PW00000834

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

(Company's Full Name)

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

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

| ATTY. ALEZANDRO S. CASABAR | 810-8901 |
|---|---|

**SEC Form 17-Q**
**(For the period ended March 31, 2012)**

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

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

Total Amount of Borrowings

**3,518**

Total No. of Stockholders

Domestic

Foreign

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TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

STAMPS

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

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

1. For the quarterly period ended: **31 March 2012.**

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

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

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

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

6. (SEC Use Only)
   Industry Classification Code

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

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

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

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

| Title of Each Class | Number of Shares of Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Authorized Capital Stock | |
| Common | **₱3,375,000,000.00** |
| No. of shares subscribed & outstanding: | |
| Common | **2,911,885,870** |
| Amount of debt outstanding as of 31 March 2012 | **₱9,344,910,330** |

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

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

Yes [√ ] No [ ]

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

12. Check whether the issuer:

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

Yes [√ ] No [ ]

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

Yes [ ] No [√ ]

## PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**Please see Annex "A"**.

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

**Please see Annex "B"**.

## PART II – OTHER INFORMATION

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

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

2. Composition of the Board of Directors:

| | | |
|---|---|---|
| **PEDRO E. ROXAS** | - | Executive Chairman / President & CEO |
| **ANTONIO J. 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 |
| **PETER D. BAROT** | - | Corporate Secretary |

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

   **Required information is contained in Annexes “A” and “B”**.

4. Suspension of operations:

   **None for the period.**

5. Declaration of dividends:

   **None for the period.**

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

   **None for the period.**

7. Financing through loans:

   **None for the period.**

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

   **None for the period.**

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

   **None for the period.**

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

    **None for the period.**

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

    **None for the period.**

SIGNATURE

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

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

By:

**ALEZANDRO S. CASABAR**
Legal Services Manager
Compliance Officer/Corporate Information Officer

Date: 15 May 2012.

Roxas & Company, Inc.

# A N N E X "A"

## CONSOLIDATED FINANCIAL STATEMENTS

## Second Quarter Ending March 31, 2012 and 2011

# ROXAS AND COMPANY, INC. AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
MARCH 31, 2011 AND SEPTEMBER 30, 2011
Amounts in Thousands

| | Note | March-12 Unaudited | September-11 Audited |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 351,840 | 359,182 |
| Receivables | 5 | 924,259 | 629,060 |
| Inventories | 6 | 2,019,890 | 1,639,077 |
| Real estate for sale and development | 7, 15 | 344,512 | 328,481 |
| Prepayments and other current assets | 8 | 424,520 | 382,037 |
| Total Current Assets | | 4,065,021 | 3,337,837 |
| NONCURRENT ASSETS | | | |
| Installment Contracts Receivable, net of current portion | 5 | 14,754 | 16,880 |
| Property, plant and equipment | 11 | | |
| At cost | | 8,595,742 | 8,951,462 |
| At appraised values | | 2,544,233 | 2,544,233 |
| Investment in shares of stock of associates | 9 | 736,339 | 830,889 |
| Investment properties | 10, 15 | 4,806,110 | 4,806,110 |
| Net pension assets | 17 | 132,248 | 132,249 |
| Deferred income tax assets | 24 | 1,067 | 1,067 |
| Other noncurrent assets | 5 | 28,664 | 33,360 |
| Total Noncurrent Assets | | 16,859,157 | 17,316,250 |
| Total Assets | | 20,924,178 | 20,654,087 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Short-term borrowings | 12 | 2,498,000 | 2,831,000 |
| Accounts payable and accrued expenses | 13 | 990,475 | 681,739 |
| Customer's deposits | 14 | 413,960 | 174,025 |
| Income tax payable | | 0 | 366 |
| Dividends payable | | 21,330 | 20,517 |
| Current portion of long-term borrowings | 7,15 | 50,423 | 934,641 |
| Non current portion of long term borrowings presented as current | | | 5,928,865 |
| Total Current Liabilities | | 3,974,188 | 10,571,153 |
| NONCURRENT LIABILITIES | | | |
| Long-term borrowings | 15 | 6,564,827 | - |
| Net pension benefit obligation | 17 | 3,364 | 1,290 |
| Deferred tax liabilities | 24 | 1,061,036 | 1,053,264 |
| Total Noncurrent Liabilties | | 7,629,227 | 1,054,554 |
| Total Liabilities | | 11,603,415 | 11,625,707 |
| EQUITY | | 9,320,763 | 9,028,380 |
| Total Liabilities and Equity | | 20,924,178 | 20,654,087 |

*See accompanying Notes to Consolidated Financial Statements*

Certified True and Correct

ARMANDO B. ESCOBAR
VP - CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2012 AND 2011
[Amounts in 000 Philippine Peso, Except for Basic / Diluted Earnings (Loss) Per Share]

| | For the Quarter Ending March 31 | | For the Six Months Ending March 31 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| REVENUE ( Note 19) | 1,676,413 | 2,227,137 | 3,539,759 | 4,097,991 |
| COST OF SALES ( Note 20 ) | 890,068 | 1,304,728 | 2,515,530 | 3,337,559 |
| GROSS PROFIT | 786,345 | 922,409 | 1,024,229 | 760,432 |
| SELLING EXPENSES | (4,100) | 4,042 | (16,527) | (6,198) |
| OPERATING EXPENSES (Note 21) | (267,571) | (215,967) | (468,240) | (428,131) |
| EQUITY IN NET LOSSES OF ASSOCIATES ( Note 9) | (5,380) | 30,519 | (23,178) | 56,767 |
| INTEREST INCOME ( Note 4 and 5) | 3,988 | 2,629 | 6,322 | 5,450 |
| INTEREST EXPENSE ( Notes 12 and 15) | (129,884) | (147,190) | (282,829) | (308,090) |
| OTHER INCOME - net ( Note 23) | 16,316 | 21,729 | 74,234 | 54,211 |
| INCOME (LOSS BEFORE INCOME TAX) | 399,714 | 618,171 | 314,011 | 134,441 |
| PROVISION FOR INCOME TAX (Note 24) | | | | |
| Current | 14,277 | 2,082 | 28,668 | 2,175 |
| Deferred | (5,632) | (69,368) | (7,040) | (81,243) |
| | 8,645 | (67,286) | 21,628 | (79,068) |
| NET INCOME (LOSS) FOR THE PERIOD | 391,069 | 685,457 | 292,383 | 213,509 |
| Attributable to: | | | | |
| Equity holders of the Parent Company | 255,032 | 449,349 | 179,014 | 130,454 |
| Non-Controlling Interest | 136,037 | 236,108 | 113,369 | 83,055 |
| | 391,069 | 685,457 | 292,383 | 213,509 |
| BASIC/DILUTED EARNINGS (LOSS) PER SHARE | 0.088 | 0.154 | 0.061 | 0.045 |

*See accompanying Notes to Consolidated Financial Statements*

CERTIFIED TRUE AND CORRECT:

ARMANDO B. ESCOBAR
VP - CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
[Formerly CADP Group Corporation]
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2012 AND 2011
[Amounts in 000 Philippine Peso)

| | For the Quarter Ending March 31 | | For the Six Months Ending March 31 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| NET INCOME | 391,069 | 685,457 | 292,383 | 213,509 |
| OTHER COMPREHENSIVE INCOME | 0 | 0 | 0 | 0 |
| TOTAL COMPREHENSIVE INCOME | 391,069 | 685,457 | 292,383 | 213,509 |
| Attributable to: | | | | |
| Equity holders of the Parent Company | 255,032 | 449,349 | 179,014 | 130,454 |
| Minoroty Interest | 136,037 | 236,108 | 113,369 | 83,055 |
| | 391,069 | 685,457 | 292,383 | 213,509 |

*See accompanying Notes to Consolidated Financial Statements*

CERTIFIED TRUE AND CORRECT:

ARMANDO B. ESCOBAR
VP - CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
MARCH 31, 2012 AND 2011
Amounts in Thousands

| | 2012 | 2011 |
|---|---|---|
| SHARE CAPITAL | 2,911,885 | 2,911,885 |
| SHARE PREMIUM | 1,611,393 | 1,611,394 |
| EFFECTS OF CHANGE IN OWNERSHIP OF SUBSIDIARIES | (81,066) | (81,066) |
| SHARE IN REVALUATION INCREMENT on land of Associate | 136,322 | 136,322 |
| REVALUATION INCREMENT IN PROPERTY | 1,335,075 | 1,163,702 |
| SHARE IN FAIR VALUE RESERVE | 5,179 | 5,179 |
| RETAINED EARNINGS | | |
| Beginning balance | 1,542,504 | 2,264,426 |
| Share in net income (loss) for the period | 179,014 | 130,454 |
| | 7,640,307 | 8,142,296 |
| NON CONTROLLING INTEREST | | |
| Beginning balance | 1,567,087 | 1,989,014 |
| Share in net income (loss) for the period | 113,369 | 83,055 |
| TOTAL EQUITY | 9,320,763 | 10,214,365 |

CERTIFIED TRUE AND CORRECT:

ARMANDO B. ESCOBAR
VP-CFO

# ROXAS AND COMPANY, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENT OF CASH FLOWS
### FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2012 AND 2011
Amounts in Thousands

| | March-12 | March-11 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income (loss) before tax | 314,011 | 134,441 |
| Adjustments for: | | |
| Depreciation | 360,589 | 275,883 |
| Equity in net earnings (losses) of associates | 23,178 | (56,767) |
| Interest Income | (6,322) | (5,450) |
| Interest expense | 282,829 | 308,090 |
| Provision for inventory loss | 14,617 | 15,234 |
| Loss (Gain) on sugar inventory | (530) | (182) |
| Net cash from operations before working capital changes | 988,372 | 671,249 |
| Decrease ( Increase) in: | | |
| Receivables | (292,571) | 318,238 |
| Inventories | (380,813) | (2,866,417) |
| Real estate | (16,031) | 461 |
| Prepayments and other current assets | (42,483) | (77,445) |
| Increase ( decrease ) in: | | |
| Accounts payable and accrued expenses | 362,051 | 352,519 |
| Customers' deposits | 239,936 | 71,760 |
| Increase (decreased) in net pension obligation | 1,296 | (30,871) |
| Cash generated from operations | 859,757 | (1,560,506) |
| Interest received | 2,140 | 5,450 |
| Income tax paid, including creditable withholding and final tax | (51,314) | (649) |
| Net cash from (used in ) operating activities | 810,583 | (1,555,705) |
| CASH FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (30,717) | (285,270) |
| Dividends received | 71,373 | 0 |
| Decrease ( Increase) in other noncurrent assets | 4,695 | (3,197) |
| Net cash flows from ( used in) investing activities | 45,351 | (288,467) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from ( payments of ) short term borrowings | (333,000) | 2,179,548 |
| Payment of long-term borrowings | (248,257) | (1,731) |
| Interest paid | (282,020) | (308,954) |
| Net cash flows from ( used in) financing activities | (863,277) | 1,868,863 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (7,343) | 24,691 |
| CASH AND CASH EQUIVALENTS, Beginning | 359,183 | 324,194 |
| CASH AND CASH EQUIVALENTS, End | 351,840 | 348,885 |

CERTIFIED TRUE AND CORRECT:

ARMANDO B. ESCOBAR
VP - CFO

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 3,523, 3,525, and 3,534 equity holders as of December 31, 2011, September 30, 2011 and June 30, 2011, respectively. The Company is owned by various individual shareholders and domestic corporations, namely Pesan Holdings, Inc. and SPCI Holdings, Inc.

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

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

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

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

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

*Status of Operations and Management Action Plans*
For the fiscal year ended June 30, 2011, the Group was significantly affected by the volatility of the prices of sugar, molasses and ethanol, impacting the Group’s profitability and cash flows. Thus, the Group incurred a consolidated net loss of ₱782.7 million and a net cash outflow from operating activities of ₱626.6 million. Consequently, the Group did not meet the minimum debt service coverage ratio (DSCR) required under its long-term loan agreements with certain creditor banks as of June 30, 2011 (see Note 12). Considering that the losses were mainly driven by market reversals and not by the Group’s capacity to service its loans, the Group was able to obtain from the creditor banks in September and October 2011 a waiver of breach of covenant on the DSCR covering the fiscal year ended June 30, 2011.

For the short ended September 30, 2011 where the Group is expected to record heavy expenses in preparing its mills for the milling operations, the Group incurred a loss of ₱778.0 million as anticipated. Despite the losses, however, the Group’s net cash inflow from operating activities reached ₱801.8 million, of which ₱688.7 million was used to pay off short-term and long-term liabilities. Consequently, the creditor banks issued in December 2011 and January 2012 similar waivers for possible violations of DSCR up to September 2012 (see Note 15).

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

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

## 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) and Philippine Accounting Standards (PAS) 34 *Interim Financial Reporting*.

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

The unaudited interim condensed consolidated financial statements, which have been prepared by the Company to be filed with the SEC for its quarterly reporting to comply with Securities Regulation Commission Rule 68.1, do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's short period consolidated financial statements as at September 30, 2011.

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

Changes in Accounting Policies

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

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

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

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

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

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

*Effective 2016*

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

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

  The Group 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 were adopted subsequent to September 30, 2011.

Consolidation

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

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

The following are the subsidiaries of RHI (all incorporated in the Philippines) as of March 31, 2012 and September 30, 2011:

| | Percentage of Ownership |
|---|---|
| Central Azucarera Don Pedro, Inc. (CADPI) | 100.00 |
| Central Azucarera de La Carlota, Inc. (CACI) | 100.00 |
| CADP Insurance Agency, Inc. (CIAI)[1] | 100.00 |
| CADP Farm Services, Inc. (CFSI) | 100.00 |
| CADP Consultancy Services, Inc. (CCSI) | 100.00 |
| Jade Orient Management Services, Inc. (JOMSI) | 99.99 |
| Najalin Agri Ventures, Inc. (NAVI) | 77.38 |
| RBC | 100.00 |
| CADP Port Services, Inc. (CPSI)[2] | 100.00 |
| Roxas Power Corporation (RPC)[2] | 50.00 |

(1) CIAI was incorporated on August 19, 2009 and has not yet started commercial operations.
(2) CPSI and RPC were incorporated on July 17, 2008 and have not yet started commercial operations. RHI has control on RPC since it has the power to cast the majority of votes at the BOD's meetings and the power to govern the financial and reporting policies of RPC.

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

| | Percentage of Ownership | |
|---|---|---|
| | **March 31, 2012** | September 30, 2011 |
| Roxaco Commercial Properties Corporation (RCPC) [1] | **100.00** | 100.00 |
| Fuego Hotels and Properties Management Corporation (FHPMC) [2] | **63.00** | 63.00 |

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

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

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.

## 3. Significant Judgments, Accounting Estimates and Assumptions

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

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

The Group believes the summary of significant judgments, accounting estimates and assumptions disclosed in the Group's annual consolidated financial statements as at September 30, 2011 represent a summary of judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the consolidated financial statements.

## 4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands* | |
| Cash on hand and in banks | **₱274,070** | ₱335,586 |
| Short-term placements | **77,770** | 23,596 |
| | **₱351,840** | ₱359,182 |

Short-term placements earn interest ranging from 1.3% to 3.5%, and  1.3% to 4.8% per annum in December and September 2011, respectively, and have average maturities of one day to 60 days. Interest income earned on cash in banks and short-term placements amounted to ₱2.332 million and P 1.02 million for the six months ended March 31, 2012 and three months ended September 30, 2011, respectively.

## 5. Receivables

Receivables consist of:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Trade | **₱714,673** | ₱364,664 |
| Due from: | | |
| Related parties (Note 16) | **135,894** | 87,612 |
| Employees | **41,806** | 40,000 |
| Planters and cane haulers | **48,477** | 85,151 |
| Others | **17,403** | 77,486 |
| | **958,253** | 654,913 |
| Less allowance for impairment of  receivables | **33,994** | 25,853 |
| | **₱924,259** | ₱629,060 |

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 18% 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:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Not later than one year | **₱23,191** | ₱28,461 |
| Later than one year | **14,754** | 16,880 |
| | **₱37,945** | ₱45,341 |

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

d. Other receivables include deposit to suppliers and contractors, other employee housing loans and nontrade receivables. Other employee housing loans pertain outstanding receivable from the 2002 sale of a portion of RHI's land in Barrio Bilaran, Nasugbu, Batangas to its employees. Due to the Reorganization Program, the employees were transferred to CADPI, whereas, the receivable remained with RHI. These loans bear annual interest of 12% and are payable over 10 years until 2012.

