 September;
- b) Amendment of Article II, Section 1 of RCI’s By-Laws by changing the annual stockholders’ meeting from 3<sup>rd</sup> Wednesday of November of each year to 4<sup>th</sup> Wednesday of February;
- c) Integration of the Risk, Election and Governance Committees with the existing committees, to wit:

<b>From</b>	<b>To</b>
Audit Committee	Audit and Risk Committee

Nomination Committee

Nomination, Election and Governance  
Committee

Compensation Committee

Compensation Committee

10. In a report dated 11 March 2011, the Company disclosed that it received from the Supreme Court a Resolution dated 08 February 2011 denying its Motion for Leave to File and To Admit Second Reconsideration in its CARP-related cases. In view of the said denial, the Company's Second Motion for Reconsideration was noted without action. As of said date, however, RCI's application to designate specific geographic areas within its landholdings in Nasugbu, Batangas as Tourism Enterprise Zones pursuant to the Tourism Act of 2009 remains pending with the TIEZA.
11. In a report dated 14 March 2011, the Company submitted the Certificate of Attendance issued to Mr. Eduardo Areilza, a non-resident director of RCI, certifying that he attended the seminar on Corporate Governance of Financial Institutions and the Financial Crisis on 14 March 2011 in Madrid, Spain, together with the program description. This was in compliance with the requirement that all members of the Board of Directors and officers of a publicly-listed company should attend a seminar on Corporate Governance.
12. In a report dated 30 March 2011, the Company disclosed that on the said date, the Securities and Exchange Commission approved the amendment of the By-Laws of the Company, particularly the following provisions:
  - a) Article II, Section 1 of the By-Laws is amended by changing RCI's annual stockholders' meeting from "*third Wednesday of November*" to "*fourth Wednesday of February*"; and
  - b) Article VI, Section 1 of the By-Laws is amended by changing RCI's fiscal year from the "*1<sup>st</sup> day of July of each year and end on the 30<sup>th</sup> day of June the following year*" to the "*1<sup>st</sup> day of October of each year and end on the 30<sup>th</sup> day of September the following year*".
13. In a report dated 20 September 2011, the Company disclosed that it received from the Supreme Court a Decision dated 05 September 2011<sup>18</sup> affirming the exemption of a 21.1236-hectare property from the coverage of CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.
14. In a report dated 07 October 2011, the Company disclosed that its Board of Directors approved the following: a) setting 22 February 2012 as the date of the annual stockholders' meeting; and b) fixing 03 January 2012 as the record date for stockholders entitled to notice of, and to vote at, the annual stockholders' meeting.
15. In a report dated 13 October 2011, the Company disclosed that its Board of Directors, upon the recommendation of its Audit and Risk Committee, approved the Audited Financial Statements of the Company (Parent and Consolidated) as of and ending on 30 June 2011.

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<sup>18</sup> Agapito Rom, et. al. vs. Roxas and Company, Inc., G.R. No. 169331.

# ROXAS AND COMPANY, INC. AND SUBSIDIARIES

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

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## **FIRST SECTION**



Roxas & Company, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

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

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

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

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

Signed under oath by the following:

PEÐRO E. ROXAS  
Executive Chairman

SINDULFO L. SUMAGANG  
VP - CFO

VIRGINIA R. ALCAIDE  
Finance Manager

'OCT 26 2011

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of October 2011, affiants exhibited to me their respective Community Tax Certificates, as follows:

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

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Page No. 3 ;  
Book No. II ;  
Series of 2011

  
**ATTY. FRITZIE P. TANGKIA**  
Appointment No. M-308  
Notary Public for Makati City  
Until December 31, 2012  
7<sup>th</sup> Floor CG Building, 101 Aguirre Street  
Legaspi Village, Makati City  
Roll of Attorneys No. 45352  
PTR No. MKT 2089913/01-11-11/Makati City  
IBP No. 848112/01-10-11/Pangasinan  
MCLE Compliance No. III-0013510/04-22-10

# COVER SHEET

P W - 8 3 4

SEC Registration Number

R O X A S A N D C O M P A N Y , I N C .  
A N D S U B S I D I A R I E S

(Company's Full Name)

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

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

**Santiago R. Elizalde**

(Contact Person)

**(02) 810-8901**

(Company Telephone Number)

0 6

Month

(Fiscal Year)

3 0

Day

(Fiscal Year)

A A C F S

(Form Type)

Month

Day

(Annual Meeting)

**Not Applicable**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_

LCU

Document ID

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Cashier

STAMPS

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## INDEPENDENT AUDITORS' REPORT

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

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

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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





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

***Opinion***

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

SYCIP GORRES VELAYO & CO.



Josephine H. Estomo  
Partner  
CPA Certificate No. 46349  
SEC Accreditation No. 0078-AR-2  
Tax Identification No. 102-086-208  
BIR Accreditation No. 08-001998-18-2009,  
June 1, 2009, Valid until May 31, 2012  
PTR No. 2641524, January 3, 2011, Makati City

October 13, 2011



**ROXAS AND COMPANY, INC.**  
**AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(Amounts in Thousands)**

	<b>June 30</b>		
	<b>2011</b>	2010 (As restated, Note 2)	2009 (As restated, Note 2)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 4)	<b>₱403,279</b>	₱236,614	₱342,999
Receivables (Notes 5 and 16)	<b>724,180</b>	940,944	981,025
Inventories (Note 6)	<b>2,637,110</b>	1,873,137	1,588,509
Real estate for sale and development - at cost (Notes 7 and 15)	<b>329,351</b>	331,371	330,275
Prepayments and other current assets (Note 8)	<b>379,576</b>	269,144	185,958
<b>Total Current Assets</b>	<b>4,473,496</b>	3,651,210	3,428,766
<b>Noncurrent Assets</b>			
Installment contract receivables - net of current portion (Note 5)	<b>24,707</b>	36,206	19,768
Property, plant and equipment (Notes 11 and 15)			
At cost	<b>9,140,544</b>	9,305,639	7,152,442
At appraised values	<b>2,714,624</b>	2,485,515	2,518,174
Investment properties (Notes 2, 10, 15 and 18)	<b>4,635,719</b>	4,634,267	4,637,445
Investment in shares of stock of associates (Note 9)	<b>848,871</b>	760,232	739,125
Net pension plan assets (Note 17)	<b>136,060</b>	145,458	146,533
Deferred income tax assets - net (Notes 2 and 24)	<b>170</b>	4,977	4,823
Other noncurrent assets (Note 5)	<b>33,309</b>	35,578	53,090
<b>Total Noncurrent Assets</b>	<b>17,534,004</b>	17,407,872	15,271,400
<b>TOTAL ASSETS</b>	<b>₱22,007,500</b>	₱21,059,082	₱18,700,166

**LIABILITIES AND EQUITY**

**Current Liabilities**

Short-term borrowings (Note 12)	<b>₱3,286,500</b>	₱2,502,404	₱3,002,500
Accounts payable and accrued expenses (Notes 13 and 16)	<b>610,374</b>	716,925	880,263
Customers' deposits (Note 14)	<b>135,415</b>	150,300	199,019
Income tax payable	<b>990</b>	-	4,747
Dividends payable	<b>20,522</b>	20,565	45,575
Current portion of long-term borrowings (Notes 7, 10, 11 and 15)	<b>912,361</b>	76,339	-
Noncurrent portion of long-term borrowings presented as current (Notes 7, 10, 11 and 15)	<b>6,157,686</b>	-	-
<b>Total Current Liabilities</b>	<b>11,123,848</b>	3,466,533	4,132,104

(Forward)



	<b>June 30</b>		
	<b>2011</b>	2010 (As restated, Note 2)	2009 (As restated, Note 2)
<b>Noncurrent Liabilities</b>			
Long-term borrowings - net of current portion (Notes 7, 10, 11 and 15)	<b>₱26,667</b>	₱6,124,969	₱3,251,973
Net pension benefit obligation (Note 17)	<b>2,377</b>	41,097	74,210
Deferred income tax liabilities - net (Notes 2 and 24)	<b>1,048,215</b>	1,002,045	986,789
<b>Total Noncurrent Liabilities</b>	<b>1,077,259</b>	7,168,111	4,312,972
<b>Total Liabilities</b>	<b>12,201,107</b>	10,634,644	8,445,076
<b>EQUITY</b> (Notes 1, 2 and 25)			
Attributable to the equity holders of the Company:			
Share capital	<b>2,911,886</b>	2,911,886	2,911,886
Share premium	<b>1,611,393</b>	1,611,393	1,611,393
Effect of change in ownership interest in subsidiaries	<b>(81,066)</b>	(81,066)	(81,066)
Revaluation increment on properties	<b>1,335,075</b>	1,174,699	1,201,721
Share in revaluation increment on land of an associate	<b>136,322</b>	136,322	136,322
Share in fair value reserve of an associate	<b>5,179</b>	5,179	3,623
Retained earnings	<b>2,055,866</b>	2,581,836	2,482,197
	<b>7,974,655</b>	8,340,249	8,266,076
Noncontrolling interests	<b>1,831,738</b>	2,084,189	1,989,014
<b>Total Equity</b>	<b>9,806,393</b>	10,424,438	10,255,090
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱22,007,500</b>	₱21,059,082	₱18,700,166

*See accompanying Notes to Consolidated Financial Statements.*



**ROXAS AND COMPANY, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

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

	Years Ended June 30		
	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
<b>REVENUE</b> (Note 19)	<b>₱7,978,326</b>	₱6,289,153	₱5,932,606
<b>COST OF GOODS SOLD</b> (Note 20)	<b>7,727,221</b>	5,355,510	5,024,061
<b>GROSS PROFIT</b>	<b>251,105</b>	933,643	908,545
Operating expenses (Notes 2 and 21)	<b>(671,016)</b>	(741,576)	(683,687)
Equity in net earnings of associates (Note 9)	<b>180,017</b>	144,604	82,415
Interest expense (Notes 12 and 15)	<b>(639,888)</b>	(346,188)	(146,977)
Interest income (Notes 4 and 5)	<b>15,116</b>	17,606	25,779
Other income - net (Notes 2 and 23)	<b>86,346</b>	291,769	60,552
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(778,320)</b>	299,858	246,627
<b>PROVISION FOR INCOME TAX</b> (Notes 2 and 24)			
Current	<b>21,853</b>	55,712	142,776
Deferred	<b>(17,502)</b>	35,225	45,193
	<b>4,351</b>	90,937	187,969
<b>NET INCOME (LOSS)</b>	<b>(₱782,671)</b>	₱208,921	₱58,658
Attributable to:			
Equity holders of the Company	<b>(₱525,970)</b>	₱99,639	(₱2,336)
Noncontrolling interests	<b>(256,701)</b>	109,282	60,994
	<b>(₱782,671)</b>	₱208,921	₱58,658
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b> (Note 26)	<b>(₱0.18)</b>	₱0.03	(₱0.001)

See accompanying Notes to Consolidated Financial Statements.



**ROXAS AND COMPANY, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Years Ended June 30		
	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
<b>NET INCOME (LOSS)</b>	<b>(P782,671)</b>	P208,921	P58,658
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Increase (decrease) in revaluation increment on land (Note 11)	229,109	(58,756)	–
Income tax effect	(68,733)	17,627	–
	<b>160,376</b>	(41,129)	
Share in changes in fair value of available-for-sale investments of an associate (Note 9)	–	1,727	–
Income tax effect	–	(171)	–
	–	1,556	–
	<b>160,376</b>	(39,573)	–
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P622,295)</b>	P169,348	P58,658
Attributable to:			
Equity holders of the Company	(P365,594)	P74,173	(P2,336)
Noncontrolling interests	(256,701)	95,175	60,994
	<b>(P622,295)</b>	P169,348	P58,658

*See accompanying Notes to Consolidated Financial Statements.*



**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED JUNE 30, 2011, 2010 AND 2009**  
**(Amounts in Thousands)**

	Attributable to the Equity Holders of the Company (Notes 1 and 25)										Noncontrolling Interests (Notes 1 and 25)	Total
	Share Capital	Share Premium	Other Equity Reserve	Effect of Change in Ownership Interest in Subsidiaries	Revaluation Increment on Properties	Share in Revaluation Increment on Land of an Associate	Share in Fair Value Reserve of an Associate	Retained Earnings	Total	Total		
<b>BALANCES AS OF JUNE 30, 2008,</b>												
<b>AS PREVIOUSLY REPORTED</b>	<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>(₱3,793,136)</b>	<b>(₱46,881)</b>	<b>₱1,175,819</b>	<b>₱129,641</b>	<b>₱3,623</b>	<b>₱2,273,731</b>	<b>₱4,266,076</b>	<b>₱2,174,236</b>	<b>₱6,440,312</b>	
Effect of change in accounting policy (Note 2)	-	-	-	-	-	-	-	4,008,756	4,008,756	-	4,008,756	
Transfer of other equity reserve to retained earnings (Note 2)	-	-	3,793,136	-	-	-	-	(3,793,136)	-	-	-	
<b>BALANCES AS OF JUNE 30, 2008,</b>												
<b>AS RESTATED</b>	<b>2,911,886</b>	<b>1,611,393</b>	<b>-</b>	<b>(46,881)</b>	<b>1,175,819</b>	<b>129,641</b>	<b>3,623</b>	<b>2,489,351</b>	<b>8,274,832</b>	<b>2,174,236</b>	<b>10,449,068</b>	
Net income (loss) for the year, as previously reported	-	-	-	-	-	-	-	(4,487)	(4,487)	60,994	56,507	
Effect of change in accounting policy (Note 2)	-	-	-	-	-	-	-	2,151	2,151	-	2,151	
Net income (loss) for the year, as restated	-	-	-	-	-	-	-	(2,336)	(2,336)	60,994	58,658	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	(2,336)	(2,336)	60,994	58,658	
Transfer of revaluation increment on properties through depreciation and sale	-	-	-	-	(20,182)	-	-	20,182	-	-	-	
Dividends declared	-	-	-	-	-	-	-	(25,000)	(25,000)	(40,385)	(65,385)	
Changes in ownership interest in subsidiary resulting in the reduction of noncontrolling interest (Note 1)	-	-	-	(34,185)	46,084	6,681	-	-	18,580	(205,831)	(187,251)	
<b>BALANCES AS OF JUNE 30, 2009,</b>												
<b>AS RESTATED</b>	<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>₱-</b>	<b>(₱81,066)</b>	<b>₱1,201,721</b>	<b>₱136,322</b>	<b>₱3,623</b>	<b>₱2,482,197</b>	<b>₱8,266,076</b>	<b>₱1,989,014</b>	<b>₱10,255,090</b>	
<b>BALANCES AS OF JUNE 30, 2009</b>												
<b>AS PREVIOUSLY REPORTED</b>	<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>(₱3,793,136)</b>	<b>(₱81,066)</b>	<b>₱1,201,721</b>	<b>₱136,322</b>	<b>₱3,623</b>	<b>₱2,264,426</b>	<b>₱4,255,169</b>	<b>₱1,989,014</b>	<b>₱6,244,183</b>	
Effect of change in accounting policy (Note 2)	-	-	-	-	-	-	-	4,010,907	4,010,907	-	4,010,907	
Transfer of other equity reserve to retained earnings (Note 2)	-	-	3,793,136	-	-	-	-	(3,793,136)	-	-	-	
<b>BALANCES AS OF JUNE 30, 2009</b>												
<b>AS RESTATED</b>	<b>2,911,886</b>	<b>1,611,393</b>	<b>-</b>	<b>(81,066)</b>	<b>1,201,721</b>	<b>136,322</b>	<b>3,623</b>	<b>2,482,197</b>	<b>8,266,076</b>	<b>1,989,014</b>	<b>10,255,090</b>	
Net income for the year, as previously reported	-	-	-	-	-	-	-	98,743	98,743	109,282	208,025	
Effect of change in accounting policy (Note 2)	-	-	-	-	-	-	-	896	896	-	896	
Net income for the year, as restated	-	-	-	-	-	-	-	99,639	99,639	109,282	208,921	
Other comprehensive income (loss)	-	-	-	-	(27,022)	-	1,556	-	(25,466)	(14,107)	(39,573)	
Total comprehensive income (loss) for the year	-	-	-	-	(27,022)	-	1,556	99,639	74,173	95,175	169,348	
<b>BALANCES AS OF JUNE 30, 2010,</b>												
<b>AS RESTATED</b>	<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>₱-</b>	<b>(₱81,066)</b>	<b>₱1,174,699</b>	<b>₱136,322</b>	<b>₱5,179</b>	<b>₱2,581,836</b>	<b>₱8,340,249</b>	<b>₱2,084,189</b>	<b>₱10,424,438</b>	



	Attributable to the Equity Holders of the Company (Notes 1 and 25)										Total
	Share Capital	Share Premium	Other Equity Reserve	Effect of Change in Ownership Interest in Subsidiaries	Revaluation Increment on Properties	Share in Revaluation Increment on Land of an Associate	Share in Fair Value Reserve of an Associate	Retained Earnings	Total	Noncontrolling Interests (Notes 1 and 25)	
<b>BALANCES AS OF JUNE 30, 2010, AS PREVIOUSLY REPORTED</b>	<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>(₱3,793,136)</b>	<b>(₱81,066)</b>	<b>₱1,174,699</b>	<b>₱136,322</b>	<b>₱5,179</b>	<b>₱2,363,169</b>	<b>₱4,328,446</b>	<b>₱2,084,189</b>	<b>₱6,412,635</b>
Effect of change in accounting policy (Note 2)	-	-	-	-	-	-	-	4,011,803	4,011,803	-	4,011,803
Transfer of other equity reserve to retained earnings (Note 2)	-	-	3,793,136	-	-	-	-	(3,793,136)	-	-	-
<b>BALANCES AS OF JUNE 30, 2010, AS RESTATED</b>	<b>2,911,886</b>	<b>1,611,393</b>	<b>-</b>	<b>(81,066)</b>	<b>1,174,699</b>	<b>136,322</b>	<b>5,179</b>	<b>2,581,836</b>	<b>8,340,249</b>	<b>2,084,189</b>	<b>10,424,438</b>
Net loss for the year	-	-	-	-	-	-	-	(525,970)	(525,970)	(256,701)	(782,671)
Other comprehensive income	-	-	-	-	160,376	-	-	-	160,376	-	160,376
Total comprehensive income (loss) for the year	-	-	-	-	160,376	-	-	(525,970)	(365,594)	(256,701)	(622,295)
Noncontrolling interest arising from acquisition of a subsidiary (Notes 2 and 9)	-	-	-	-	-	-	-	-	-	4,259	4,259
Changes in ownership interest in subsidiary resulting in the reduction of noncontrolling interest	-	-	-	-	-	-	-	-	-	(9)	(9)
<b>BALANCES AS OF JUNE 30, 2011</b>	<b>₱2,911,886</b>	<b>₱1,611,393</b>	<b>₱-</b>	<b>(₱81,066)</b>	<b>₱1,335,075</b>	<b>₱136,322</b>	<b>₱5,179</b>	<b>₱2,055,866</b>	<b>₱7,974,655</b>	<b>₱1,831,738</b>	<b>₱9,806,393</b>

See accompanying Notes to Consolidated Financial Statements.



**ROXAS AND COMPANY, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	<b>Years Ended June 30</b>		
	<b>2011</b>	2010 (As restated, Note 2)	2009 (As restated, Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	<b>(₱778,320)</b>	₱299,858	₱246,627
Adjustments for:			
Depreciation (Notes 11, 20 and 21)	<b>550,484</b>	409,144	304,014
Loss (gain) on disposal of property and equipment and investment properties	<b>7,782</b>	(972)	10,987
Equity in net earnings of associates (Note 9)	<b>(180,017)</b>	(144,604)	(82,415)
Interest income (Notes 4 and 5)	<b>(15,116)</b>	(17,606)	(25,779)
Interest expense (Notes 12 and 15)	<b>639,888</b>	346,188	146,977
Gain on exchange of assets (Note 9)	<b>(7,170)</b>	-	-
Unrealized fair value losses (gains) on investment properties (Notes 2 and 10)	<b>(1,452)</b>	700	-
Movement in net pension plan assets and liabilities	<b>(29,322)</b>	(32,038)	(13,834)
Impairment of investment in shares of stock of associates	-	-	1,154
Net cash from operations before working capital changes	<b>186,757</b>	860,670	587,731
Decrease (increase) in:			
Receivables	<b>228,263</b>	23,643	(285,638)
Inventories	<b>(1,134,101)</b>	(308,678)	(137,146)
Real estate for sale and development	<b>2,020</b>	(1,096)	(1,075)
Prepayments and other current assets	<b>(45,675)</b>	(50,758)	(75,511)
Increase (decrease) in:			
Accounts payable and accrued expenses	<b>(124,123)</b>	(219,163)	183,934
Customers' deposits	<b>(14,885)</b>	(48,719)	(30,712)
Provision for inventory losses and obsolescence (Notes 6, 20 and 21)	<b>370,128</b>	24,050	16,544
Cash generated from (used in) operations	<b>(531,616)</b>	279,949	258,127
Interest received	<b>16,106</b>	17,571	11,824
Income taxes paid, including creditable withholding and final taxes	<b>(86,416)</b>	(88,349)	(280,315)
Net cash from (used in) operating activities	<b>(601,926)</b>	209,171	(10,364)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment (Note 11)	<b>(351,425)</b>	(2,540,718)	(3,422,000)
Proceeds from sale of property and equipment and investment properties	<b>2,949</b>	8,283	25,943
Dividends received (Note 9)	<b>91,360</b>	71,373	68,520
Disposals of (additions to) other noncurrent assets	<b>2,581</b>	(521)	34,498
Net cash used in investing activities	<b>(254,535)</b>	(2,461,583)	(3,293,039)

(Forward)





	<b>Years Ended June 30</b>		
	<b>2011</b>	2010 (As restated, Note 2)	2009 (As restated, Note 2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from (payments of) short-term borrowings (Note 12)	<b>₱784,096</b>	(₱500,096)	₱2,234,448
Proceeds from long-term borrowings (Note 15)	<b>925,000</b>	2,962,000	1,425,000
Payments of long-term borrowings (Note 15)	<b>(65,287)</b>	-	(31,478)
Interest paid	<b>(620,683)</b>	(290,872)	(105,320)
Dividends paid (Note 25)	-	(25,005)	(98,644)
Reacquisition of shares of stock by subsidiaries (Note 25)	-	-	(160,492)
Net cash flows from financing activities	<b>1,023,126</b>	2,146,027	3,263,514
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>166,665</b>	(106,385)	(39,889)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>236,614</b>	342,999	382,888
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱403,279</b>	₱236,614	₱342,999

*See accompanying Notes to Consolidated Financial Statements.*



**ROXAS AND COMPANY, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

*Corporate Information*

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

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

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

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

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

On February 10, 2011, the Board of Directors (BOD) approved the amendment of the Company’s By-Laws changing the accounting period of the Company and its subsidiaries from fiscal year ending June 30 to September 30 of each year. The change in accounting period of the Company was approved by the Philippine SEC on March 30, 2011. The change in accounting period of the Company’s subsidiaries was approved by the Philippine SEC on various dates in 2011.

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



#### *Group Restructuring and Merger*

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

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

The merger was accounted for similar to pooling of interests. The assets and liabilities of CADPGC and RCI were reflected at their carrying values and comparatives were restated to include balances and transactions as if the entities had been merged at the beginning of the earliest period presented. 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 (“Other equity reserve”) in the equity section of the consolidated balance sheets and in the consolidated statements of changes in equity.

In 2011, the Group changed its accounting policy for investment properties from cost to fair value model resulting in the increase in beginning balance of the retained earnings amounting to ₱4.0 billion (see Note 2). The Group also opted to transfer the balance of the “Other equity reserve” arising from the merger between RCI and CADPGC as discussed in the preceding paragraph to retained earnings as management believes that such transfer of the “Other equity reserve” arising from the merger will result to a more useful and relevant financial statements. The adjustments were made retrospectively in accordance with Philippine Accounting Standard (PAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (see Note 2).

#### *Status of Operations and Management Action Plans*

In 2011, the Group were significantly affected by the volatility of the prices of sugar, molasses and ethanol, impacting the Group’s profitability, cash flows and its ability to service its debts (see Notes 12 and 15). Due to this, the Group incurred a consolidated net loss of ₱782.7 million, had a net cash outflow from operating activities of ₱601.9 million and did not meet the minimum debt service coverage ratio (DSCR) required under its long-term loan agreements with certain creditor banks as of June 30, 2011.

In line with the continuing efforts to improve the sugar operations, ensure the long-term viability of its business and address the adverse effects of the volatility of the sugar and alcohol prices, the Group’s management has implemented the following strategies, among others: (1) carrying out marketing programs to generate additional revenues from sales of alcohol, sugar and allied products and services; (2) increasing mill share to minimize sourcing of raw sugar from third parties; and (3) implementing cost reduction programs in its plants, such as but not limited to the reduction of fuel costs by reducing downtime, improving plant facilities to enable efficient plant utilization and maximizing the use of cheaper fuel alternatives, etc.

In September and October 2011, the Group obtained from creditor banks a waiver of breach of covenant on the DSCR covering the fiscal year ended June 30, 2011 and interim period ended September 30, 2011.



*Approval of the Consolidated Financial Statements*

The consolidated financial statements as of June 30, 2011 and 2010 and for each of the three years in the period ended June 30, 2011 have been approved and authorized for issue by the Company's BOD on October 13, 2011.

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

### Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, PAS and interpretations of the Standing Interpretations Committee, Philippine Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

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

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

### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations based on IFRIC, amendments to existing PAS and PFRS which were adopted as of July 1, 2010 and a voluntary change in accounting policy for investment properties from cost to fair value model.

- 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 PFRS 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. The adoption of this standard did not affect the consolidated financial statements of the Group.
- Amendment to PAS 32, *Classification of Rights Issues*, 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 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. The adoption of this standard did not affect the consolidated financial statements of the Group.

#### *Improvements to PFRS*

The omnibus amendments to PFRS issued in 2009 and 2010 were issued primarily with a view to remove inconsistencies and clarify wordings. There are separate transitional provisions for each standard which are all effective beginning January 1, 2010 (effective for the Group in fiscal year 2011). The adoption of these amendments did not significantly impact the financial position or performance of the Group.

#### *Improvements to PFRS Issued in 2009*

- 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 PFRS 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.
- 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.

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

- PFRS 3, *Business Combinations*, clarifies that the amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32 and PAS 39 eliminating the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3. The amendment limits the scope of the measurement choices for components of noncontrolling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation. The amendment also requires an entity (in a business combination)



to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily) and specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards.

- PAS 1, *Presentation of Financial Statements*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- PAS 27, *Consolidated and Separate Financial Statements*, clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

#### *Voluntary Change in Accounting Policy for Investment Properties*

In 2011, the Group changed its accounting policy for investment properties from cost to fair value model (see Note 1). In accordance with PAS 40, *Investment Property*, the Group's investment properties will be measured at fair value at each reporting date with fair value changes recognized in profit or loss. Changes have been applied retrospectively in accordance with PAS 8 resulting in the restatement of prior year financial information.

The reconciliation of the effects of the voluntary change in accounting policy as they apply on each financial statement line item affected on the 2010 and 2009 financial statements and opening balances as of July 1, 2008 is presented below.

	As of and for the year ended June 30, 2010			As of and for the year ended June 30, 2009			As of July 1, 2008		
	As previously reported	Effect of change in accounting policy	As restated	As previously reported	Effect of change in accounting policy	As restated	As previously reported	Effect of change in accounting policy	As restated
<i>(In Thousands)</i>									
<b>Balance Sheets</b>									
Investment properties	<b>₱344,392</b>	<b>₱4,289,875</b>	<b>₱4,634,267</b>	₱347,956	₱4,289,489	₱4,637,445	₱354,223	₱4,283,222	₱4,637,445
Deferred income tax assets - net	<b>6,187</b>	<b>(1,210)</b>	<b>4,977</b>	8,120	(3,297)	4,823	57,444	(1,498)	55,946
Deferred income tax liabilities - net	<b>725,150</b>	<b>276,895</b>	<b>1,002,045</b>	711,466	275,323	986,789	721,988	276,796	998,784
Other equity reserve	<b>(3,793,136)</b>	<b>3,793,136</b>	<b>-</b>	(3,793,136)	3,793,136	-	(3,793,136)	3,793,136	-
Retained earnings	<b>2,363,169</b>	<b>218,667</b>	<b>2,581,836</b>	2,264,426	217,771	2,482,197	2,273,731	215,620	2,489,351
<b>Statements of Income</b>									
Operating expenses	<b>742,657</b>	<b>(1,081)</b>	<b>741,576</b>	686,760	(3,073)	683,687	-	-	-
Other income - net	<b>292,469</b>	<b>(700)</b>	<b>291,769</b>	60,552	-	60,552	-	-	-
Provision for income tax - deferred	<b>35,740</b>	<b>(515)</b>	<b>35,225</b>	44,721	472	45,193	-	-	-
Net income	<b>208,025</b>	<b>896</b>	<b>208,921</b>	56,507	2,151	58,658	-	-	-
Total comprehensive income	<b>168,452</b>	<b>896</b>	<b>169,348</b>	56,507	2,151	58,658	-	-	-

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

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



#### *Effective 2012*

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

#### *Improvements to PFRS*

The omnibus amendments to PFRS issued in 2010 are effective for annual periods beginning on or after June 30, 2011. The Group has not early adopted the following amendments and anticipates that these changes will have no material impact on the consolidated financial statements.

- PFRS 7, *Financial Instruments: Disclosures*, emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

#### *Effective 2013*

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

#### *Effective 2016*

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



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

*Accounting Standards Not Yet Adopted by the Philippines*

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

- Amendments to PAS 1, *Financial Statement Presentation*, improve how we present components of other comprehensive income. The new requirements are effective for annual periods beginning on or after July 1, 2012.
- Amendments to PAS 19, *Employee Benefits*, will improve the recognition and disclosure requirements for defined benefit plans. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.
- PFRS 10, *Consolidated Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard defines control when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. PFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities*, and PAS 27. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements in PAS 27. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- PFRS 11, *Joint Arrangements*, supersedes PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. This standard describes the accounting for joint arrangements with joint control. Further, proportionate consolidation is not permitted for joint ventures under the new definition of a joint venture. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- PFRS 12, *Disclosures of Interests in Other Entities*, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. PFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.
- PFRS 13, *Fair Value Measurement*, establishes new guidance on fair value measurement and disclosures. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2011 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 interpretations are adopted subsequent to June 30, 2011.