## 6. Inventories

Inventories consist of:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| At cost: | | |
| Refined sugar | **₱147,967** | ₱55,825 |
| Materials in transit | **46,428** | 13,280 |
| At NRV: | | |
| Raw sugar | **1,129,555** | 1,037,443 |
| Alcohol | **317,748** | 149,911 |
| Molasses | **61,788** | 48,984 |
| Material and supplies | **316,404** | 333,634 |
| | **₱2,019,890** | ₱1,639,077 |

## 7. Real Estate for Sale and Development

Real estate for sale and development consist of:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Real estate properties for sale | **₱12,188** | ₱16,281 |
| Raw land and land improvements | **332,324** | 312,200 |
| | **₱344,512** | ₱328,481 |

Borrowing costs incurred from loans availed specifically to finance the development of the Group's real estate projects amounting to ₱0.155 million and ₱0.083 million were capitalized for the six months ended March 31, 2012 and three months ended September 30, 2011, respectively. (see Note 15).

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

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

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Aggregate cash price values | **₱31,529** | ₱46,574 |
| Less aggregate carrying costs | **12,188** | 16,281 |
| Excess of aggregate cash price values over aggregate carrying costs | **₱19,341** | ₱30,293 |

## 8. Prepayments and Other Current Assets

Prepayments and other current assets consist of:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Input VAT and other prepaid taxes | **₱215,348** | ₱143,031 |
| Creditable withholding taxes, net of allowance for impairment of ₱16.9 million as of December 31, and September 30, 2011, (Note 21) | **199,719** | 189,728 |
| Others | **9,453** | 49,278 |
| | **₱424,520** | ₱382,037 |

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

Other current assets consist of deposits to suppliers, prepaid insurance and rentals, and advanced Input VAT for refined sugar sales.

## 9. Investment in Shares of Stock of Associates

The Group has the following associates and joint ventures as of March 31, 2012 and September 30, 2011:

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

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

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

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|

| | *(In Thousands)* | |
|---|---|---|
| Acquisition cost: | | |
| Beginning balance | **₱308,162** | ₱308,162 |
| Disposal | **–** | – |
| Ending balance | **308,162** | 308,162 |
| Accumulated equity in net earnings: | | |
| Beginning balance | **384,319** | 402,301 |
| Equity in net earnings (loss) | **(23,178)** | (17,982) |
| Dividend income | **(71,373)** | – |
| Ending balance | **289,768** | 384,319 |
| Share in: | | |
| Revaluation increment on land | **207,492** | 207,492 |
| Fair value reserve | **5,179** | 5,179 |
| Unrealized gain on transfer of land | **(59,030)** | (59,030) |
| Allowance for impairment | **(15,233)** | (15,233) |
| | **₱736,339** | ₱830,889 |

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 maintenance of a golf course, resort, marina and other sports and recreational facilities on a residential resort community project of RLC, a joint venture with LPC, known as Peninsula de Punta Fuego.

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

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

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

   Investment in shares of stock of RADC was fully provided with allowance for impairment as of March 31, 2012 and September 30, 2011.

f. The accumulated equity in net earnings of associates amounting to ₱289.8 million and ₱384.3 million as of March 31, 2012 and September 30, 2011, 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 six months ended March 31, 2012 and three months ended September 30, 2011 are as follows:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | ***(In Thousands)*** | |
| Current assets | **₱1,494,674** | ₱1,815,038 |
| Noncurrent assets | **1,893,236** | 1,552,080 |
| Current liabilities | **1,620,086** | 1,243,919 |
| Noncurrent liabilities | **183,318** | 169,480 |
| Net assets | **1,584,506** | 1,953,719 |
| Revenue | **723,512** | 521,606 |
| Net income (loss) | **(34,130)** | (11,405) |

10. **Investment Properties**

Investment properties consist of:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Land properties (Notes 15 and 18) | **₱4,795,516** | ₱4,795,516 |
| Building (Note 15) | **10,594** | 10,594 |
| | **₱4,806,110** | ₱4,806,110 |

<u>The Company</u>

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

As of March 31, 2012 and September 30, 2011, 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, 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 March 31, 2012 and September 30, 2011 are based on the appraisal reports dated September 5, 2011, as determined by a professionally qualified independent appraiser.

Rental income from this investment property amounted to ₱0.534 M for the six months ended March 31, 2012 and ₱0.3 million for the three months ended September 30, 2011.

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

NAVI

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

As of September 30, 2011, the fair value of the investment property amounting to ₱170.4 million is based on the appraised value of the property, as determined by a professionally qualified independent appraiser. There was no movement in fair value of the investment property for the six months ended March 31, 2012.

*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

| | March 31, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | **Buildings And Improvements** | **Machinery and Equipment** | **Transportation Equipment** | **Office Furniture, Fixtures and Equipment** | **Construction in Progress** | **Total** |
| | | | *(In Thousands)* | | | |
| **Cost** | | | | | | |
| Beginning balances | **₱2,763,180** | **₱11,847,679** | **₱32,935** | **₱79,092** | **₱51,279** | **₱14,774,165** |
| Additions (Notes 2 and 9) | **656** | **7,365** | **264** | **310** | **11,457** | **20,052** |
| Reclassifications | | **(971,208)** | **215,885** | **755,323** | | **0** |
| Ending balances | **2,763,836** | **10,883,836** | **249,084** | **834,725** | **62,736** | **14,794,217** |
| **Accumulated Depreciation** | | | | | | |
| Beginning balances | **(860,856)** | **(4,882,783)** | **(17,433)** | **(61,631)** | **–** | **(5,822,703)** |
| Depreciation | **(55,706)** | **(257,490)** | **(32,348)** | **(30,228)** | | **(375,772)** |
| Ending balances | **(916,562)** | **(5,140,273)** | **(49,781)** | **(91,859)** | **–** | **(6,198,475)** |
| **Net Book Value** | **₱1,847,274** | **₱5,743,563** | **₱199,303** | **₱742,866** | **₱62,736** | **₱8,595,742** |

| | September 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | **Buildings And Improvements** | **Machinery and Equipment** | **Transportation Equipment** | **Office Furniture, Fixtures and Equipment** | **Construction in Progress** | **Total** |
| | | | *(In Thousands)* | | | |
| **Cost** | | | | | | |
| Beginning balances | **₱2,547,012** | **₱10,987,991** | **₱32,935** | **₱88,423** | **₱1,243,965** | **₱14,900,326** |
| Additions (Notes 2 and 9) | **100** | **–** | **–** | **212** | **8,560** | **8,872** |
| Disposals | **(5,837)** | **(114,401)** | **–** | **(14,795)** | **–** | **(135,033)** |
| Reclassifications | **221,905** | **974,089** | **–** | **5,252** | **(1,201,246)** | **–** |
| Ending balances | **2,763,180** | **11,847,679** | **32,935** | **79,092** | **51,279** | **14,774,165** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Accumulated Depreciation** | | | | | | |
| Beginning balances | **(835,268)** | **(4,839,360)** | **(16,147)** | **(69,007)** | – | **(5,759,782)** |
| Additions (Notes 2 and 9) | – | – | – | – | – | – |
| Depreciation | **(28,731)** | **(137,016)** | **(1,286)** | **(4,090)** | – | **(171,123)** |
| Disposal | **3,143** | **93,593** | – | **11,466** | – | **108,202** |
| Reclassifications | – | – | – | – | – | – |
| Ending balances | **(860,856)** | **(4,882,783)** | **(17,433)** | **(61,631)** | – | **(5,822,703)** |
| **Net Book Value** | **₱1,902,324** | **₱6,964,896** | **₱15,502** | **₱17,461** | **₱51,279** | **₱8,951,462** |

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

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Beginning balance at appraised values | **₱2,544,233** | ₱2,714,624 |
| Transfer to investment property (Note 10) | | (170,391) |
| Ending balance at appraised values | **₱2,544,233** | ₱2,544,233 |
| At cost | **₱49,361** | ₱49,361 |

a. Construction in progress

Construction in progress as of March 31, 2012 pertains mainly to milling plant improvement project, refinery plant installation of sieving facilities, as well as construction and improvement of waste and pollution facilities of the Group.