Consolidation

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

	Percentage of Ownership			Main Activity
	2011	2010	2009	
RHI	<b>65.70</b>	65.70	65.70	Holding company of its subsidiaries that operate mill and refinery facilities to manufacture sugar and allied products; shares of stock are listed in the PSE.
Roxaco Land Corporation (RLC)	<b>100.00</b>	100.00	100.00	Engaged on development and sales of real estate.
United Ventures Corporation (UVC)	<b>100.00</b>	100.00	100.00	Warehouse leasing
Nasugbu Feeds Corporation (NAFECOR)	<b>100.00</b>	100.00	100.00	The subsidiary has currently no commercial operations. Originally to engage in manufacture of animal feeds and feedstocks.

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

	Percentage of Ownership		
	2011	2010	2009
Central Azucarera Don Pedro, Inc. (CADPI)	<b>100.00</b>	100.00	100.00
Central Azucarera de La Carlota, Inc. (CACI)	<b>100.00</b>	100.00	100.00
CADP Insurance Agency, Inc. (CIAI) <sup>(1)</sup>	<b>100.00</b>	100.00	100.00
CADP Consultancy Services, Inc. (CCSI)	<b>100.00</b>	100.00	100.00
CADP Farm Services, Inc. (CFSI)	<b>100.00</b>	100.00	100.00
Jade Orient Management Services, Inc. (JOMSI)	<b>99.99</b>	99.99	99.99
Najalin Agri Ventures, Inc. (NAVI)	<b>77.38</b>	77.38	77.27
Roxol Bioenergy Corporation (RBC) <sup>(2)</sup>	<b>100.00</b>	100.00	100.00
CADP Port Services, Inc. (CPSI) <sup>(3)</sup>	<b>100.00</b>	100.00	100.00
Roxas Power Corporation (RPC) <sup>(3)</sup>	<b>50.00</b>	50.00	50.00

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

<sup>(2)</sup> RBC was incorporated on February 29, 2008 and has not yet started commercial operations.

<sup>(3)</sup> CPSI and RPC were incorporated on July 17, 2008 and have not yet started commercial operations. RHI has control on RPC since it has the power to cast the majority of votes at the BOD's meetings and the power to govern the financial and reporting policies of RPC.

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

	Percentage of Ownership		
	2011	2010	2009
Roxaco Commercial Properties Corporation (RCPC) <sup>(1)</sup>	<b>100.00</b>	100.00	100.0
Fuego Hotels and Properties Management Corporation (FHPMC) <sup>(2)</sup>	<b>63.00</b>	—	—

<sup>(1)</sup> RCPC was incorporated on January 14, 1999 to handle the property management and commercial development of RLC and has not yet started commercial operations.

<sup>(2)</sup> FHPMC was acquired on June 10, 2011 through a share purchase agreement between RLC and Fuego Development Corporation (FDC), an associate of RLC (see Note 9). FHPMC is a management company with an expertise in managing hotels, resorts and full and limited service companies.



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

Noncontrolling interests represents a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity. Total comprehensive income is attributed to the portion held by the Group and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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

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

Changes in the controlling ownership interest, i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

#### Business Combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any noncontrolling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Company's share of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

#### *Common control transactions*

Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the purchase method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the noncontrolling interest shall be considered.

In cases where the business combination has no substance, the Company shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either



a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction. As discussed in Note 1, the Group recorded the difference as “Other equity reserve” and is presented as a separate component of equity in the consolidated balance sheet.

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

#### Investment in Shares of Stock of Associates

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

The Group’s share of its associates’ post-acquisition profits or losses is recognized in the consolidated statement of income and its share of post-acquisition movements in reserves is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group’s interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The financial statements of the associates are prepared for the same reporting period of the Company. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

#### Segment Reporting

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

For purposes of management reporting, the Group’s operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term, highly liquid interest-bearing fund placements with original maturities of three months or less from date of acquisition and subject to insignificant risk of fluctuations in value.

#### Financial Assets and Financial Liabilities

##### *Classification and recognition*

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



Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

Financial assets are classified into the following categories:

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

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

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

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

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

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

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

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



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

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

*Embedded derivatives*

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

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

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

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

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

b. Loans and receivables

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

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

Classified as loans and receivables are the Group's cash in banks and short-term placements, trade receivables, advances to related parties, advances to employees and other receivables as of June 30, 2011 and 2010 (see Note 28).



c. Held-to-maturity investments

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

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

d. Available-for-sale financial assets

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

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

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

e. Other financial liabilities

Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at fair value through profit or loss upon the inception of the liability. These include liabilities arising from operating (e.g., accounts payable and accrued expenses) and financing (e.g., short-term and long-term borrowings, advances from related parties and dividends payable) activities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest rate method.



Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

#### *Derecognition of financial assets and financial liabilities*

##### a. Financial assets

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

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

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

##### b. Financial liabilities

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

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

#### *Impairment of financial assets*

The Group assesses at the end of each reporting period whether a financial asset or a group of financial assets is impaired.



a. Financial assets carried at amortized cost

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss, if any, is recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as customer type, payment history, past-due status and term.

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

b. Financial assets carried at cost

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

c. Available-for-sale financial assets

In the case of equity investments classified as available-for-sale financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in income - is removed from equity and recognized in income. Impairment losses on equity investments are not reversed through the consolidated





statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income and presented in the consolidated statement of changes in equity.

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

#### *Determination of fair value*

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

#### *Day 1 difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where the inputs are made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing a Day 1 difference amount.

#### *Offsetting financial instruments*

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

#### Inventories

Raw and refined sugar inventory is valued at the lower of cost and net realizable value (NRV), cost being determined using the weighted average method. Molasses and alcohol inventories are carried at the lower of cost and NRV. Production cost is allocated using the relative sales value of each of the joint products, i.e., raw and refined sugar and molasses. The costs of molasses purchased from outside sources include its purchase cost with unit cost determined using moving average method. The cost of alcohol includes direct materials and labor and a proportion of manufacturing overhead costs with unit cost determined using the moving average method. Materials and supplies inventory is valued at the lower of cost and NRV, cost being determined using the moving average method. NRV is the estimated selling price in the ordinary course of business less variable selling expense.



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

#### Real Estate for Sale and Development

Real estate for sale and development consists of developed real estate properties for sale and raw land and land improvements.

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

#### Prepayments and Other Current Assets

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

#### Property, Plant and Equipment

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

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

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

The net appraisal increment resulting from the revaluation of land is presented under "Revaluation increment on properties," net of related deferred income tax effect, in the consolidated balance sheet and consolidated statement of changes in equity. The Group's share in net appraisal increase resulting from the revaluation of land of an associate is shown as "Share in revaluation increment on land of an associate" in the consolidated balance sheet and consolidated statement of changes in equity. Increases in the carrying amount arising on revaluation of properties are recognized in the consolidated statement of comprehensive income and credited to revaluation increment in the consolidated statement of changes in equity, net of related deferred income tax effect. Any resulting decrease is directly charged against the related revaluation increment to the extent that



the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to the consolidated statement of income. Valuations are performed frequently enough to ensure that the fair value of properties does not differ significantly from its carrying amount.

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

The Group used the carrying amount of CADPI's depreciable assets as of July 1, 2004, which is the revalued amount less accumulated depreciation from the Group's perspective, as their deemed costs at that date when the Group adopted PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. An annual transfer from the asset revaluation reserve to retained earnings is made until 2010 for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost.

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

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

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

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

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

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

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

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

#### Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the period in which they arise.



The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale. The fair value of investment property shall reflect market conditions at the end of the reporting period.

Derecognition of an investment property will be triggered by a change in use or by sale or disposal. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset, and is recognized in the consolidated statement of income.

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

#### Impairment of Nonfinancial Assets

The carrying values of property, plant and equipment, investment properties, investment in shares of stock of associates and other noncurrent nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

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

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

#### Share Capital and Share Premium

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



### Retained Earnings

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

### Dividend Distribution

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

### Revenue Recognition

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

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

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

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

#### *Sale of molasses*

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

#### *Revenue from tolling services*

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

#### *Farm income*

Farm income is recognized when the related service is rendered.

#### *Real estate sales*

Real estate sales consist of revenue from sale of real estate properties. Income from sale of developed real estate properties is recognized in full when the collectibility of the sales price is reasonably assured and when risks and rewards over the developed assets have been transferred, usually at the time of receipt of at least 25% of the total contract price. Cash received from the sale of real estate properties over which the Group maintains continuing managerial involvement or related risks and rewards have not yet been transferred or where collectibility is not reasonably assured is recognized as customers' deposits in the consolidated balance sheet.

#### *Rent income*

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

#### *Interest income*

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

#### *Other income*

Other income is recognized when earned.



### Other Comprehensive Income

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

### Cost and Expenses

#### *Cost of goods sold*

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

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

#### *Selling, general and administrative expenses*

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

### Employee Benefits

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

#### *Pension plan asset*

The assets of the Group recognized in the consolidated balance sheet in respect of defined benefit pension plans is the lower of (a) the excess of the fair value of plan assets over the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs, and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In cases when the amount determined results in a surplus (being the excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Group measures the resulting asset at (a) the lower of the excess of the fair value of plan assets over the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs, and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets represent assets that: (a) are held by an entity (a fund) that is legally separate from the Group; (b) are available to be used only to pay or fund employees benefits; and (c) are not available to the Group's own creditors, and cannot be returned to the Group unless: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the Group; or (ii) the assets are returned to the Group to reimburse it for employee benefits already paid.

#### *Pension costs and obligations*

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains and losses and past service



costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of debt securities that are denominated in Peso (currency in which the benefits will be paid) and that have terms to maturity approximating the terms of the related pension liability.

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

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

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

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

Transitional liability resulting from the Group's initial adoption of PAS 19 is being amortized for a period of five years from July 1, 2005. Outstanding transitional liability as of June 30, 2009 amounting to ₱32.6 million was fully amortized in 2010 (see Note 17).

#### *Termination benefits*

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

#### Borrowing Costs

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

Capitalization of borrowing costs is suspended during extended periods in which the Group suspends active development of a qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

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



### Leases

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

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

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

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

### Provisions and Contingencies

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

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

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

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

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

### Foreign Currency-Denominated Transactions and Translations

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

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting period. Foreign exchange differences are credited or charged directly in the consolidated statement of income.





## Income Taxes

### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

### *Deferred income tax*

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off the deferred income tax assets against the deferred income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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

## Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.



#### Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary or common shares purchased by the Company and held as treasury shares. Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the dilutive potential ordinary shares into ordinary shares.

#### Events After the Reporting Period

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

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

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to exercise judgment, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. The Group makes estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following represent a summary of judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the consolidated financial statements:

#### Judgments

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

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

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

#### *Classification of financial instruments*

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



The classifications of the various financial assets and financial liabilities of the Group are disclosed in Note 28. The aggregate carrying value of the Group's financial assets and financial liabilities amounted to ₱1,123.2 million and ₱10,962.0 million, respectively, as of June 30, 2011 and ₱1,181.9 million and ₱9,374.3 million, respectively, as of June 30, 2010.

*Classification of leases*

Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the assets held for lease are retained by the Group. Lease contracts in which the Group retains substantially all the risks and rewards incidental to the ownership of the leased asset are accounted for as operating leases. Otherwise, these are considered as finance leases.

*The Group as a lessor*

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

*The Group as a lessee*

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

*Allocation of cost to molasses inventory*

Management uses judgment to measure and allocate value to the molasses inventory. When the costs of conversion of each product are not separately identifiable, they are allocated among the products on a rational and consistent basis. The allocation is based on relative sales value of cane product at the completion of production. When the cost of molasses is deemed immaterial, this is measured at NRV and the value is deducted from the cost of the raw and refined sugar.

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

*Revenue recognition*

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

In 2010, the Group recognized income from real estate in full when the Group collected at least 25% of the total contract price. In the previous years, revenue was recognized in full when 50% of the total contract price has been collected.

*Determination of provisions*

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



*Evaluation of contingencies*

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

Estimates and Assumptions

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

*Determination of provision for impairment of receivables*

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

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

*Determination of NRV of inventories and real estate for sale and development*

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

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

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



*Determination of provision for unrecoverable creditable withholding taxes*

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

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

*Valuation of land under revaluation basis*

The Group's land is carried at revalued amount, which approximates its fair value at the date of the revaluation, less any accumulated impairment losses. The valuation of the land is performed by professionally qualified independent appraisers. The fair value was arrived at using the Market Data Approach for land using gathered available market evidence. Revaluations are made on a regular basis to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting period. Land carried at revalued amounts as of June 30, 2011 and 2010 amounted to ₱2,714.6 million and ₱2,485.5 million, respectively (see Note 11).

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

*Estimation of useful lives of property, plant and equipment*

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

The total carrying value of the Group's depreciable property, plant and equipment as of June 30, 2011 and 2010 amounted to ₱9,140.5 million and ₱9,305.6 million, respectively (see Note 11). There was no change in the useful lives of property, plant and equipment in 2011 and 2010.

*Determination of fair value of investment properties*

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



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

*Impairment of nonfinancial assets*

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

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

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

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

*Estimation of retirement benefits*

The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts. Those assumptions are described in Note 17 and include, among others, discount rates, expected rates of return on plan assets and rates of future salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

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

*Recognition of deferred income tax assets*

The Group reviews the carrying amounts at the end of each reporting period and reduces the amount of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The Group recognized deferred income tax assets on deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to ₱114.7 million and ₱121.7 million as of June 30, 2011 and 2010, respectively (see Note 24).



#### 4. Cash and Cash Equivalents

Cash and cash equivalents at June 30 consist of:

	2011	2010
	<i>(In Thousands)</i>	
Cash on hand and in banks	<b>₱255,139</b>	₱190,933
Short-term placements	<b>148,140</b>	45,681
	<b>₱403,279</b>	₱236,614

Short-term placements earn interest ranging from 1.3% to 4.0%, 1.3% to 4.8% and 1.5% to 6.5% per annum in 2011, 2010 and 2009, respectively, and have average maturities of 30 to 60 days.

Interest income earned on cash in banks and short-term placements amounted to ₱12.5 million, ₱7.5 million and ₱8.3 million in 2011, 2010 and 2009, respectively.

#### 5. Receivables

Receivables at June 30 consist of:

	2011	2010
	<i>(In Thousands)</i>	
Trade	<b>₱541,211</b>	₱696,404
Advances to:		
Related parties (Note 16)	<b>85,831</b>	135,724
Employees	<b>41,396</b>	39,380
Planters and cane haulers	<b>26,497</b>	38,547
Advances for raw sugar purchases	<b>9,942</b>	15,192
Others	<b>44,885</b>	39,797
	<b>749,762</b>	965,044
Less allowance for impairment of receivables	<b>25,582</b>	24,100
	<b>₱724,180</b>	₱940,944

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

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

	2011	2010
	<i>(In Thousands)</i>	
Not later than 1 year	<b>₱21,372</b>	₱13,676
Later than 1 year	<b>24,707</b>	36,206
	<b>₱46,079</b>	₱49,882

b. Advances to employees include interest and noninterest-bearing salary, housing and educational loans that are collected through salary deduction.



- c. Other receivables include advances to suppliers and contractors. The account also includes an outstanding receivable from the 2002 sale of a portion of RHI's land in Barrio Bilaran, Nasugbu, Batangas to its employees. Due to the Reorganization Program, the employees were transferred to CADPI, whereas, the receivable remained with RHI. These loans bear annual interest of 12% and are payable over 10 years until 2012. As of June 30, 2011 and 2010, the current portion of these receivables amounted to ₱2.6 million and ₱3.3 million, respectively, net of unearned interest income amounting to ₱0.7 million and ₱0.8 million, respectively.

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

- d. Details and movements of the allowance for impairment of receivables, determined using specific assessment, as of June 30 follow:

	2009	Additions (Note 21)	Write-offs	2010	Additions (Note 21)	2011
	<i>(In Thousands)</i>					
Trade	₱6,732	₱-	(₱3,817)	₱2,915	₱537	<b>₱3,452</b>
Advances to related parties	3,110	-	-	3,110	-	<b>3,110</b>
Advances to employees	1,276	-	-	1,276	-	<b>1,276</b>
Advances to planters and cane haulers	6,144	1,891	-	8,035	66	<b>8,101</b>
Others	10,087	150	(1,473)	8,764	879	<b>9,643</b>
	<b>₱27,349</b>	<b>₱2,041</b>	<b>(₱5,290)</b>	<b>₱24,100</b>	<b>₱1,482</b>	<b>₱25,582</b>

## 6. Inventories

Inventories at June 30 consist of:

	2011	2010
	<i>(In Thousands)</i>	
At cost:		
Refined sugar	<b>₱251,804</b>	₱732,092
Materials in transit	<b>8,910</b>	19,532
At NRV:		
Raw sugar	<b>1,797,287</b>	584,076
Molasses	<b>129,838</b>	135,025
Alcohol	<b>85,438</b>	21,278
Material and supplies	<b>363,833</b>	381,134
	<b>₱2,637,110</b>	<b>₱1,873,137</b>

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

	Sugar and Alcohol		Materials and Supplies	
	2011	2010	2011	2010
	<i>(In Thousands)</i>			
Beginning balance	₱-	₱21,995	<b>₱29,116</b>	₱30,976
Provisions	<b>364,556</b>	12,365	<b>5,572</b>	2,685
Recovery	-	(2,601)	-	-
Write-offs	-	(31,759)	<b>(5,427)</b>	(4,545)
Ending balance	<b>₱364,556</b>	₱-	<b>₱29,261</b>	₱29,116





In 2011, the Group recognized provision for inventory losses on sugar and alcohol inventories amounting to ₱248.7 million and ₱76.8 million, respectively. The Group also recognized additional provision due to warehouse losses amounting to ₱39.0 million based on a percentage of total raw sugar production and purchases (see Note 20).

The recovery of inventory losses of raw sugar in 2010 pertains to the increase in the net realizable value of inventory due to higher selling price.

Cost of inventories recognized as expense and included in “Cost of goods sold” amounted to ₱4,923.3 million, ₱3,071.3 million and ₱3,120.2 million in 2011, 2010 and 2009, respectively (see Note 20).

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## 7. Real Estate for Sale and Development

Real estate for sale and development at June 30 consist of:

	2011	2010
	<i>(In Thousands)</i>	
Real estate properties for sale	<b>₱20,399</b>	₱40,359
Raw land and land improvements	<b>308,952</b>	291,012
	<b>₱329,351</b>	₱331,371

Borrowing costs incurred from loans availed to finance the development of the Group’s real estate projects amounting to ₱2.1 million and ₱1.3 million were capitalized in 2011 and 2010, respectively. No borrowing costs were capitalized in 2009 (see Note 15).

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

The aggregate cash price values and related aggregate carrying costs of real estate properties held for sale as of June 30 follow:

	2011	2010
	<i>(In Thousands)</i>	
Aggregate cash price values	<b>₱48,089</b>	₱95,145
Less aggregate carrying costs	<b>20,399</b>	40,359
Excess of aggregate cash price values over aggregate carrying costs	<b>₱27,690</b>	₱54,786

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## 8. Prepayments and Other Current Assets

Prepayments and other current assets at June 30 consist of:

	2011	2010
	<i>(In Thousands)</i>	
Input VAT and other prepaid taxes	<b>₱134,443</b>	₱116,432
Creditable withholding taxes, net of allowance for impairment of ₱14.7 million in 2011 and ₱13.7 million in 2010 (Note 21)	<b>181,331</b>	113,816
Others	<b>63,802</b>	38,896
	<b>₱379,576</b>	₱269,144



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

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

## 9. Investment in Shares of Stock of Associates

The Group has the following associates at June 30:

	Percentage of Ownership		Main Activity
	2011	2010	
Hawaiian-Philippine Company (HPCo)	<b>29.62*</b>	29.62*	Sugar manufacturer
Fuego Land Corporation (FLC)	<b>30.00</b>	30.00	Real estate developer
Fuego Development Corporation (FDC)	<b>30.00</b>	30.00	Real estate developer
Club Punta Fuego, Inc. (CPFI)	<b>26.63</b>	26.63	Social recreational and athletic activities
Roxaco - ACM Development Corporation (RADC)	<b>50.00</b>	50.00	Real estate developer

\*Effective ownership through RHI.

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

	2011	2010
	<i>(In Thousands)</i>	
Acquisition cost:		
Beginning balance	<b>₱308,180</b>	₱308,180
Disposal	<b>(18)</b>	—
Ending balance	<b>308,162</b>	308,180
Accumulated equity in net earnings:		
Beginning balance	<b>313,644</b>	294,093
Equity in net earnings for the year	<b>180,017</b>	144,604
Dividend income	<b>(91,360)</b>	(125,053)
Ending balance	<b>402,301</b>	313,644
Share in:		
Revaluation increment on land	<b>207,492</b>	207,492
Fair value reserve	<b>5,179</b>	5,179
Unrealized gain on transfer of land	<b>(59,030)</b>	(59,030)
Allowance for impairment	<b>(15,233)</b>	(15,233)
	<b>₱848,871</b>	₱760,232

- a. HPCo is primarily engaged in the manufacturing and trading of raw and refined sugar, molasses and other sugar by-products.
- b. FLC was formed for the establishment of basic facilities and amenities and consequently for the development of upgraded facilities on some 429,870 square meters of land located in Barangay Natipuan, Nasugbu, Batangas, known as Terrazas de Punta Fuego.



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

On August 23, 2005, RLC entered into an Assignment Agreement with FDC. The Agreement provides that RLC shall subscribe to, and FDC shall issue to RLC, 24.0 million shares of stock of FDC with a par value of ₱1 per share. On August 25, 2005, RLC transferred to FDC 156,568 square meters of land with a historical cost of ₱3.6 million and fair market value of ₱129.2 million in full payment of the subscription price and in exchange for the shares. After the subscription of shares and assignment of land, the total equity interest of RLC in FDC increased from 30% to 52%. On December 5, 2006, the BOD of FDC approved the conversion of certain liabilities to LPC into shares of stock of FDC. On May 8, 2008, the Philippine SEC approved the debt to equity conversion between LPC and FDC and the increase in capital stock of FDC. Consequently, the ownership interest of LPC reverted to 70% and RLC to 30%.

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

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

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

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

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

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

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

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

	2011	2010	2009
		<i>(In Thousands)</i>	
Current assets	<b>₱1,722,952</b>	₱2,027,928	₱1,971,823
Noncurrent assets	<b>1,634,256</b>	1,499,647	1,263,405
(Forward)			



	2011	2010	2009
		<i>(In Thousands)</i>	
Current liabilities	<b>₱1,157,050</b>	₱1,390,882	₱1,179,198
Noncurrent liabilities	<b>233,113</b>	336,240	233,361
Net assets	<b>1,967,045</b>	1,800,453	1,822,669
Revenue	<b>1,852,829</b>	1,840,810	1,715,465
Net income	<b>404,167</b>	317,256	193,789

#### 10. Investment Properties

Investment properties at June 30 consist of:

	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
		<i>(In Thousands)</i>	
Land properties (Notes 15 and 18)	<b>₱4,625,125</b>	₱4,625,125	₱4,628,303
Building (Note 15)	<b>10,594</b>	9,142	9,142
	<b>₱4,635,719</b>	₱4,634,267	₱4,637,445

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

	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
		<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱4,634,267</b>	₱4,637,445	₱4,637,445
Disposals	-	(2,478)	-
Unrealized fair value gains (losses)	<b>1,452</b>	(700)	-
Balance at end of year	<b>₱4,635,719</b>	₱4,634,267	₱4,637,445

#### The Company

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

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

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

#### RLC

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



Rental income from this investment property amounted to ₱1.3 million and ₱1.1 million in 2011 and 2010, respectively.

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

#### Bases of Valuation

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

### 11. Property, Plant and Equipment

	2011					Total
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
	(In Thousands)					
<b>Cost</b>						
Beginning balances	₱2,051,649	₱8,851,302	₱38,034	₱75,998	₱3,547,117	₱14,564,100
Additions (Notes 2 and 9)	16,242	44,666	–	6,157	332,325	399,390
Disposals	–	(21,617)	–	(₱1,851)	–	(23,468)
Reclassifications	479,121	2,113,640	(5,099)	8,119	(2,635,477)	(39,696)
Ending balances	2,547,012	10,987,991	32,935	88,423	1,243,965	14,900,326
<b>Accumulated Depreciation</b>						
Beginning balances	(744,084)	(4,439,723)	(15,345)	(59,309)	–	(5,258,461)
Additions (Notes 2 and 9)	(453)	(1,018)	–	(1,822)	–	(3,293)
Depreciation	(91,270)	(445,430)	(5,146)	(8,638)	–	(550,484)
Disposal	–	10,886	–	1,851	–	12,737
Reclassifications	539	35,925	4,344	(1,089)	–	39,719
Ending balances	(835,268)	(4,839,360)	(16,147)	(69,007)	–	(5,759,782)
<b>Net Book Value</b>	<b>₱1,711,744</b>	<b>₱6,148,631</b>	<b>₱16,788</b>	<b>₱19,416</b>	<b>₱1,243,965</b>	<b>₱9,140,544</b>
	2010					
	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
	(In Thousands)					
<b>Cost</b>						
Beginning balances	₱1,235,226	₱5,207,977	₱126,766	₱611,784	₱4,967,334	₱12,149,087
Additions	129,534	1,346,668	25,074	268,753	797,146	2,567,175
Disposals	–	(10,820)	(118,449)	(982)	–	(130,251)
Reclassifications	686,889	2,307,477	4,643	(803,557)	(2,217,363)	(21,911)
Ending balances	2,051,649	8,851,302	38,034	75,998	3,547,117	14,564,100
<b>Accumulated Depreciation</b>						
Beginning balances	(704,768)	(3,647,479)	(124,947)	(519,452)	–	(4,996,646)
Depreciation	(67,434)	(321,051)	(8,790)	(11,869)	–	(409,144)
Disposal	–	6,748	118,030	640	–	125,418
Reclassifications	28,118	(477,941)	362	471,372	–	21,911
Ending balances	(744,084)	(4,439,723)	(15,345)	(59,309)	–	(5,258,461)
<b>Net Book Value</b>	<b>₱1,307,565</b>	<b>₱4,411,579</b>	<b>₱22,689</b>	<b>₱16,689</b>	<b>₱3,547,117</b>	<b>₱9,305,639</b>

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

	2011	2010
	(In Thousands)	
Beginning balance at appraised values	₱2,485,515	₱2,518,174
Additions	–	26,097
Revaluation increase (decrease)	229,109	(58,756)
Ending balance at appraised values	₱2,714,624	₱2,485,515
At cost	₱59,229	₱59,229



a. Construction in progress

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

*Milling plant improvement project (the Expansion Project)*

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

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

*RBC plant construction project*

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

*Capitalization of borrowing costs*

Interest from short and long-term borrowings amounting to ₱43.8 million, ₱178.6 million and ₱277.9 million in 2011, 2010 and 2009, respectively, incurred to finance the Expansion Project were capitalized as property, plant and equipment (see Notes 12 and 15). The Group amortizes the capitalized interest over the useful life of the qualifying asset to which it relates. Unamortized capitalized interest as of June 30, 2011 and 2010 amounted to ₱487.7 million and ₱524.2 million, with corresponding deferred income tax liability of ₱146.3 million and ₱157.2 million, respectively (see Note 24). The rates used to determine the amount of borrowing costs eligible for capitalization were 7.1%, 8.8% and 6.7% in 2011, 2010 and 2009, respectively, which are the average effective interest rates of the borrowings.

*Noncash additions to property, plant and equipment*

The Group has outstanding liabilities for purchase of equipment relating to the Expansion Project and RBC plant construction project amounting to ₱98.6 million, ₱54.7 million and ₱2.8 million as of June 30, 2011, 2010 and 2009, respectively.

b. Depreciation

Depreciation charged to operations are as follows:

	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
	<i>(In Thousands)</i>		
Cost of goods sold (Note 20)	<b>₱525,964</b>	₱381,961	₱274,204
General and administrative expenses (Note 21)	<b>24,520</b>	27,183	29,810
	<b>₱550,484</b>	₱409,144	₱304,014



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

c. Property, plant and equipment as collateral

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

d. Capital expansion commitments

The Group has outstanding capital expansion commitments amounting to ₱1,053.5 million as of June 30, 2010.

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## 12. Short-term Borrowings

Short-term borrowings consist of:

a. Loans availed by the Company

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

b. Loans availed by CACI, CADPI and RBC

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

c. Loans availed by RLC

Short-term borrowings consist of loans from local banks to finance working capital requirements, including the development of ongoing real estate projects. Short-term loans amounting to ₱18.0 million and ₱23.5 million which have original maturities of October 2008 and December 2008, respectively, were renewed by the Company in 2011. The ₱18.0 million loans shall mature in December 2011, while the ₱23.5 million loans will mature in August of the same year. These loans have interest rates subject to quarterly repricing every 30 to 180 days.

Total interest expense recognized from short-term borrowings amounted to ₱126.3 million, ₱163.3 million and ₱81.5 million, excluding interest of ₱43.8 million, ₱42.0 million and ₱36.0 million which were capitalized, in 2011, 2010 and 2009, respectively (see Note 11).



### 13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30 consist of:

	2011	2010
	<i>(In Thousands)</i>	
Trade	<b>₱51,809</b>	₱160,801
Accrued expenses:		
Interest (Notes 12 and 15)	<b>69,829</b>	85,842
Contractors	<b>5,428</b>	27,800
Outside services	<b>1,606</b>	2,350
Payroll and other benefits	<b>14,625</b>	9,892
Purchases and others	<b>92,458</b>	84,931
Retention payable	<b>96,229</b>	20,178
Due to planters	<b>15,242</b>	18,857
Payable to government agencies for taxes and contributions	<b>52,112</b>	75,034
Advances from related parties (Note 16)	<b>46,356</b>	55,566
Others (Note 11)	<b>164,680</b>	175,674
	<b>₱610,374</b>	₱716,925

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

### 14. Customers' Deposits

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

Customers' deposits amounted to ₱135.4 million and ₱150.3 million as of June 30, 2011 and 2010, respectively.