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

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

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

*Capitalization of borrowing costs*
Interests from short and long-term borrowings, incurred to finance the Expansion Project were capitalized to property, plant and equipment. The Group amortizes such capitalized interest over the useful life of the qualifying asset. For the six months ended March 31, 2012 no more borrowing cost were capitalized due to of the projects.

*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 amounting to ₱45.3 million and ₱69.0 million as of March 31, 2012 and September 30, 2011 respectively.

b. Depreciation

Depreciation charged to operations are as follows:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Cost of goods sold (Note 20) | **₱332,931** | ₱157,538 |
| General and administrative expenses (Note 21) | **27,568** | 13,585 |
| | **₱360,499** | ₱171,123 |

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

c. Property, plant and equipment as collateral

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

## 12. Short-term Borrowings

Short-term borrowings consist of:

a. Loans availed by the Company

In 2011, the Company availed of short-term financing from a local bank for working capital requirements totaling ₱25.0 million. These loans matured on December 16, 2011 and bore average interest at 6.0%. These loans were subsequently renewed at 6.5% interest.

b. Loans availed by CACI, CADPI and RBC

At various dates in the three months ended September 30, 2011 and as of the year ended June 30, 2011, CACI, CADPI and RBC obtained unsecured short-term loans from various local banks to meet their working capital requirements. The loans, which are payable in lump sum on various dates, are subject to annual interest rates ranging from 4.0% to 5.25 % and 4.7% to 7.0 % and have terms ranging from 29 to 32 days, and 30 to 32 days in 2011 and 2010 respectively.

As of March 31, 2012 and September 31, 2011, the balance of the short-term loans, amounted to ₱2,403.0 million and ₱3,990.0 million, respectively.

c. Loans availed by RLC

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

Additional loans availed by RLC in 2011 as bridge financing to its parent company amounted to ₱30.0 million which also matured in December, 2011 were renewed. These loans were repriced at fixed interest rate of 6.5%.

Additional ₱ 2.0 million was availed by RLC in November, 2011 for working capital requirements. These loans were repriced in December 2011 at 6.5% interest rate.

## 13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Trade | **₱313,806** | ₱90,363 |
| Accrued expenses: | | |
| Interest (Notes 12 and 15) | **109,229** | 99,945 |
| Contractors | **54,638** | 49,412 |
| Payroll and other benefits | **5,074** | 37,798 |
| Purchases and accrued expenses | **220,772** | 110,132 |
| Due to planters | **84,668** | 13,633 |
| Payable to government agencies for taxes and contributions | **115,473** | 84,177 |
| Due to related parties (Note 16) | **48,807** | 50,591 |
| Others (Note 11) | **38,008** | 145,688 |
| | **₱990,475** | ₱681,739 |

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 ₱414.0 million and ₱174.0 million as of March 31, 2012 and September 30, 2011, respectively.

## 15. Long-term Borrowings

Long-term borrowings consist of:

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Banco De Oro Unibank, Inc. (BDO) | **₱4,770,423** | ₱4,966,954 |
| Syndicated Loan Agreement: | | |
| Bank of the Philippine Islands (BPI) | **896,552** | 953,105 |
| Rizal Commercial Banking Corporation (RCBC) | **448,276** | 465,517 |

(*forward)*

| | **March 31, 2012** | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| BPI - Asset Management and Trust Group (AMTG) | **500,000** | 477,930 |
| | **6,615,251** | 6,863,506 |
| Current portion | **(50,423)** | (934,641) |
| Noncurrent portion presented as current | | (5,928,865) |
| | **₱6,564,828** | ₱- |

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 March 31, 2012 and September 30, 2011 (see Notes 7, 10 and 11).

As of March 31, 2012 and September 30, 2011, the Company has availed of loans amounting to ₱427.0 million, which bear interest ranging from 5.63% to 6.75%, to be repriced every quarter as agreed by the parties. Long-term borrowings amounting to ₱217.0 million and ₱210.0 million are payable in equal quarterly installments until January 20, 2015 and October 15, 2015, respectively.

Quarterly installment payments starting April 2011 amounted to ₱13.6 million. Outstanding balance of the long-term loans amounted to ₱386.3 million and ₱399.9 million as of March 31, 2012 and September 30, 2011, respectively. The total amount of ₱399.9 million are presented under current liabilities in the consolidated balance sheets as of September 30, 2011.

b. Loans availed by RHI and its subsidiaries

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

*RHI*

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

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

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

In August 2011, RHI paid loans from BDO amounting to ₱31.4 million. For the quarter ending December 31, 2011, RHI paid P25.7 million of BDO loans.

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

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

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

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

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

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

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

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

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

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

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

c. Loans availed by RLC

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

The loan facility is secured by RLC's investment property, with fair value of ₱10.59 million as of March 31, 2012 and September 30, 2011, as well the assignment of leasehold rentals from the said property (see Note 9).

Suretyship Agreements and Mortgage Trust Indenture

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

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

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

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

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

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

- maintenance of debt service coverage ratio (DSCR) of at least 1.25 times and debt to equity ratio of not more than 70:30;
- prohibition on purchase of additional equipment except in pursuance of its sugar expansion and ethanol project;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management; and
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders, unless the required financial ratios are maintained.

As a result of the significant drop in sugar prices in the last quarter of fiscal year 2011, among other factors, as discussed in Note 1, RHI and subsidiaries incurred losses on the disposal of sugar inventories. In fiscal year ended June 30, 2011 and three months ended September 30, 2011, the Group did not meet the minimum DSCR required under the long-term loan agreements with certain creditor banks, which constitutes an event of default on such loans. In view of this, the noncurrent portion of long-term borrowings amounting to ₱5.9 billion is presented as current liabilities as of September 30, 2011.

As discussed in Notes 1 and 3, on September and October 2011, the Group obtained from the creditor banks a waiver of breach of covenant on the DSCR covering fiscal year ended June 30, 2011 and interim period ended September 30, 2011. In December 2011 and January 2012, a similar waiver was obtained by the Group from these creditor banks covering the period October 2011 to September 2012. The Group continues to present the noncurrent portion of long-term debt amounting to ₱5.9 billion as current as of September 30, 2011 since the Group does not have an unconditional right to defer settlement for at least 12 months from September 30, 2011.

On July 8, 2011, in addition to the terms and conditions on the facility agreement of RLC with BDO, the loan facility has been subjected to cross default provisions. Due to cross default provisions, this resulted in an event of default on the long-term borrowings of RLC as of July 8, 2011, the period in which the new terms and conditions apply. In view of this, noncurrent portion of the long-term loans of RLC is presented as current as of September 30, 2011. However, as at December 31, 2011, the noncurrent portion of the long-term debt amounting to P5.9 billion is presented as long-term liability. On February 5, 2012, the Group and the creditor banks, BDO and BPI/RCBC, agreed that the outstanding balance of the Sugar Group long-term debt of P5.6 billion shall be paid over a 7-year amortization period on an equal quarterly basis, commencing on November 5, 2014, in accordance with the amortization schedule provided by the latter.

Maturities of Long-term Borrowings

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

| | March 31, 2012 | September 30, 2011 |
|---|---|---|
| Less than one year | **₱50,423** | ₱6,863,506 |
| Between one and two years | **313,389** | – |
| Between two and five years | **4,742,501** | – |
| Over five years | **1,508,938** | – |
| | **₱6,615,251** | ₱6,863,506 |

16. **Related Party Transactions**

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

| | | March 31, 2012 | | September 30, 2011 | |
|---|---|---|---|---|---|
| | | Advances | | Advances | |
| | Relationship | To (Note 5) | From (Note 13) | To (Note 5) | From (Note 13) |
| FDC | **Associate** | **₱54,843** | **₱13,143** | **₱60,738** | **₱12,846** |
| FLC | **Associate** | **14,978** | **8,811** | **14,978** | **3,473** |
| RADC | **Associate** | **–** | **10,968** | **–** | **10,968** |
| VJ Properties, Inc. (VJPI) (Note 18) | **Joint venture partner** | **9,366** | **–** | **9,739** | **–** |
| Marilo Realty Development Corporation (Note 18) | **Joint venture partner** | **–** | **252** | **–** | **368** |
| LPC | **Affiliate** | **–** | **22,492** | **–** | **22,614** |
| Others | **Affiliate** | **3** | **(315)** | **2,157** | **322** |
| | | **₱79,190** | **₱55,351** | **₱87,612** | **₱50,591** |

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

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

b. Compensation of key management is as follows:

| | March 31, 2012 | September 30, 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Salaries and other short-term benefits | **₱20,473** | ₱10,295 |
| Retirement benefits | **239** | 2,932 |
| | **20,712** | ₱13,227 |

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 sheet as of September 30, 2011 are as follows:

| | *(In Thousands)* |
|---|---|
| Present value of obligation | **₱174,046** |
| Fair value of plan assets | **248,440** |
| Surplus | **74,394** |
| Unrecognized actuarial loss | **57,855** |
| Net pension plan assets | **₱132,249** |

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

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 as of September 30, 2011 follows:

| | *(In Thousands)* |
|---|---|
| Present value of obligation | **₱422,799** |
| Fair value of plan assets | **356,957** |
| Deficit | **65,842** |
| Unrecognized actuarial loss | **(64,552)** |
| Net pension benefit obligation | **₱1,290** |

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

## 18. Commitments and Contingencies

The Company

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

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

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

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

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

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

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

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. The Group has in its custody the following sugar owned by quedan holders as of September 30, 2011:

| | **Total volume (In thousands) (Lkg*)** | **Estimatedmarket value *(In Millions)*** |
|---|---|---|
| Raw sugar | **550** | **₱744** |
| Refined sugar | **309** | **675** |
| | **859** | **₱1,419** |

**Equivalent to 50 kilogram bag per unit.*

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

c. CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of March 31, 2012 and September 30, 2011, CADPI has outstanding sales contracts for refined sugar with a total value of ₱457 million and ₱1,478.6 million, equivalent to 148,722 Lkg and 571,635 Lkg, respectively.

CADPI received cash deposits from customers for the above transactions as of March 31, 2012 and September 30, 2011 and which will be applied against future deliveries of sugar and molasses. These deposits are classified as current liabilities (see Note 14).

d. CADPI entered into agreements as follows:

(i) Lease of offsite warehouse for a period of one year renewable at the option of CADPI, as lessee, through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to ₱0.1 million each for the three months ended December 31, 2011 and September 30, 2011. The lease was no longer renewed in January, 2012.

(ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations amounted to ₱ 201.7 million and P176.1 million as of March 31, 2012 and 2011, 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.

a. On January 14, 2009, RBC and World Bank signed a $3.2 million Emission Reduction Purchase Agreement (ERPA) for the purchase of carbon emission credits under the Clean

Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year and has a crediting period of 10 years starting 2010.

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

g. There are pending legal cases in the ordinary course of RHI and its subsidiaries business as at March 31, 2012 and 2010 but in the opinion of management and legal counsel, the ultimate outcome of these cases will not have a material impact on the financial position and results of operations of the Group. Consequently, no provision related to these legal cases was made for the six month ended March 31, 2012 and 2011.

h. As of March 31, 2012 and September 30, 2011, the Group has unused lines of credit from local banks amounting to ₱ 1,102 million and ₱862 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 March 31, 2012 and September 30, amounted to ₱53.5 million and ₱ 35.1 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**

The components of revenue as of March 31 are as follows:

| | **2012** | 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Refined sugar | **₱1,583,658** | ₱1,996,827 |
| Raw sugar | **1,680,770** | 1,766,771 |
| Molasses | **140,761** | 81,703 |
| Tolling fees | **79,215** | 213,191 |
| Alcohol | **25,024** | 0 |
| Sale of real estate | **12,949** | 24,377 |
| Others | **17,382** | 15,122 |
| | **₱3,539,759** | ₱4,097,991 |

## 20. **Cost of Goods Sold**

The components of cost of goods sold for the six month period ending March 31, 2012 and 2011 are as follows:

| | **2012** | 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Purchased sugar (Note 6) | **₱856,583** | ₱3,804,655 |
| Net changes in inventories (Note 6) | **(376,265)** | (3,112,333) |
| Cost of transporting cane to mill (Notes 6 and 18) | **509,722** | 591,312 |
| Molasses purchases | **-** | 63,938 |
| Direct labor (Note 22) | **174,845** | 195,204 |
| Tolling fees | **10,017** | 11,517 |
| Manufacturing overhead: | **-** | - |
| Depreciation (Note 11) | **332,931** | 251,992 |
| *(forward)* | | |
| | **2012** | 2011 |
| | *(In Thousands)* | |
| Fuel and oil | **217,293** | 412,744 |
| Repairs and maintenance | **119,506** | 154,053 |
| Materials and consumables | **192,593** | 190,468 |
| Outside services | **63,252** | 72,990 |
| Taxes and licenses | **56,663** | 40,826 |
| PDPA | **225,972** | 340,784 |
| Rent (Note 18) | **47,297** | 40,453 |
| Others | **35,508** | 250.865 |
| Provision for inventory losses and obsolescence (Note 6) | **43,500** | 15,235 |
| Cost of real estate sales | **6,113** | 12,856 |
| | **₱2,515,530** | ₱3,337,559 |

## 21. General and Administrative Expenses

The breakdown of expenses for the six month period ending March 31, 2012 and 2011 are as follows:

| | **2012** | 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Salaries, wages and other employee benefits (Notes 17 and 22) | **₱116,076** | ₱155,771 |
| Outside services | **54,831** | 49,767 |
| Taxes and licenses | **122,900** | 34,216 |
| Depreciation (Note 11) | **27,568** | 23,891 |
| Insurance | **15,781** | 22,757 |
| Materials and consumables | **11,707** | 15,070 |
| Rent (Note 18) | **9,326** | 12,605 |
| Travel and transportation | **13,618** | 14,601 |
| Communication, light and water | **7,036** | 5,241 |
| Repairs and maintenance | **4,543** | 4,991 |
| Representation and entertainment | **4,318** | 5,118 |
| Corporate social responsibility | **2,399** | 4,140 |
| Others | **78,137** | 79,963 |
| | **₱468,240** | 428,131 |

Others include training and development, transfer costs and other miscellaneous charges.

## 22. Salaries, Wages and Employee Benefits

| | 2012 | 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Salaries and wages (Notes 20 and 21) | **₱234,477** | ₱115,094 |
| Allowances and other employee benefits (Notes 20 and 21) | **36,373** | 29,786 |
| Pension costs (Note 17) | **20,071** | 10,742 |
| | **₱290,921** | ₱155,622 |

## 23. Other Income - Net

| | 2012 | 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Recovery from insurance claim and performance bond | **₱39,446** | ₱18,896 |
| Foreign exchange gains (losses) - net | **(5,619)** | 441 |
| Sugar and molasses handling fees | **6,997** | 3,031 |
| Change in fair value of biological assets | **-** | |
| Sale of scrap | **6,618** | 22,839 |
| Others | **26,792** | 9,004 |
| | **₱74,234** | ₱54,211 |

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

## 24. Income Taxes

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

| | March 31, 2012 | | September 30, 2011 | |
|---|---|---|---|---|
| | Net Deferred Income Tax Assets(1) | Net Deferred Income Tax Liabilities (2) | Net Deferred Income Tax Assets(1) | Net Deferred Income Tax Liabilities (2) |
| **Deferred income tax assets on:** | | | | |
| Allowance for: | | | | |
| Impairment of receivables (Note 5) | **₱933** | **₱4,793** | **₱933** | **₱5,772** |
| Sugar inventory losses | | **4,021** | | |
| Inventory obsolescence (Note 6) | **–** | **20,712** | **–** | **12,603** |
| Impairment of investment in shares of stock of associates (Note 9) | **1,384** | **–** | **1,384** | **–** |
| Deductible temporary difference arising from use of the installment method of revenue recognition for tax reporting | **319** | **–** | **319** | **–** |
| Unamortized past service cost | **295** | **1,562** | **295** | **57,933** |
| Unrealized forex loss | | **726** | | |
| Unrealized gross profit on inventories | **–** | **-** | **–** | **14,658** |
| NOLCO | **–** | **-** | **–** | **7,364** |
| Excess MCIT | **–** | | **–** | **4,253** |
| | **2,931** | **31,814** | **2,931** | **102,583** |
| **Deferred income tax liabilities on:** | | | | |
| Revaluation increment on properties (Note 25) | **–** | **(696,231)** | **–** | **(696,231)** |
| Unamortized capitalized interest (Note 11) | **–** | **(80,090)** | **–** | **(143,087)** |
| Pension plan assets (Note 17) | **(824)** | **(38,850)** | **(824)** | **(38,850)** |
| Unrealized foreign exchange gain | **(7)** | **–** | **(7)** | **–** |
| Unrealized fair value gains on investment properties (Note 10) | **(1,033)** | **(277,508)** | **(1,033)** | **(277,508)** |