### 15. Long-term Borrowings

Long-term borrowings at June 30 consist of:

	2011	2010
	<i>(In Thousands)</i>	
Banco De Oro Unibank, Inc. (BDO)	<b>₱5,148,438</b>	₱4,237,000
Syndicated Loan Agreement:		
Rizal Commercial Banking Corporation (RCBC)	<b>482,759</b>	500,000
Bank of the Philippine Islands (BPI)	<b>965,517</b>	1,000,000
BPI - Asset Management and Trust Group (AMTG)	<b>500,000</b>	500,000
	<b>7,096,714</b>	6,237,000
Unamortized debt arrangement fees	-	(35,692)
	<b>7,096,714</b>	6,201,308
Less current portion	<b>7,070,047</b>	76,339
	<b>₱26,667</b>	₱6,124,969





a. Loans availed by the Company

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

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

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

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

b. Loans availed by RHI and its subsidiaries

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

*RHI*

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

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

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



*CADPI*

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

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

On October 29, 2008, additional loans were availed by CADPI from BDO, BPI and RCBC amounting to ₱459.0 million, ₱143.5 million and ₱71.4 million, respectively, with interest rates subject to quarterly repricing as agreed by the parties.

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

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

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

*CACI*

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

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

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

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



*RBC*

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

c. Loans availed by RLC

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

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

Debt Arrangement Fees and Borrowings Costs

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

Total interest expense recognized from long-term borrowings amounted to ₱513.6 million, ₱182.9 million and ₱65.4 million in 2011, 2010 and 2009, respectively, excluding interest of ₱2.1 million, ₱137.9 million and ₱241.9 million, which were capitalized in 2011, 2010 and 2009, respectively (see Notes 7 and 11).

Suretyship Agreements and Mortgage Trust Indenture

*The Company*

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

*RHI and its subsidiaries*

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

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



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

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

#### Loan Covenants

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

- maintenance of debt service coverage ratio (DSCR) of at least 1.25 times and debt to equity ratio of not more than 70:30;
- prohibition on purchase of additional equipment except in pursuance of its sugar expansion and ethanol project; and
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management.

As a result of the significant drop in sugar prices in the last quarter of fiscal year 2011, among other factors, as discussed in Note 1, the Group incurred losses on the disposal of sugar inventories. As of June 30, 2011, the Group did not meet the minimum DSCR required under the long-term loan agreements with certain creditor banks, which constitutes an event of default on such loans. In view of this, the noncurrent portion of long-term borrowings amounting to ₱6.2 billion is presented as current liabilities as of June 30, 2011.

As discussed in Note 1, on September and October 2011, the Group obtained from the creditor banks a waiver of breach of covenant on the DSCR covering fiscal year ended June 30, 2011 and interim period ended September 30, 2011.

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

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

#### Maturities of Long-term Borrowings

The maturities of the Group's long-term borrowings as of June 30 is as follows:

	2011	2010
	<i>(In Thousands)</i>	
Less than 1 year	<b>₱7,070,047</b>	₱76,339
Between 1 and 2 years	<b>26,667</b>	843,929
Between 2 and 5 years	-	3,048,224
Over 5 years	-	2,232,816
	<b>₱7,096,714</b>	₱6,201,308



## 16. Related Party Transactions

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

	Relationship	2011		2010	
		To Advances (Note 5)	From Advances (Note 13)	To Advances (Note 5)	From Advances (Note 13)
<i>(In Thousands)</i>					
FDC	Associate	<b>₱60,738</b>	<b>₱12,159</b>	₱73,336	₱10,699
FLC	Associate	<b>14,984</b>	–	51,000	33,459
RADC	Associate	–	<b>10,968</b>	–	10,968
VJ Properties, Inc. (Note 18)	Joint venture partner	<b>9,742</b>	–	10,975	–
Marilo Realty Development Corporation (Note 18)	Joint venture partner	–	<b>369</b>	–	279
LPC	Affiliate	–	<b>22,282</b>	–	–
Others	Affiliate	<b>367</b>	<b>578</b>	413	161
		<b>₱85,831</b>	<b>₱46,356</b>	₱135,724	₱55,566

- i. In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPF, 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 June 30, 2011 and 2010, RLC is in negotiation with FDC for the allocation of the actual number of shares assigned. Assignment fee charged to the consolidated statement of income amounted to ₱5.5 million in 2009. RLC did not recognize assignment fee in 2011 and 2010.
- ii. Advances from related parties used for working capital requirements of RLC are noninterest-bearing and have no fixed repayment terms.

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

	2011	2010	2009
<i>(In Thousands)</i>			
Salaries and other short-term benefits	<b>₱57,782</b>	₱56,078	₱52,538
Retirement benefits	<b>166</b>	292	1,876
		<b>₱57,948</b>	₱56,370
			₱54,414

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



## 17. Retirement Benefits

### Net Pension Plan Assets

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

The amounts recognized as net pension assets in the consolidated balance sheets at June 30 follows:

	2011	2010
	<i>(In Thousands)</i>	
Present value of obligation	<b>₱205,815</b>	₱198,420
Fair value of plan assets	<b>254,863</b>	273,787
Surplus	<b>49,048</b>	75,367
Unrecognized actuarial loss	<b>87,012</b>	70,091
Net pension plan assets	<b>₱136,060</b>	₱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 June 30, 2011 and 2010 of ₱136.1 million and ₱145.5 million, respectively, will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's retained earnings related to net pension plan assets, net of the related deferred income tax liability, is not available for dividend declaration (see Note 25).

The movements in the defined benefit obligation follow:

	2011	2010
	<i>(In Thousands)</i>	
Beginning of year	<b>₱198,420</b>	₱127,998
Current service cost	<b>10,960</b>	7,250
Interest cost	<b>16,619</b>	12,675
Benefits paid	<b>(34,520)</b>	-
Actuarial loss	<b>14,336</b>	50,497
End of year	<b>₱205,815</b>	₱198,420

The movements in the fair value of plan assets follow:

	2011	2010
	<i>(In Thousands)</i>	
Beginning of year	<b>₱273,787</b>	₱274,708
Expected return on plan assets	<b>18,572</b>	16,482
Contributions	<b>3,224</b>	2,481
Benefits paid	<b>(34,520)</b>	-
Actuarial loss	<b>(6,200)</b>	(19,884)
End of year	<b>₱254,863</b>	₱273,787



Plan assets of the Company, RLC and RHI at June 30 consist of:

	2011		2010	
	Percentage	Amount (In Thousands)	Percentage	Amount (In Thousands)
Stocks and government securities	75%	₱190,800	66%	₱181,762
Cash and receivables	26%	65,169	34%	92,025
Liabilities	(1%)	(1,106)	–	–
	<b>100%</b>	<b>₱254,863</b>	<b>100%</b>	<b>₱273,787</b>

The Company and RLC are expected to contribute a total of ₱2.0 million to their respective funds for the year ending June 30, 2012, while RHI has no expected contribution for the same period.

As of June 30, 2011 and 2010, pension plan assets of RHI, which are managed by a trustee, include investments in equity securities of RHI with a fair value of ₱104.8 million.

#### Net Pension Benefit Obligation

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

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

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

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

	2011	2010
	(In Thousands)	
Present value of obligation	₱446,743	₱423,920
Fair value of plan assets	387,704	334,273
Deficit	59,039	89,647
Unrecognized actuarial loss	(56,662)	(48,550)
Net pension benefit obligation	<b>₱2,377</b>	<b>₱41,097</b>



The movements in the defined benefit obligation follow:

	2011	2010
	<i>(In Thousands)</i>	
Beginning of year	<b>₱423,920</b>	₱376,537
Current service cost	<b>22,248</b>	19,093
Interest cost	<b>38,890</b>	39,443
Benefits paid	<b>(59,413)</b>	(64,481)
Curtailement gain	<b>2,199</b>	-
Actuarial loss	<b>17,680</b>	53,328
Additions arising from acquisition of a subsidiary (Notes 2 and 9)	<b>1,219</b>	-
<b>End of year</b>	<b>₱446,743</b>	₱423,920

The movements in the fair value of plan assets follow:

	2011	2010
	<i>(In Thousands)</i>	
Beginning of year	<b>₱334,273</b>	₱261,780
Expected return on plan assets	<b>20,915</b>	16,901
Contributions	<b>82,277</b>	106,877
Benefits paid	<b>(59,413)</b>	(64,481)
Actuarial gain	<b>9,652</b>	13,196
<b>End of year</b>	<b>₱387,704</b>	₱334,273

Plan assets of CACI and CADPI at June 30 consist of:

	2011		2010	
	Percentage	Amount <i>(In Thousands)</i>	Percentage	Amount <i>(In Thousands)</i>
Stocks and government securities	62%	₱240,610	63%	₱211,245
Cash and receivables	39%	147,268	37%	123,028
Liabilities	(1%)	(174)	-	-
	<b>100%</b>	<b>₱387,704</b>	100%	₱334,273

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

#### Pension Costs

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

	2011	2010	2009
	<i>(In Thousands)</i>		
Current service cost	<b>₱33,208</b>	₱26,343	₱26,134
Interest cost	<b>55,509</b>	52,118	53,123
Expected return on plan assets	<b>(39,487)</b>	(33,383)	(42,802)
Actuarial loss (gain) recognized			
during the year	<b>3,532</b>	(525)	(989)
Curtailement loss (gain)	<b>2,199</b>	-	(2,704)
Amortization of net transitional liability	-	32,765	32,902
	<b>₱54,961</b>	₱77,318	₱65,664





The actual return on plan assets amounted to ₱24.3 million, ₱26.7 million and ₱26.8 million in 2011, 2010 and 2009, respectively.

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

The principal actuarial assumptions used in determining retirement benefits cost as of July 1 follow:

	<b>2010</b>	2009	2008
Discount rate	<b>5% to 9%</b>	7% to 19%	10%
Expected rate of return on plan assets	<b>4% to 7%</b>	5 to 8%	7% to 9%
Future salary increase	<b>5% to 8%</b>	5%	8%

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

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

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

	<b>2011</b>	2010	2009	2008	2007
			<i>(In Thousands)</i>		
Present value of obligation	<b>₱652,559</b>	₱622,340	₱504,535	₱501,459	₱661,479
Plan assets	<b>642,568</b>	608,060	536,488	494,176	571,328
Deficit (surplus)	<b>9,991</b>	14,280	(31,953)	7,283	90,151
Experience adjustments on plan assets - loss (gain)	<b>(13,312)</b>	-	22,692	(5,932)	(36,441)
Experience adjustments on plan obligation - gain (loss)	<b>(23,794)</b>	(25,025)	120	(2,538)	44,521

#### Transitional Liability

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

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

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

On December 22, 2010, NAVI entered into a memorandum of agreement with an agricultural company for the lease of NAVI's agricultural lands. Consequently, NAVI ceased its farm operations in crop year 2011 and separated majority of its employees effective June 30, 2011. The remainder of the employees will be separated in crop year 2012. Key management functions will thereafter be performed by CACI.



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## 18. Commitments and Contingencies

### The Company

#### *Land Properties Subjected to CARL*

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

Prior to the effectivity of the CARL, the Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOAs) covering 2,676.2195 hectares of the Company's three haciendas-Palico, Banilad and Carmen/Caylaway.

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

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

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

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

In total, there are about 235.3977 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARL, including the 21.1236-hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GRN 169331.

### RHI and its Subsidiaries

- 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:

	2011		2010	
	Total volume (In thousands) (Lkg*)	Estimated market value (In Millions)	Total volume (In thousands) (Lkg*)	Estimated market value (In Millions)
Raw sugar	1,548	₱2,135	387	₱707
Refined sugar	612	1,481	506	1,264
	<b>2,160</b>	<b>₱3,616</b>	893	₱1,971

\*Equivalent to 50 kilogram bag per unit.

The above volume of sugar is not reflected in the consolidated balance sheets since these are not assets of the Group. The Group is accountable to quedan holders for the value of trusted 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, 2011 and 2010, CADPI has outstanding sales contracts for refined sugar with a total value of ₱2,035.1 million and ₱1,441.6 million, equivalent to 784,673 Lkg and 744,382 Lkg, respectively.

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

- d. CADPI entered into agreements as follows:

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

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

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

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

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

This guarantee fee agreement expired in April 2009.

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



As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance RBC's community development projects (see Note 30).

- g. There are pending legal cases in the ordinary course of RHI and its subsidiaries business as at June 30, 2011 and 2010, but in the opinion of management and legal counsel, the ultimate outcome of these cases will not have a material impact on the financial position and results of operations of the Group. Consequently, no provision related to these legal cases was made in the 2011, 2010 and 2009 consolidated financial statements.
- h. As of June 30, 2011 and 2010, the Group has unused lines of credit from local banks amounting to ₱745.0 million and ₱2,814.0 million, respectively (see Notes 12 and 15).

## RLC

### *Joint Venture*

On December 2, 2009, RLC entered into a joint venture agreement with VJ Properties, Inc. (VJPI) for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate among themselves the developed saleable lots and villas. Total costs incurred for the project as of June 30, 2011 and 2010 amounted to ₱22.83 million and ₱7.56 million, respectively, and are presented as part of "Raw land and land improvements" under "Real estate for sale and development" in the consolidated balance sheets (see Note 7).

## 19. Revenue

	2011	2010	2009
		<i>(In Thousands)</i>	
Refined sugar	<b>₱3,770,277</b>	₱3,716,206	₱3,304,300
Raw sugar	<b>3,533,816</b>	1,853,949	1,909,110
Molasses	<b>315,569</b>	318,235	293,450
Tolling fees	<b>218,276</b>	290,268	356,464
Sale of real estate	<b>68,429</b>	86,186	67,726
Alcohol	<b>39,096</b>	-	-
Others	<b>32,863</b>	24,309	1,556
	<b>₱7,978,326</b>	₱6,289,153	₱5,932,606

## 20. Cost of Goods Sold

	2011	2010	2009
		<i>(In Thousands)</i>	
Purchased sugar (Note 6)	<b>₱4,813,283</b>	₱2,776,875	₱2,810,452
Cost of transporting cane to mill (Notes 6 and 18)	<b>1,124,367</b>	641,979	618,205
Net changes in inventories (Note 6)	<b>(1,014,375)</b>	(347,547)	(308,469)
Direct labor (Note 22)	<b>355,642</b>	373,027	347,907
(Forward)			



	2011	2010	2009
		<i>(In Thousands)</i>	
Tolling fees	<b>₱3,796</b>	₱12,086	₱22,041
Manufacturing overhead:			
Depreciation (Note 11)	<b>525,964</b>	381,961	274,204
Fuel and oil	<b>423,573</b>	408,900	250,963
Repairs and maintenance	<b>376,137</b>	372,401	358,433
Materials and consumables	<b>238,264</b>	266,560	256,805
Taxes and licenses	<b>146,879</b>	120,566	104,243
Outside services	<b>129,120</b>	113,089	103,107
Rent (Note 18)	<b>72,182</b>	73,748	50,399
Communication, light and water	<b>71,840</b>	58,461	44,472
Others	<b>52,561</b>	38,186	29,831
Provision for inventory losses and obsolescence (Note 6)	<b>364,556</b>	12,449	16,544
Cost of real estate sales	<b>43,432</b>	52,769	44,924
	<b>₱7,727,221</b>	₱5,355,510	₱5,024,061

## 21. Operating Expenses

	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
		<i>(In Thousands)</i>	
Selling expenses	<b>₱33,723</b>	₱25,707	₱37,338
General and administrative:			
Salaries, wages and other employee benefits (Notes 17 and 22)	<b>271,565</b>	267,421	221,802
Taxes and licenses	<b>63,246</b>	73,618	83,495
Outside services	<b>46,453</b>	96,228	92,647
Materials and consumables	<b>39,597</b>	39,297	31,829
Insurance	<b>36,898</b>	25,534	30,570
Rent (Note 18)	<b>24,820</b>	17,219	25,308
Depreciation (Note 11)	<b>24,520</b>	27,183	29,810
Travel and transportation	<b>19,737</b>	23,196	25,765
Repairs and maintenance	<b>14,424</b>	15,449	18,950
Communication, light and water	<b>11,684</b>	10,596	12,507
Representation and entertainment	<b>8,005</b>	9,512	6,193
Corporate social responsibility	<b>5,933</b>	8,018	8,126
Provision for impairment of receivables and unrecoverable creditable withholding taxes (Notes 5 and 8)	<b>603</b>	5,945	9,832
Others	<b>69,808</b>	96,653	49,515
	<b>₱671,016</b>	₱741,576	₱683,687



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

## 22. Employee Benefits

	2011	2010	2009
	<i>(In Thousands)</i>		
Salaries and wages (Notes 20 and 21)	<b>₱375,046</b>	₱393,153	₱362,871
Allowances and other employee benefits (Notes 20 and 21)	<b>199,841</b>	169,977	141,175
Pension costs (Note 17)	<b>52,320</b>	77,318	65,664
	<b>₱627,207</b>	₱640,448	₱569,710

## 23. Other Income - Net

	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
	<i>(In Thousands)</i>		
Sale of scrap	<b>₱37,769</b>	₱58,013	₱20,632
Recovery from insurance claim	<b>24,688</b>	141,341	-
Sugar and molasses handling fees	<b>3,261</b>	20,481	8,216
Foreign exchange gains (losses) - net	<b>(5,258)</b>	2,720	9,038
Others	<b>25,886</b>	69,214	22,666
	<b>₱86,346</b>	₱291,769	₱60,552

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

## 24. Income Taxes

- a. The components of the Group's consolidated net deferred income tax assets and net deferred income tax liabilities at June 30 represent the tax effects of the following temporary differences:

	2011		2010 (As restated, Note 2)		2009 (As restated, Note 2)	
	Net Deferred Income Tax Assets <sup>(1)</sup>	Net Deferred Income Tax Liabilities <sup>(2)</sup>	Net Deferred Income Tax Assets <sup>(3)</sup>	Net Deferred Income Tax Liabilities <sup>(4)</sup>	Net Deferred Income Tax Assets <sup>(5)</sup>	Net Deferred Income Tax Liabilities <sup>(6)</sup>
	<i>(In Thousands)</i>					
<b>Deferred income tax assets on:</b>						
Allowance for:						
Impairment of receivables (Note 5)	<b>₱933</b>	<b>₱5,772</b>	₱-	₱6,705	₱933	₱6,747
Sugar inventory losses (Note 6)	-	<b>5,475</b>	-	-	-	7,090
Inventory obsolescence (Note 6)	-	<b>7,128</b>	783	7,951	-	8,802
Impairment of investment in shares of stock of associates (Note 9)	<b>1,384</b>	-	-	1,384	1,384	-
Pension benefit obligation (Note 17)	-	-	-	11,332	-	22,562
Unamortized past service cost	<b>285</b>	<b>60,772</b>	-	62,541	183	44,825
Unrealized foreign exchange loss	<b>56</b>	-	-	69	5,153	-

(Forward)



	2011		2010 (As restated, Note 2)		2009 (As restated, Note 2)	
	Net Deferred Income Tax Assets <sup>(1)</sup>	Net Deferred Income Tax Liabilities <sup>(2)</sup>	Net Deferred Income Tax Assets <sup>(3)</sup>	Net Deferred Income Tax Liabilities <sup>(4)</sup>	Net Deferred Income Tax Assets <sup>(5)</sup>	Net Deferred Income Tax Liabilities <sup>(6)</sup>
	<i>(In Thousands)</i>					
Unrealized gross profit on inventory NOLCO	P-	P14,657	P-	P-	P-	P-
	-	13,430	4,194	19,862	-	10,869
Excess MCIT	-	4,762	-	6,895	-	1,666
	<b>2,658</b>	<b>111,996</b>	4,977	116,739	7,653	102,561

**Deferred income tax liabilities on:**

Revaluation increment on properties (Note 25)	-	(696,231)	-	(627,498)	-	(642,871)
Unamortized capitalized interest (Note 11)	-	(146,300)	-	(157,248)	(61)	(111,115)
Pension plan assets (Note 17)	(828)	(39,989)	-	(43,638)	(657)	(42,766)
Unamortized debt arrangement fees (Note 15)	-	-	-	(10,708)	-	(14,694)
Unrealized foreign exchange gain	-	(12)	-	-	-	(1,396)
Taxable temporary difference arising from use of the installment method of revenue recognition for tax reporting	(627)	-	-	(1,416)	-	-
Unrealized fair value gains on investment property (Note 10)	(1,033)	(277,508)	-	(278,105)	(2,112)	(276,508)
Unrealized share in fair value reserve of an associate (Note 9)	-	(171)	-	(171)	-	-
	<b>(2,488)</b>	<b>(1,160,211)</b>	-	<b>(1,118,784)</b>	<b>(2,830)</b>	<b>(1,089,350)</b>
<b>Net deferred income tax assets (liabilities)</b>	<b>P170</b>	<b>(P1,048,215)</b>	<b>P4,977</b>	<b>(P1,002,045)</b>	<b>P4,823</b>	<b>(P986,789)</b>

<sup>(1)</sup> Pertain to RLC

<sup>(2)</sup> Pertain to the Company, RHI, CADPI, CACI and NAVI

<sup>(3)</sup> Pertain to CFSI

<sup>(4)</sup> Pertain to the Company, RLC, RHI, CADPI, CACI, RBC and NAVI

<sup>(5)</sup> Pertain to RLC

<sup>(6)</sup> Pertain to the Company, RHI, CADPI, CACI and NAVI

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

**NOLCO**

Incurring in	Amount	Applied	Expired	Balances as of June 30	Tax Effect	Available Until
<i>(In Thousands)</i>						
2008	P35,890	(P7,288)	(P28,602)	P-	P-	June 30, 2011
2009	136,088	(14,151)	-	121,937	36,581	September 30, 2011
2010	151,296	(6,583)	-	144,713	43,414	September 30, 2012
2011	365,165	-	-	365,165	109,549	September 30, 2013
	<b>P688,439</b>	<b>(P28,022)</b>	<b>(P28,602)</b>	<b>P631,815</b>	<b>P189,544</b>	

**MCIT**

Incurring in	Amount	Applied	Expired	Balances as of June 30	Available Until
<i>(In Thousands)</i>					
2008	P459	P-	(P459)	P-	June 30, 2011
2009	1,422	-	-	1,422	September 30, 2011
2010	6,354	(4,178)	-	2,176	September 30, 2012
2011	9,647	-	-	9,647	September 30, 2013
	<b>P17,882</b>	<b>(P4,178)</b>	<b>(P459)</b>	<b>P13,245</b>	



- c. As of June 30, 2011 and 2010, deferred income tax assets were not recognized on the following deductible temporary differences and carryforward benefits of unused NOLCO and excess MCIT:

	2011	2010
	<i>(In Thousands)</i>	
NOLCO	<b>₱587,048</b>	₱271,784
MCIT	<b>8,483</b>	1,217
Provision for sugar losses	<b>346,306</b>	-
Provision for inventory obsolescence	<b>5,500</b>	-
Pension benefit obligation	<b>2,377</b>	3,325
Allowance for impairment of receivables	<b>3,234</b>	1,405
Allowance for impairment of shares of stock of associates	<b>10,620</b>	10,620

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

- d. The reconciliation between the provision for (benefit from) income tax computed at the applicable statutory tax rates and provision for income tax presented in the consolidated statements of income for the years ended June 30 follows:

	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
	<i>(In Thousands)</i>		
Provision for (benefit from) income tax at statutory rates	<b>(₱233,496)</b>	₱89,957	₱73,988
Adjustments resulting from:			
Movements in deductible temporary differences, unused NOLCO and excess MCIT for which no deferred income tax assets were recognized	<b>285,592</b>	42,875	22,164
Capital gains tax on sale of subsidiaries (Note 1)	-	-	106,328
Expiration of excess MCIT	<b>411</b>	-	-
Tax effects of:			
Nontaxable equity in net earnings of associates (Note 9)	<b>(54,005)</b>	(43,381)	(26,785)
Nondeductible depreciation on appraisal increase	-	952	6,190
Interest and dividend income subjected to final tax	<b>(185)</b>	(563)	(1,265)
Effect of change in future income tax rates applied on deferred income tax assets and liabilities	-	-	2,520
Others	<b>6,034</b>	1,097	4,829
Provision for income tax	<b>₱4,351</b>	₱90,937	₱187,969





## 25. Equity

### a. Share capital

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

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

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

### b. Share premium and revaluation increment on properties

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

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

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

### c. Restructuring on equity

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



In 2011, the Group changed its accounting policy for investment properties from cost to fair value model resulting in the increase in beginning balance of the retained earnings amounting to P4.0 billion (see Note 2). The Group also opted to transfer the balance of the “Other equity reserve” arising from the merger between RCI and CADPGC as discussed in the preceding paragraph to retained earnings as management believes that such transfer of the “Other equity reserve” arising from the merger will result to amore useful and relevant financial statements. The adjustments were made retrospectively in accordance with PAS 8 (see Note 2).

d. Retained earnings

*Restricted retained earnings*

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

	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
	<i>(In Thousands)</i>		
Application of revaluation increment against deficit	<b>₱203,075</b>	₱203,075	₱203,075
Unrealized fair value gains on investment properties	<b>19,459</b>	19,459	19,459
	<b>₱222,534</b>	₱222,534	₱222,534

On October 14, 1999, the Philippine SEC approved the Company’s quasi-reorganization which involved the elimination of deficit amounting to P203.1 million as of July 31, 1999 by offsetting the entire amount against the revaluation increment on land. For purposes of dividend declaration, the retained earnings of the Company shall be restricted to the extent of the deficit wiped out by the appraisal increment.

For purposes of dividend declaration, the retained earnings of the Company shall be restricted to the extent of the appraisal increase on investment properties that was closed to retained earnings, net of the debit balance of “Other equity reserve” (see Note 2).

Further, unrestricted retained earnings include accumulated earnings of consolidated subsidiaries and unconsolidated associates amounting to P781.2 million and P1,249.7 million as of June 30, 2011 and 2010, respectively, which are not available for distribution to the Company’s stockholders unless received as cash dividends from investees.

*Dividends declaration*

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

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

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

As of June 30, 2011 and 2010, outstanding dividends payable amounted to P4.5 million pertaining to the dividend declaration in 2009.



e. Share Prices

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

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

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26. Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share for the years ended June 30 are computed as follows:

	2011	2010 (As restated, Note 2)	2009 (As restated, Note 2)
	<i>(In Thousands, except earnings per share)</i>		
Net income (loss) attributable to the equity holders of the Company	<b>(₱525,970)</b>	₱99,639	(₱2,336)
Weighted average number of shares issued and outstanding	<b>2,911,886</b>	2,911,886	2,911,886
Basic/diluted earnings (loss) per share	<b>(₱0.18)</b>	₱0.03	(₱0.001)

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

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27. Capital Management

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



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

Management considers the total consolidated equity reflected in the consolidated balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt. The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks.

As of June 30, 2011 and 2010, the Group has the following financial ratios:

	<b>2011</b>	2010 (As restated, Note 2)
	<i>(In Thousands, except ratio)</i>	
Total liabilities	<b>₱12,201,107</b>	₱10,634,644
Total equity	<b>9,806,393</b>	10,424,438
Total liabilities and equity	<b>₱22,007,500</b>	₱21,059,082
Debt-to-equity ratio	<b>1.24:1.00</b>	1.02:1.00

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## 28. Financial Instruments

### Financial Risk Management Objectives and Policies

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

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

#### *Liquidity risk*

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Note 18).



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

	2011						Total
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	
	(In Thousands)						
Short-term borrowings*	P-	P3,293,676	P-	P-	P-	P-	P3,293,676
Accounts payable and accrued expenses**	424,775	87,131	-	-	-	-	511,906
Advances from related parties	46,356	-	-	-	-	-	46,356
Dividends payable	20,522	-	-	-	-	-	20,522
Long-term borrowings*	7,060,334	10,328	16,522	16,522	-	-	7,103,706
	<b>P7,551,987</b>	<b>P3,391,135</b>	<b>P16,522</b>	<b>P16,522</b>	<b>P-</b>	<b>P-</b>	<b>P10,976,166</b>
Cash in bank and short-term placements	P401,336	P-	P-	P-	P-	P-	P401,336
Trade receivables***	116,668	421,091	24,707	-	-	-	562,466
Advances to related parties	6,996	75,725	-	-	-	-	82,721
Advances to employees****	552	29,859	3,999	-	-	-	34,410
Other receivables	2,909	29,222	-	-	-	-	32,131
Available-for-sale financial assets - unquoted equity investments	8,229	-	-	-	-	-	8,229
	<b>P536,690</b>	<b>P555,897</b>	<b>P28,706</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P1,121,293</b>

\* Includes expected interest payments for short-term and long-term borrowings of P7.2 million and P7.0 million, respectively.

\*\* Excludes payable to government agencies amounting to P52.1 million.

\*\*\* Includes noncurrent portion of installment contract receivables amounting to P24.7 million.

\*\*\*\* Includes noncurrent portion of employee advances of P4.0 million and excludes nonfinancial assets of P9.7 million.

	2010						Total
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	
	(In Thousands)						
Short-term borrowings*	P-	P2,513,435	P-	P-	P-	P-	P2,513,435
Accounts payable and accrued expenses**	544,035	42,290	-	-	-	-	586,325
Advances from related parties	49,791	5,775	-	-	-	-	55,566
Dividends payable	20,565	-	-	-	-	-	20,565
Long-term borrowings*	-	603,889	1,517,200	2,741,784	1,149,119	2,560,478	8,572,470
	<b>P614,391</b>	<b>P3,165,389</b>	<b>P1,517,200</b>	<b>P2,741,784</b>	<b>P1,149,119</b>	<b>P2,560,478</b>	<b>P11,748,361</b>
Cash in bank and short-term placements	P234,577	P-	P-	P-	P-	P-	P234,577
Trade receivables***	126,480	567,009	36,206	-	-	-	729,695
Advances to related parties	37,388	95,226	-	-	-	-	132,614
Advances to employees****	618	35,887	4,823	-	-	-	41,328
Other receivables*****	9,429	19,950	4,032	-	-	-	33,411
Available-for-sale financial assets - unquoted equity investments	8,229	-	-	-	-	-	8,229
	<b>P416,721</b>	<b>P718,072</b>	<b>P45,061</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P1,179,854</b>

\* Includes expected interest payments for short-term and long-term borrowings of P11.0 million and P2,371.2 million, respectively.