*(forward)*

| | March 31, 2012 | | September 30, 2011 | |
|---|---|---|---|---|
| | Net Deferred Income Tax Assets[(1)] | Net Deferred Income Tax Liabilities [(2)] | Net Deferred Income Tax Assets[(1)] | Net Deferred Income Tax Liabilities [(2)] |
| Unrealized share in fair value reserve of an associate (Note 9) | – | (171) | – | (171) |
| | (1,864) | (1,092,850) | (1,864) | (1,155,847) |
| **Net deferred income tax assets (liabilities)** | **₱1,067** | **(₱1,061,036)** | **₱1,067** | **(₱1,053,264)** |

[(1)] *Pertain to RLC*
[(2)] *Pertain to the Company, RHI, CADPI, CACI and NAVI*

## 25. **Equity**

a. Share capital

Details of share capital as of March 31, 2012 and September 30, 2011 follow:

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

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

b. Share premium and revaluation increment on properties

In 2002, RHI undertook major activities relating to the Reorganization Program. As part of this, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI (see Note 1). The assets and liabilities, excluding land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI.

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

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

c. Restructuring on equity

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

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

d. Retained earnings

*Restricted retained earnings*
Retained earnings that are not available for dividend declaration as of March 31 are as follows:

| | **2012** | 2011 |
|---|---|---|
| | *(In Thousands)* | |
| Application of revaluation increment against deficit | **₱203,075** | ₱203,075 |
| Unrealized fair value gains on investment properties | **19,459** | 19,459 |
| | **₱222,534** | ₱222,534 |

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

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

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

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

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

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

As of March 31, 2012 and September 30, 2011, outstanding dividends payable amounted to ₱4.5 million pertaining to the dividend declaration in 2009.

d. 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 |
|---|---|---|
| January 2012 through March 2012 | P3.20 | P1.26 |
| October 2011 through December 2011 | ₱2.10 | ₱1.10 |
| July 2011 through September 2011 | ₱1.11 | ₱1.10 |

## 26. Earnings (Loss) Per Share

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

| | **2012** | 2011 |
|---|---|---|
| | *(In Thousands except ELPS)* | |
| Net Income (Loss) attributable to equity holders of the Company | **₱179,014)** | P130,454 |
| Weighted average number of shares issued and Outstanding | **2,911,886** | **2,911,886** |
| Basic /Diluted earnings (loss) per share | **P0.061** | ₱0.045) |

There are no potential dilutive common shares as of March 31, 2012 and 2011.

## 27. Seasonality of Operations

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

## 28. Capital Management

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

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the six months ended March 31, 2012 and the three months ended September 30, 2011.

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

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

| | **March 31, 2011** | **September 30, 2011** |
|---|---|---|
| | *(In Thousands except ratio)* | |
| Total liabilities | **₱11,603,415** | **₱11,625,707** |
| Total equity | **9,320,763** | **9,028,380** |
| Total liabilities and equity | **₱20,924,178** | **₱20,654,087** |
| Debt-to-equity ratio | **1.24:1:00** | **1.29:1:00** |

## 29. Financial Instruments

Financial Risk Management Objectives and Policies

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

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

The qualitative and quantitative disclosures on risks associated with the Group's financial instruments and the related risk management processes and procedures are disclosed in the annual consolidated financial statements as at September 30, 2011.

## 30. Segment Reporting

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

a. The Company

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

b. Real Estate

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

Corporation, Fuego Land Corporation, Club Punta Fuego, Inc. and Roxaco-ACM Development Corporation.

c. Sugar-Related Businesses

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

- CADPI is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 18,000 metric tons as of September 30, 2011 and 13,000 metric tons as of June 30, 2011 and 2010. CADPI's raw sugar milling is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. Canes are sourced from both district and non-district planters and are milled by CADPI under a production sharing agreement. The refinery operation, on the other hand, involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.

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

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

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

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

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

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

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

The segment information of the Group is disclosed in the annual consolidated financial statements as at September 30, 2011.

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

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

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

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

Roxas & Company, Inc.

# A N N E X "B"

## MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

## Second Quarter Ending March 31, 2012 and 2011

**MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

*Corporate Information and Business Operations*

*Corporate Information*

Roxas and Company, formerly CADP Group Corporation (RCI or the Company) was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 7, 1918 with the primary purpose of operating mill and refinery facilities to manufacture sugar and allied products. On October 7, 1968, the Parent Company's corporate life was extended for another 50 years until 2018.

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

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

*Group Restructuring and Merger*

RCI and its subsidiaries (collectively, the Group), has undertaken corporate restructuring in fiscal year 2009. On December 15, 2008, RHI purchased all the sugar-related operating subsidiaries and an associate, as well as certain assets and liabilities of CADPGC for a total consideration of ₱3,838.0 million. With no more than sugar-related subsidiary, RHI sold CADPGC to RCI for ₱3,927.3 million on January 23, 2009. Just before the merger, CADPGC was 95.93% owned by RCI.

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

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

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

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

CADPI, which is based in Nasugbu, Batangas, owns and operates an 13,000-tons-cane-per day sugar mill that manufactures raw sugar granular and light brown to yellowish in color, and molasses, a by-product.

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

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

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

CACI whose operations are located in La Carlota City, Negros Occidental, now operates an 18,000-tons-cane-per-day sugar mill producing raw sugar and molasses.

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

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

*Roxol Bioenergy Corporation (RBC)*

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

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

RBC substantially completed the construction of its plant facility located at La Carlota City, Negros Occidental at a cost of approximately US$ 34 million or P1.4 billion. It is a stand-alone Bio-ethanol plant with a capacity of 100,000 liters of anhydrous alcohol per day. The anhydrous plant will also use molecular sieve technology that will produce fuel ethanol grade alcohol with 99.86% minimum purity.

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

*CADP Farm Services, Inc. (CFSI)*

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

It started to operate in Crop Year 2009-2010 both Batangas and Negros with the primary goal of helping existing cane areas increase their productivity per unit area at the least cost through farm mechanization and the use of proven and accepted technologies such as use of high yielding varieties of cane, proper timing and method of fertilizer application, use of can ripeners, use of bio-organic fertilizer, cane hauling, and the like.

*Other Subsidiaries*

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

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

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

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

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

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

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

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

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

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

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

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

6.) San Antonio Memorial Gardens – a 10-hectare master planned memorial park project in Banilad, Nasugbu, Batangas.

7.) Anya Resort and Residences – a 5.7 hectare boutique residential development integrated with a resort, located in Bgy. Mag-Asawang Ilat, Tagaytay City, Cavite, a joint venture project with VJ Properties.

8.) Landing Townhomes – the redevelopment of the 1 hectare Landing Commercial located in Nasugbu, Batangas, to the first townhouse development in the ara.

RLC has investments in the following companies / projects:

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

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

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

4.) Club Punta Fuego., Inc. (CPFI- 26.63%). CPFI was formed to promote social, recreational and athletic activities on a non-profit basis among its members, through the acquisition, development, construction, management and maintenance of a golf course, resort, marina and other sports and recreational facilities on residential resort community project known as Peninsula de Punta Fuego.

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

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

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

Roxaco intends to establish a significant presence in the real estate industry in Southern Luzon and eventually nationwide. With resort town Nasugbu and the adjoining towns of Western

Batangas as its base, the Company has set its sights in participating in the following key industry segments:

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

Palm Estates, which is the current residential development of Roxaco in Nasugbu, has been warmly received by both local and OFW markets and is down to its last six (6) open lots out of 955 lots. In order to continuously introduce new products, Roxaco will offer limited number of pre-designed House-and-Lot units inside the Palm Estates subdivision.