\*\* Excludes payable to government agencies amounting to P75.0 million.

\*\*\* Includes noncurrent portion of installment contract receivables amounting to P36.2 million.

\*\*\*\* Includes noncurrent portion of employee advances of P4.8 million and excludes nonfinancial assets of P1.6 million.

\*\*\*\*\* Includes noncurrent portion of other receivables amounting to P4.0 million and excludes nonfinancial assets of P1.7 million.

### Credit risk

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



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

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

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

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

The table below shows the maximum exposure to credit risk as of June 30 for the components of the consolidated balance sheet. The maximum exposure is shown gross before the effect of mitigation through the use of master netting and collateral agreements.

	2011	2010
	<i>(In Thousands)</i>	
Cash in banks and short-term placements	<b>₱401,336</b>	₱234,577
Trade receivables*	<b>562,466</b>	729,695
Advances to related parties	<b>82,721</b>	132,614
Advances to employees**	<b>34,410</b>	41,328
Others receivables***	<b>32,131</b>	33,411
Available-for-sale financial assets	<b>8,229</b>	8,229
	<b>₱1,121,293</b>	₱1,179,854

\* Includes noncurrent portion of installment contracts receivable amounting to ₱24.7 million and ₱36.2 million as of June 30, 2011 and 2010, respectively.

\*\* Includes noncurrent portion of employee advances amounting to ₱4.0 million and ₱4.8 million as of June 30, 2011 and 2010, respectively, and excludes nonfinancial assets amounting to ₱9.7 million and ₱1.6 million as of June 30, 2011 and 2010, respectively.

\*\*\* Includes noncurrent portion of other receivables amounting to ₱4.0 million and excludes nonfinancial assets amounting to ₱1.7 million as of June 30, 2010

*Collaterals and other credit enhancements*

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

*Credit quality per class of financial assets*

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



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

	2011							Total
	Neither past due nor impaired			Past due but not impaired			Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days		
<i>(In Thousands)</i>								
Cash in bank and short-term placements	P396,972	P4,364	P-	P-	P-	P-	P-	P401,336
Trade receivables*	281,628	70,741	-	133,651	40,559	35,887	3,452	565,918
Advances to related parties	23,129	-	-	-	-	59,592	3,110	85,831
Advances to employees**	3,930	30,435	-	-	-	45	1,276	35,686
Other receivables	2,594	27,280	-	308	203	1,746	9,643	41,774
Available-for sale financial assets - unquoted equity investments	-	-	8,229	-	-	-	-	8,229
<b>Total</b>	<b>P708,253</b>	<b>P132,820</b>	<b>P8,229</b>	<b>P133,959</b>	<b>P40,762</b>	<b>P97,270</b>	<b>P17,481</b>	<b>P1,138,774</b>

\* Includes noncurrent portion of installment contract receivables amounting to P24.7 million.

\*\* Includes noncurrent portion of employee advances amounting to P4.0 million and excludes nonfinancial assets amounting to P9.7 million.

	2010							Total
	Neither past due nor impaired			Past due but not impaired			Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days		
<i>(In Thousands)</i>								
Cash in bank and short-term placements*	P232,754	P1,823	P-	P-	P-	P-	P-	P234,577
Trade receivables*	178,799	467,373	-	27,844	39,932	15,747	2,915	732,610
Advances to related parties	59,689	20,212	-	-	-	52,713	3,110	135,724
Advances to employees**	370	40,797	-	64	28	69	1,276	42,604
Other receivables***	20,170	2,192	2,581	6,089	496	1,883	8,764	42,175
Available-for sale financial assets - unquoted equity investments	-	-	8,229	-	-	-	-	8,229
<b>Total</b>	<b>P491,782</b>	<b>P532,397</b>	<b>P10,810</b>	<b>P33,997</b>	<b>P40,456</b>	<b>P70,412</b>	<b>P16,065</b>	<b>P1,195,919</b>

\* Includes noncurrent portion of installment contracts receivable amounting to P36.2 million.

\*\* Includes noncurrent portion of employee advances amounting to P 4.8 million and excludes nonfinancial assets amounting to P1.6 million.

\*\*\* Includes noncurrent portion of other receivables amounting to P4.0 million and excludes nonfinancial assets amounting to P1.7 million.

### Impairment assessment

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

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

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

The Group recognized impairment loss on its financial assets using specific assessment amounting to P1.5 million, P2.0 million and P9.8 million in 2011, 2010 and 2009, respectively.

### Commodity price risk

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



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

*Interest rate risk*

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

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

The Group also has long-term borrowings bearing floating interest rates as of June 30, 2011 and 2010 which are susceptible to cash flow interest rate risk (see Note 15). The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of income as of June 30:

Percentage change in interest rates	Effect on consolidated income before income tax	
	2011	2010
	<i>(In Thousands)</i>	
For more than a year:		
+ 17%	<b>(P315)</b>	(P115,145)
- 17%	<b>315</b>	115,145
For less than a year:		
+10%	<b>(P47)</b>	-
-10%	<b>47</b>	-

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

*Foreign currency risk*

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

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

The Company's foreign-currency denominated cash in banks and cash equivalents as of June 30, 2011 and 2010 amounted to US\$0.5 million and US\$0.4 million, respectively. As of June 30, 2011, and 2010, the exchange rates were P43.33 and P46.37 per US\$1.00, respectively.

Net foreign exchange gains or losses recognized in the consolidated statements of income amounted to P5.3 million loss, P2.7 million gain and P9.0 million gain in 2011, 2010 and 2009, respectively (see Note 23).





The following table demonstrates the sensitivity to a reasonable possible change in exchange rate of the US\$ against the Peso, with all other variables held constant, of the Group's consolidated statement of income as of June 30:

	Movement in US\$-Philippine peso exchange rates	Effect on consolidated income before income tax
		<i>(In Thousands)</i>
<b>2011</b>	<b>+3.75%</b>	<b>(P4,008)</b>
	<b>-3.75%</b>	<b>4,008</b>
2010	+8.35%	(P8,924)
	-8.35%	8,924

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

#### Fair Values

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

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In Thousands)</i>			
<b>Financial Assets</b>				
<i>Cash on hand</i>	<b>P1,943</b>	<b>P1,943</b>	P2,037	P2,037
<i>Loans and receivables:</i>				
Cash in banks and short-term placements	<b>401,336</b>	<b>401,336</b>	234,577	234,577
Trade receivables*	<b>562,466</b>	<b>562,466</b>	729,695	729,695
Advances to related parties	<b>82,721</b>	<b>82,721</b>	132,614	132,614
Advances to employees**	<b>34,410</b>	<b>34,410</b>	41,328	41,328
Other receivables***	<b>32,131</b>	<b>32,131</b>	33,411	33,411
<i>Available-for-sale financial assets</i>	<b>8,229</b>	<b>8,229</b>	8,229	8,229
	<b>P1,123,236</b>	<b>P1,123,236</b>	P1,181,891	P1,181,891
<b>Financial Liabilities:</b>				
<i>Other financial liabilities:</i>				
Short-term borrowings	<b>3,286,500</b>	<b>3,286,500</b>	2,502,404	2,502,404
Accounts payable and accrued expenses****	<b>511,906</b>	<b>511,906</b>	586,325	586,325
Advances from related parties	<b>46,356</b>	<b>46,356</b>	55,566	55,566
Dividends payable	<b>20,522</b>	<b>20,522</b>	20,565	20,565
Long-term borrowings	<b>7,096,714</b>	<b>7,096,714</b>	6,201,308	6,209,417
	<b>P10,961,998</b>	<b>P10,961,998</b>	P9,366,168	P9,374,277

\* Includes noncurrent portion of installment contracts receivable amounting to P24.7 million and P36.2 million as of June 30, 2011 and 2010, respectively.

\*\* Includes noncurrent portion of employee advances amounting to P4.0 million and P4.8 million as of June 30, 2011 and 2010, respectively, and excludes nonfinancial assets amounting to P9.7 million and P1.6 million as of June 30, 2011 and 2010, respectively.

\*\*\* Includes noncurrent portion of other receivables amounting to P4.0 million and excludes nonfinancial assets amounting to P1.7 million as of June 30, 2010.

\*\*\*\* Excludes payable to government agencies amounting to P52.1 million and P75.0 million as of June 30, 2011 and 2010, respectively.



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

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

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

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

*Long-term borrowings - variable interest bearing loans.* The carrying value of the financial instrument approximates the fair value due to regular quarterly repricing of its interest rates.

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

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

The Group has no financial instruments carried at fair value in the consolidated financial statements as of June 30, 2011 and 2010.

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## 29. Segment Reporting

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

a. The Company

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

b. Real Estate

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



c. Sugar-Related Businesses

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

- CADPI is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 13,000 metric tons as of June 30, 2011 and 2010, respectively. CADPI's raw sugar milling is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. Canes are sourced from both district and non-district planters and are milled by CADPI under a production sharing agreement. The refinery operation, on the other hand, involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.
- CACI produces raw sugar and molasses and trades the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,000 metric tons as of June 30, 2011 and 2010, respectively, is located in La Carlota, Negros Occidental.
- RBC was established to engage in the business of producing, marketing and selling of bio-ethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials. Its plant facility is located in La Carlota, Negros Occidental.
- CFSI was established to engage in the business of transporting sugar cane, sugar and its by-products including all kinds of commercial cargoes to and from sugar factories, sugar refineries, millsites or warehouses and/or similar establishments by land. CFSI caters various planters in Batangas, Negros, and other provincial areas in Visayas and Southern Luzon.
- Other segments of the Group which are not reported separately pertain mainly to consultancy business, dealer and trader of agricultural products and pre-operating companies.

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

The Company's senior management regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statement of income.

Further, financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments. Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies.



a. Segment revenue and expenses

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

Revenue from two major customers of the sugar group amounted to ₱1,160.5 million and ₱681.5 million in 2011 and ₱1,005.0 million and ₱676.0 million in 2010, which pertain to sales of CACI and CADPI.

b. Segment assets and liabilities

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

c. Inter-segment transfers

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

The following tables present information about the Group's operating segments as of and for the years ended June 30:

	2011				
	Sugar- Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
	<i>(In Thousands)</i>				
<b>Revenue</b>					
External customers					
Refined sugar	₱3,770,277	₱-	₱	₱	₱3,770,277
Raw sugar	3,533,816	-	-	-	3,533,816
Tolling fees	218,276	-	-	-	218,276
Molasses	315,569	-	-	-	315,569
Alcohol	39,096	-	-	-	39,096
Others	32,864	68,428	-	-	101,292
	7,909,898	68,428	-	-	7,978,326
Costs and expenses	(8,285,145)	(82,291)	(31,865)	1,064	(8,398,237)
Interest income	5,438	10,586	110	(1,018)	15,116
Interest expense	(614,543)	(2,612)	(23,768)	1,035	(639,888)
Others	68,391	17,594	13,746	(13,385)	86,346
Income (loss) before income tax	(915,961)	11,705	(41,777)	(12,304)	(958,337)
Provision for income tax	(2,760)	(1,535)	(45)	(11)	(4,351)
<b>Segment profit (loss)</b>	<b>(918,721)</b>	<b>10,170</b>	<b>(41,822)</b>	<b>(12,315)</b>	<b>(962,688)</b>
Equity in net earnings of associates	176,964	-	-	3,053	180,017
<b>Consolidated profit (loss)</b>	<b>(₱741,757)</b>	<b>₱10,170</b>	<b>(₱41,822)</b>	<b>(₱9,262)</b>	<b>(₱782,671)</b>
<b>Other Information</b>					
Major costs and expenses					
Depreciation	₱546,994	₱2,242	₱1,201	₱47	₱550,484
Fuel and oil	423,573	-	-	-	423,573
Materials and consumables	277,256	345	260	-	277,861
Repairs and maintenance	389,372	761	428	-	390,561

(Forward)



2011					
	Sugar- Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
<i>(In Thousands)</i>					
Additions to noncurrent assets					
Property, plant and equipment	P349,667	P1,625	P133	P-	P351,425
Other noncurrent assets	2,581	-	-	-	2,581
Investment in associates	703,926	144,945	-	-	848,871
<b>Assets and Liabilities</b>					
Current assets	4,000,860	514,058	19,419	(60,841)	4,473,496
Noncurrent assets	12,707,020	194,040	6,866,336	(2,233,392)	17,534,004
<b>Total assets</b>	<b>P16,707,880</b>	<b>P708,098</b>	<b>P6,885,755</b>	<b>(P2,294,233)</b>	<b>P22,007,500</b>
Current liabilities	P10,529,698	P141,447	P515,581	(P62,878)	P11,123,848
Noncurrent liabilities	772,667	41,886	276,535	(13,829)	1,077,259
<b>Total liabilities</b>	<b>P11,302,365</b>	<b>P183,333</b>	<b>P792,116</b>	<b>(P76,707)</b>	<b>P12,201,107</b>

2010					
	Sugar- Related Businesses	Real Estate (As restated, Note 2)	RCI (As restated, Note 2)	Unallocated, Eliminations and Adjustments	Consolidated Balances (As restated, Note 2)
<i>(In Thousands)</i>					
<b>Revenue</b>					
External customers					
Refined sugar	P3,716,206	P-	P-	P-	P3,716,206
Raw sugar	1,853,949	-	-	-	1,853,949
Tolling fees	290,268	-	-	-	290,268
Molasses	318,235	-	-	-	318,235
Others	24,309	86,186	-	-	110,495
	6,202,967	86,186	-	-	6,289,153
Costs and expenses	(5,923,015)	(90,076)	(96,185)	12,190	(6,097,086)
Interest income	5,710	10,861	1,017	18	17,606
Interest expense	(319,480)	(4,495)	(22,213)	-	(346,188)
Others	296,651	61,436	17,050	(83,368)	291,769
Income (loss) before income tax	262,833	63,912	(100,331)	(71,160)	155,254
Provision for income tax	(83,656)	(7,064)	(207)	(10)	(90,937)
<b>Segment profit (loss)</b>	<b>179,177</b>	<b>56,848</b>	<b>(100,538)</b>	<b>(71,170)</b>	<b>64,317</b>
Equity in net earnings of associates	132,263	-	-	12,341	144,604
<b>Consolidated profit (loss)</b>	<b>P311,440</b>	<b>P56,848</b>	<b>(100,538)</b>	<b>(P58,829)</b>	<b>P208,921</b>
<b>Other Information</b>					
Major costs and expenses					
Depreciation	P407,025	P1,066	P1,006	P47	P409,144
Fuel and oil	408,900	-	-	-	408,900
Materials and consumables	305,044	478	335	-	305,857
Repairs and maintenance	386,947	732	405	(234)	387,850
Additions to (disposals of) noncurrent assets					
Property, plant and equipment	2,538,628	1,425	1,666	(639)	2,541,080
Other noncurrent assets	(521)	-	-	101	(420)
Investment in associates	618,322	141,910	-	-	760,232
<b>Assets and Liabilities</b>					
Current assets	3,111,881	587,736	34,911	(83,318)	3,651,210
Noncurrent assets	12,573,334	166,867	6,867,768	(2,200,097)	17,407,872
<b>Total assets</b>	<b>P15,685,215</b>	<b>P754,603</b>	<b>P6,902,679</b>	<b>(P2,283,415)</b>	<b>P21,059,082</b>
Current liabilities	P3,249,479	P178,055	P88,323	(P49,324)	P3,466,533
Noncurrent liabilities	6,448,831	54,213	678,896	(13,829)	7,168,111
<b>Total liabilities</b>	<b>P9,698,310</b>	<b>P232,268</b>	<b>P767,219</b>	<b>(P63,153)</b>	<b>P10,634,644</b>



	2009				
	Sugar- Related Business	Real Estate (As restated, Note 2)	RCI (As restated, Note 2)	Unallocated, Eliminations and Adjustments	Consolidated Balances (As restated, Note 2)
	<i>(In Thousands)</i>				
<b>Revenue</b>					
External customers					
Refined sugar	P3,304,300	P-	P-	P-	P3,304,300
Raw sugar	1,909,110	-	-	-	1,909,110
Tolling fees	356,464	-	-	-	356,464
Molasses	293,450	-	-	-	293,450
Others	1,294	67,726	-	262	69,282
	5,864,618	67,726	-	262	5,932,606
Costs and expenses	(5,576,070)	(70,328)	(100,980)	39,630	(5,707,748)
Interest income	7,438	16,424	2,727	(810)	25,779
Interest expense	(133,334)	(6,594)	(7,049)	-	(146,977)
Others	75,703	9,718	187,788	(212,657)	60,552
Income (loss) before income tax	238,355	16,946	82,486	(173,575)	164,212
Provision for income tax	(175,390)	(7,775)	(72,008)	67,204	(187,969)
<b>Segment profit (loss)</b>	62,965	9,171	10,478	(106,371)	(23,757)
Equity in net earnings of associates	79,564	-	-	2,851	82,415
<b>Consolidated profit (loss)</b>	<b>P142,529</b>	<b>P9,171</b>	<b>P10,478</b>	<b>(P103,520)</b>	<b>P58,658</b>
<b>Other Information</b>					
Major costs and expenses					
Depreciation	P304,426	P1,768	P970	(P3,150)	P304,014
Fuel and oil	250,963	-	-	-	250,963
Materials and consumables	287,963	337	5,689	(5,355)	288,634
Repairs and maintenance	376,346	540	1,167	(670)	377,383
Additions to noncurrent assets					
Property, plant and equipment	3,418,728	2,984	288	(83,975)	3,338,025
Other noncurrent assets	34,498	-	-	-	34,498
Investment in associates	557,432	181,693	-	-	739,125
<b>Assets and Liabilities</b>					
Current assets	3,114,558	475,052	39,754	(200,598)	3,428,766
Noncurrent assets	10,407,111	193,733	6,869,809	(2,199,253)	15,271,400
<b>Total assets</b>	<b>P13,521,669</b>	<b>P668,785</b>	<b>P6,909,563</b>	<b>(P2,399,851)</b>	<b>P18,700,166</b>
Current liabilities	P3,943,417	P165,298	P229,057	(P205,668)	P4,132,104
Noncurrent liabilities	3,861,648	24,151	444,508	(17,335)	4,312,972
<b>Total liabilities</b>	<b>P7,805,065</b>	<b>P189,449</b>	<b>P673,565</b>	<b>(P223,003)</b>	<b>P8,445,076</b>

### 30. Other Matter

#### Registration with the Board of Investments (BOI)

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



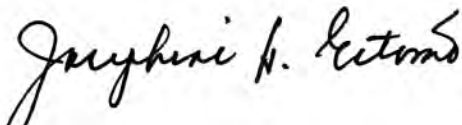
## **SECOND SECTION**

## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

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

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

SYCIP GORRES VELAYO & CO.



Josephine H. Estomo  
Partner  
CPA Certificate No. 46349  
SEC Accreditation No. 0078-AR-2  
Tax Identification No. 102-086-208  
BIR Accreditation No. 08-001998-18-2009,  
June 1, 2009, Valid until May 31, 2012  
PTR No. 2641524, January 3, 2011, Makati City

October 13, 2011





SCHEDULE A

**ROXAS AND COMPANY , INC. AND SUBSIDIARIES**

MARKETABLE SECURITIES

JUNE 30, 2011

(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

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

SCHEDULE B

**ROXAS AND COMPANY , INC. AND SUBSIDIARIES**

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)  
JUNE 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of year
Various employees (educational loans/advances)	₱43,480	₱7,575	₱9,659	₱-	₱41,396	₱-	₱41,396

SCHEDULE C

**ROXAS AND COMPANY , INC. AND SUBSIDIARIES**

**NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM  
INVESTMENTS IN STOCK AND OTHER INVESTMENTS**

JUNE 30, 2011

(AMOUNTS IN THOUSAND PHILIPPINE PESOS, EXCEPT NUMBER OF SHARES)

Name of issuing entity And description of investment	Beginning Balance		Net additions ( deductions)				Ending Balance		Dividends received from investments not accounted for by the equity method
	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in net earnings of investee for the period	Other	Distribution of earnings by investee	Other	Number of shares or principal amount of bonds and notes f	Amount in Pesos	
Hawaiian Philippine Company ( 29.62%)	285,549,365	₱ 618,322	₱176,964	₱	(₱ 91,360)		285,549,365	₱ 703,926	
Fuego Development Corporation (30%)	39,933,013	104,999	683				39,933,013	105,682	
Fuego Land Corporation ( 30%)	29,998	12,011	(156)				29,998	11,855	
Club Punta Fuego Inc. ( 26.63%)	536	18,783	2,785	(18)			527	21,550	
Roxaco-ACM Development Corporation (50%)	6,249,997	6,117	(259)				6,249,997	5,858	
Others									
<b>TOTAL</b>		<b>₱ 760,232</b>	<b>₱ 180,017</b>	<b>(₱ 18)</b>	<b>(₱ 91,360)</b>	<b>0</b>		<b>₱ 848,871</b>	

Refer to Note 9 of 2011 consolidated financial statements for additional information on .Investment in Stocks of Associates

SCHEDULE D

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND RELATED PARTIES

JUNE 30, 2011

(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

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

SCHEDULE E**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**PROPERTY, PLANT AND EQUIPMENT  
JUNE 30, 2011  
(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Classification	Beginning balance	Additions at cost	Retirements	Other charges- Additions (deductions)	Ending balance
Land	₱2,485,515	229,109			₱2,714,624
Buildings and improvements	2,051,649	16,242		479,121	2,547,012
Machinery and equipments	8,851,302	44,666	(21,617)	2,113,640	10,987,991
Transportation and Railroad equipments	38,034			(5,099)	32,935
Office furnitures, fixtures and equipment	75,998	6,157	(1,851)	8,119	88,423
Construction in progress	3,547,117	332,325	–	(2,635,477)	1,243,965
	₱17,049,615	₱628,499	(₱23,468)	(₱39,696)	₱17,614,950

## SCHEDULE F

## ROXAS AND COMPANY, INC. AND SUBSIDIARIES

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

Classification	Beginning balance	Additions at cost	Charged to other accounts	Other charges- Additions (deductions)	Ending balance
Buildings and improvements	₱744,084	₱91,270	(₱539)	₱453	₱835,268
Machinery and equipments	4,439,723	445,430	(35,925)	(9,868)	4,839,360
Transportation and Railroad equipments	15,345	5,146	(4,344)		16,147
Office furnitures, fixtures and equipment	59,309	8,638	1,089	(29)	69,007
	₱5,258,461	₱550,484	(₱39,719)	(₱9,444)	₱5,759,782

SCHEDULE G

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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

Description	Beginning balance	Additions	Charged to costs and expenses	Charged to other accounts	Other changes- additions (deductions)	Ending Balance
Excess of acquisition cost over net assets of subsidiaries' shares (Goodwill, shown under "Other noncurrent assets)	₱9,796	₱-	₱-	₱	₱-	₱9,796

## SCHEDULE H

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

## LONG-TERM BORROWINGS

JUNE 30, 2010

(AMOUNTS IN THOUSAND PHILIPPINE PESOS)

Title of issue and type of obligation	Amount shown under caption "Current portion of long-term borrowings" in related consolidated balance sheets	Amount shown under caption "Long-term borrowings" in related consolidated balance sheets	Remarks
Loans payable to local banks:			
Banco De Oro Unibank, Inc. (BDO)	₱5,148,438	₱26,667	
Rizal Commercial Banking Corporation	482,759		
Bank of the Philippine Island (BPI)	965,517		
BPI Asset Management and Trust Group	500,000		
	₱7,096,714	₱26,667	

Refer to Note 15 of the 2011 consolidated financial statements for additional information on long-term borrowings.



SCHEDULE I

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

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

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

SCHEDULE J

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

GUARANTEES OF SECURITIES OF OTHER ISSUERS

JUNE 30, 2011

(AMOUNTS IN THOUSAND IN PHILIPPINE PESOS)

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

SCHEDULE K

**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

SHARE CAPITAL

JUNE 30, 2011

(AMOUNTS IN THOUSAND PHILIPPINE PESOS, EXCEPT NUMBER OF SHARES)

Title of issue	Number of shares authorized	Number of shares issued and outstanding shown under related consolidated balance sheets caption	Number of shares reserved for options, warrants conversion, and other rights	Number of shares held by related parties	Directors and officers	Others
Common shares (P1 par value)	3,375,000,000	2,911,885,869	-	58	1,440,614,522	1,471,271,289

Please refer to Note 25 of the 2011 consolidated financial statements for additional information on share capital.

**ROXAS AND COMPANY, INC.  
AND SUBSIDIARIES**

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

Retained earnings, beginning as previously reported	₱2,363,169
Effect of change in accounting policy	4,011,803
Transfer of other equity reserve to retained earnings	(3,793,136)
Retained earnings, beginning as restated	2,581,836
Less: Restricted retained earnings	(222,534)
Deferred income tax assets	(1,766)
Accumulated earnings of subsidiaries and associates	(1,249,746)
Unrestricted retained earnings, as adjusted to amount available for dividend declaration, beginning	1,107,790
Add/less net income actually earned/realized during the year:	
Net loss during the year closed to retained earnings	(41,822)
Movement of deferred income tax assets	133
Net income actually earned/realized during the year	(41,689)
Unrestricted retained earnings available for dividend declaration, end	₱1,066,101

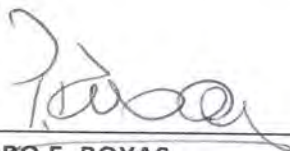


## ISSUER

### ROXAS AND COMPANY, INC.

Pursuant to the requirements of Section 17 of Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.

By:



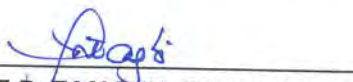
**PEDRO E. ROXAS**  
Executive Chairman/President & CEO



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




**VIRGINIA R. ALCAIDE**  
Finance Manager



**FRITZIE P. TANGKIA-FABRICANTE**  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this OCT 27 2011 in Makati City affiants exhibiting to me their Passports and Community Tax Certificates, as follows:

<u>Names</u>	<u>Passport No.</u>	<u>Date of Issue/Expiry</u>	<u>CTC/Issue Date</u>	<u>Place of Issue</u>
Pedro E. Roxas	EB0094507	13 April 2010- 12 April 2015	03240330/28 Feb. 2011	Makati City
Sindulfo L. Sumagang	XX4199464	20 July 2009- 19 July 2014	15308639/31 March 2011	Las Piñas City
Fritzie P. Tangkia- Fabricante	XX0850429	03 April 2008-2013	02740851/24 Feb. 2011	Makati City
Virginia R. Alcaide	Phil. Drivers License No. N26-05-002298	Expiry 15 Aug. 2013	22247006/28 Feb. 2011	Manila



**JOSEPH P. GUEVARRA**  
Appointment No. M-100  
Notary Public - Makati City  
Until 31 December 2011  
G/F Cacho Gonzales Building  
101 Aguirre Street, Legaspi Village, Makati City  
PTR No. 2691809 / 24 January 2011 / Makati City  
IR No. 852453 / 25 January 2011 / Makati City  
Roll No. 52501

Doc. No. 274;  
Page No. 57;  
Book No. 4;  
Series of 2011.



110112011001032



## SECURITIES AND EXCHANGE COMMISSION

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

### Barcode Page

The following document has been received:

**Receiving Officer/Encoder** : Edmundo Guia

**Receiving Branch** : SEC Head Office

**Receipt Date and Time** : October 11, 2011 02:23:26 PM

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Company Representative

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Doc Source

Company Information

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**SEC Registration No.** PW00000834

**Company Name** ROXAS AND COMPANY, INC.

**Industry Classification**

**Company Type** Stock Corporation

**Document Information**

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**Document ID** 110112011001032

**Document Type** 17-L (FORM 11-L:NTCE TO DELAY RPT)

**Document Code** 17-L

**Period Covered** October 11, 2011

**No. of Days Late** 0

**Department** CFD

**Remarks**

P W 0 0 0 0 0 8 3 4

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

(Company's Full Name)

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

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

ATTY. FRITZIE P. TANGKIA-FABRICANTE

810-8901

Sept. 30  
Month Day  
Fiscal Year

SEC Form 17-L

Form Type

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

3,534

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes





## 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<sup>th</sup>) 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.)

**RCI will not be able to file its Annual Report on SEC Form 17-A on or before the 13 October 2011 deadline because both its sugar and real estate subsidiaries are still finalizing the material information on their business risks, financial conditions and results of operations. RCI's subsidiaries are not able to finalize yet the needed information due to numerous tasks likewise demanding immediate attention.**

**Without the information from its subsidiaries, RCI will not be able to make a complete report.**

**In view of this, RCI requests permission to submit the report on or before 28 October 2011.**

## 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**  
AVP for Legal Affairs/Assistant Corporate Secretary  
Compliance Officer  
7<sup>th</sup> 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.**  
(Formerly **CADP GROUP CORPORATION**)

By:

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

11 October 2011.



11 October 2011

**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 ANNUAL REPORT  
FOR FISCAL YEAR ENDED 30 JUNE 2011**

-----

**Gentlemen:**

Roxas and Company, Inc. would like to request for extension of deadline to submit its Annual Report for the fiscal year ended 30 June 2011.

The Company will not be able to file the above-mentioned report on its deadline of 13 October 2011 because its sugar-manufacturing and real estate subsidiaries are still finalizing the material information on their business risks, financial conditions and results of operations. RCI's subsidiaries are not able to finalize the needed information due to numerous tasks likewise demanding immediate attention.

Without the information from its subsidiaries, the Company will not be able to make a complete report.

The Company undertakes to submit the report within fifteen (15) 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. TANGKIAS FABRICANTE**  
AVP for Legal Affairs/Compliance Officer