The other residential project named The Orchards in Balayan has likewise experienced brisk sales performance and only 11% of its total inventory remains. Development of the project has already been completed. The first model house was completed in 2009 while the second one was completed in September 2010. These are being offered to the market for ₱2.8 million and ₱ 3.4 million, respectively inclusive of the lot, and is being used to encourage other lot buyers to start constructing their homes as well.

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

As such, Roxaco undertook the redevelopment of the existing Landing Commercial in Nasugbu, Batangas, in Landing Townhomes. Landing Townhomes is the first townhouse development in Nasugbu. The development features 2BR and 3BR townhouses, at 55sqm and 63sqm respectively, with package prices ranging from P1.4M toP1.7M. Its price points coupled with the modern Mediterranean theme has led to the acceptance of this new product in the market.

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

Roxaco entered into the high-end second home residential market when it signed the Joint Venture Agreement with VJ Properties Inc. in December 2010, to develop a 5.7 hectare property in Tagaytay City, Cavite now known as Anya Resort and Residences. Anya is an exclusive residential enclave of only 54 open lots that is integrated with a first class resort. The residential portion of Anya is near completion with turnover to buyers is scheduled this 2012.

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

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

Efforts to cement its presence in the Western Batangas area and create more real estate products to serve the different needs of the market advances, as Roxaco launched the first memorial park development in Nasugbu named San Antonio Memorial Gardens in 2009. It will have its own chapel and wakerooms for the convenience of the lot owners and all the open spaces shall be perpetually maintained thus ensuring the upkeep of the property and appreciation of values. Several classes of lots from the basic lawn lots to the spacious estate lots for the mausoleums are being offered to suit different buyer needs and preferences.

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

## INTERIM RESULTS – 2ND QUARTER FY 2011-2012 VS FY 2010-2011

### Change of Fiscal Year

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

### Consolidated Results of Operations

Consolidated revenues for the period reached ₱3.540 billion, 14% lower than ₱4.098 billion in 2011. A great improvement in the Gross Margin was achieved during the period since most of the sales of the Sugar group were related to the high priced sales contracts entered into last year. These sales were serviced using newly produced sugar at a much lower costs. As a result, Cost of sales amounted to ₱2.516 billion which is 25% lower than the ₱3.338 billion recorded in 2011. There were also notable reductions of labor related and energy costs in the sugar group as implemented by the new management group. Gross Profit amounted to ₱1.024 billion which is 35% higher than last year's ₱760 million. Gross Profit rate is at 29% compared to only 19% last year.

Selling and Operating Expenses this quarter reached ₱485 million but is 12% higher than last year's ₱434 million. Despite the cost containment measures implemented by the new management along with the retirement program, Operating Expenses increased due to accrual of deficiency taxes for CADPI amounting to ₱85 million.

The Equity in net losses of associates amounting to ₱23.2 million pertains to the losses reported in the first semester of operations by HPCo – Sugar subsidiary and the subsidiaries of the Property Group. This is a reversal of last year's equity in net income of ₱56.8 million which was principally contributed by HP Co due to the prevailing high prices of sugar during that time.

Interest income of ₱6.322 million is 16% higher than last year's ₱5.45 million due to diminished principal balances on installment contracts receivable of the property group.

Interest expensesamounted to ₱282.8 million which is 8% lower than the ₱308.1 million reported last year due to some payments ofthe short-term and long-term borrowings of the Group.

Other income went up by 37% from ₱54.2million in 2011 to ₱74.2 million in 2012 due to insurance claimsand refund of performance bond during the current period.

With provision for income taxes amounted to ₱21.6 million, the group incurred a consolidated net income of ₱292.4million which is 37% better than last year's ₱213.5 million.

**Results of Operation – Sugar Related Businesses**

### *Batangas Operations*

On November 17, 2011, the mill operations of Central Azucarera Don Pedro, Inc. (CADPI) started 21 days ahead from last year. Thus, increasing cane tonnage by 13% as of March 31, 2012. Total tonnage went up to 1,349,943 MT from last year's 1,189,849 MT, accordingly increasing raw sugar production to 2,366,622 Lkg. from 2,112,208 Lkg. despite decrease in recovery to 1.75 Lkg/TC from 1.78 Lkg/TC.

Refined production this year is lower by 4% from 1,861,958 Lkg. to 1,791,160 Lkg, due to shorter operating period this year.

### *Negros Operations*

Central Azucarera de La Carlota, Inc. (CACI) had a good start in its milling operations in October 2011. Cane tonnage was up this year with 1,714,987 MT, a 6% increase from 1,619,933 MT last year. Coupled with higher production yield this period at 1.99 Lkg/TC, raw production likewise surge to 3,409,034 Lkg. from previous year's 3,051,228 Lkg. at 1.90 Lkg/TC.

P5.9 billion
The Group ended its second half with consolidated total revenues of P3.527 billion, 13% lower from previous year's P4.074 billion, as restated, on the account principally of high sugar prices in prior year. Average sugar prices in the current period amounted to P2,116 and P1,342 for refined and raw sugar, respectively as against P2,339 for refined and P2,210 for raw sugar in the previous year.

In spite of the decrease in total revenues and average selling prices of sugar, consolidated raw sales volume went up from 800,000 Lkg in 2011 to 933,000 Lkg in 2012. Sometime in 2011, the Sugar Regulatory Administration (SRA) allowed the exportation of raw sugar to help the mills recover a bit in the sudden drop in sugar prices due to unexpected overflow of cane supply in previous crop year. The Group was able to sell raws to Japan and Korea during the crop year.

The Group benefited from the remaining high priced forward contracts from last crop year, as it contained the negative impact of slow withdrawal and lower selling prices this period. Refined sales volume dropped to 749,000 Lkg. from 854,000 Lkg. in prior year.

### *Cost of Sales*

High tonnage and raw production this period combined with cost containment measures brought higher margins for the Roxas Group at 29% as of March 2012 versus 18% same period last year.

The Group posted a reduction of P816 million or 25% in Cost of Sales, which pertains to substantial drop in energy cost, hauling expense, labor and labor related costs, repairs and maintenance, etc.

Energy cost went down to P217 million from P413 million in previous year due to reduction in bunker usage. Energy imbalance caused by the increased capacity of the mills, low cane fiber and slow start in milling operation in prior period contributed to high bunker usage in CY 2010-2011. The use of more cost efficient bio fuels this year contained bunker usage.

Moreover, the Group reduced its costs of repairs and maintenance, labor and labor related expenses due to retirement of employees and hauling expenses. Fierce competition over canes in Negros last year, pushed hauling expenses up by providing higher incentives.

Total Cost of Sales in 2012 amounts to P2.509 billion compared to P3.325 billion in 2011.

***Other Operating Income***

Consolidated Other Operating Income increased by 24% to P63 million in 2012 from P51 million in 2011 due to refund of performance bond from sugar importation in 2010 by CADPI amounting to P28 million and gain from insurance claim of P8 million from a damaged turbo generator of CACI.

***Operating Expenses***

Despite cost containment measures of the Group, total operating expenses went up by 11% to ₱441 million from ₱397 million in prior year. The increase was brought about by the accrual of ₱85 million in potential tax deficiency of CADPI due to a BIR assessment which the Group believes has no basis.

***Equity in Net Earnings (Loss) of an Associate***

The Group shared in the net loss of an associate, Hawaiian-Philippines Company (HPCo) for the first half of the crop year. This amounts to ₱18 million in equity in net loss as compared to ₱58 million in earnings in prior year. HPCo.'s cane tonnage and sales went down this year.

***Financing Costs, net***

The slight decrease in consolidated financing costs, net was due to lower loan principal this year due to payment of maturing obligations. Consolidated financing costs, net amounted to ₱267 million from ₱295 million in last year.

***Provision for Taxes, net***

Provision for taxes this period amounted to ₱22 million due minimum corporate income tax of sugar subsidiaries. In 2011, the subsidiaries recognized NOLCO as deferred tax asset.

***Consolidated Net Income***

The Group ended the period with a consolidated net income of P332 million, a 35% improvement from prior year's P246 million as restated. The year to date March 2012 net income is equivalent to an Earnings Per Share (EPS) of P0.44 versus P0.27 in 2011 as restated.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in the current period amounted to P993 million higher versus previous year's P678 million as restated.

Interest rate coverage ratio of the Group improved to 2.33:1.00 in March 31, 2012 from 1.56:1.00 in March 31, 2011. The improvement was due to higher earnings before interest and taxes (EBIT) of P621 million this year as compared to P462 million in prior year and lower interest cost in the current period.

## Results of Operations - Property Group

Sales for the period amounted to ₱12.9 million, 47% lower than last year's ₱24.38 million. This is due to fewer inventory of lots which resulted to slow down in sales in prior year(s). Cost of sales on the other hand, amounted to ₱6.1 million, 52% lower than last year's ₱12.9 million. Realized gross profit on real estate sales amounted to P 6.8 million which is41% lower than last year's ₱11.5 million. This translates to gross profit rate of 53% this year compared to 47%last year. Higher gross profit rate this year is due to San Antonio Memorial Gardens saleswhich has a higher gross margin of 49% and effect of price escalations on Palm Estates lots.

Other income amounted to ₱11.6million, 50% higherthan last year's ₱7.7 million. This is attributable to consultancy fees earned by FHPMC for the period. The Group acquired 64% of FHPMC in June 2011. This was partly offset by lower interest income on installment contracts receivable due to diminished principal balances.

Consequently, this year's Operating expenses increased by 44% from ₱19.5 million to ₱28.1 million. FHPMC incurred ₱9.6 million Operating expenses for the period.

Selling and marketing expenses went down by 11% from ₱4.17 million in 2010 to ₱3.72 million in 2011. This is due to the more aggressive marketing efforts to sell San Antonio Memorial Gardens and Anya projects last year.

Finance costs reached ₱1.7365 million, 33% higher than the ₱1.305 million in 2011. This is due to interests on developmental loans for San Antonio Memorial project that were notanymore capitalized this year. Financial reporting standards prohibit interest capitalization once there was significant lag in the development activities.

As a result, net lossbefore income taxesfor the Property group amounted to ₱10.9 million, 91% higher than last year's ₱5.7 million loss.

## Consolidated Financial Condition

Consolidated total assets of the Company as of March 31, 2012stood at ₱20.924 billion which is slightly higher than the audited September 30, 2011 balance of₱20.654 billion.Current Assets increased by 22% from ₱3.337 billion in September 2011 to ₱4.065 billion as of 31 March 2012. This is due to the 47% increase in receivables - mostly from sugar trade receivables and the 23% increase in inventories.

Non-current assets slightly decreased from ₱17.316 billion to ₱16.859 billion as of March 31. This is attributable mainly to the depreciation of property, plant and equipment and, equity in net losses of affiliates in addition to the dividends received for the period.

Considering that the Sugar Group was able to secure a waiver of the possible violation of the negative covenants for Fiscal Year 2011-2012, the Company was able to re-state its Long term liabilities to its proper account in the Balance Sheet. As a result, Current liabilities went down to ₱3.974 billion from a level of ₱10.571 billion as of September 30, 2011. Short-term borrowings and current portion of long term borrowings also decreased due to payments made during the period.

Accounts payable and accrued expenses went up to ₱990 million from ₱682 million as of Septemberdue to normal trade purchases and accrual of expenses.

Customers' deposits also increased from ₱174 million to ₱414 million due to deposits received sugar and lot buyers.

Non-current Liabilities increased from ₱1.055 billion to ₱7.629 billion due to the reclassification of long-term borrowings in the balance sheet, as mentioned above.

Total consolidated equity amounted to ₱9.321 billion, an increase of ₱292 million due to the consolidated income during the period.

Current ratio as of March 2012 increased to 1.02:1.00 from 0.32:1.00 in September 2011 mainly due to the reclassification of long term borrowings.

The Groups leverage position remained within the limits of existing loan covenants. Debt-to-equity ratio stood at 1.24:1.00 in March 2012 from 1.29:1.00 in September 2011. Unused working capital lines as of March 31, 2012 and September 30, 2011 from local banks amounted to ₱702 million and ₱862 million, respectively. Book value per share increased to ₱3.20 from ₱3.10 in September due to the favorable results of operations during the period.

There are no:

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

Top Five Performance Indicators – Sugar Related Businesses

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

- Raw sugar production - a principal determinant of consolidated revenues and computed as the gross amount of raw sugar output of CADPI and CACI as consolidated subsidiaries and HPCo, as an affiliate, and pertains to production capacity, ability to source sugar canes and the efficiencies and productivity of manufacturing facilities.
- Refined sugar production – the most important determinant of revenues and computed as the gross volume of refined sugar produced by the CADPI refinery both as direct sales to industrial customers and traders or as tolling manufacturing service, limited by production capacity and by the ability of the Group to market its services to both types of customers.

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

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

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

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

| Performance Indicator | July-Sept 2011 | 2010-2011 | 2009-2010 | 2008-2009 |
|---|---|---|---|---|
| Raw sugar production | 0 | 8.165 M bags | 6.947 M bags | 8.123 M bags |
| Refined sugar production | 0 | 1.970 M bags | 3.324 M bags | 3.965 M bags |
| Milling recovery | 0 | 1.99 Lkg/TC | 2.09 Lkg/TC | 2.02 Lkg/TC |
| EBITDA | (P327 million) | ₱793 million | ₱1.011 Billion | ₱669 million |
| Return on equity | (16%) | (8%) | 5% | 3% |

Top Five Performance Indicators – Property Group

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

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

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

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

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

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

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

| Performance Indicator | July-Sept 2011 | 2010-2011 | 2009-2010 | 2008-2009 |
|---|---|---|---|---|
| Realized gross profit on real estate sales | ₱7.0 Million | ₱25.0 Million | ₱33.416 Million | ₱22.802 Million |
| Number of lots sold / reserved | 32 lots | 194 lots | 684 lots | 105 lots |
| Collection efficiency | 98% | 98% | 95% | 85% |
| EBITDA | (₱1.58 Million) | ₱16.56 million | ₱69.6 million | ₱26.634 million |
| Return on equity | nil | 1.95% | 10.88% | 2.15% |

Key Variable and Other Qualitative and Quantitative Factors

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

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

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

4) Description of material commitments for capital expenditures.

The Sugar Group had an allocation of ₱40.2 million in capital expenditures for crop year 2011-2012 of which P18.8 million is for CADPI for the integrated mill and refinery operations, ₱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 P0.8 million regular capital expenditures which includes replacement of office equipment and a licensed software.

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

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

Plan of Operation

In line with the continuing efforts to improve the profitability of the sugar operations, ensure the continuing viability of the 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 our marketing programs to generate revenues from sales of alcohol, sugar, and allied products and services.
2. Increasing mill share to minimize sourcing of raw sugar from third parties.
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.

ROXAS AND COMPANY, INC AND SUBSIDIARIES
AGING OF RECEIVABLES
As of March 31, 2012

| IN P'000 | Total | Not yet due | Current | Past due 30 days | Past due 60 days | Past due 90 days | Past due 120 days |
|---|---|---|---|---|---|---|---|
| TRADE RECEIVABLES | | | | | | | |
| Sugar Customers | 690,606 | | 336,532 | 212,883 | 14,461 | 126,730 | |
| Management | 876 | | 308 | 326 | | 242 | |
| Real Estate Installment Buyers | | | | | | | |
| Palm Estates | 23,507 | 21,593 | 544 | 298 | 211 | 112 | 749 |
| Punta Fuego | 7,687 | | | | | | 7,687 |
| Role Subdivision | 1,805 | 1,334 | 10 | | 10 | 29 | 422 |
| San Antonio Memorial Gardens | 4,846 | 4,552 | 64 | 34 | 26 | 18 | 152 |
| Leasing | 100 | | 30 | 26 | 34 | 8 | 2 |
| TOTAL | 729,427 | 27,479 | 337,488 | 213,567 | 14,742 | 127,139 | 9,012 |
| Less Allowance for doubtful accounts | (4,885) | | | | | | (4,885) |
| Balance | 724,542 | 27,479 | 337,488 | 213,567 | 14,742 | 127,139 | 4,127 |

| | Total | Current | Past due 30 days | Past due 60 days | Past due 90 days | Past due Over 90 days |
|---|---|---|---|---|---|---|
| NON TRADE | | | | | | |
| Planters and Planters Association | 48,477 | | 5,467 | 2,606 | 423 | 39,981 |
| Officers and Employees | 41,806 | 713 | 3,557 | 9,928 | 11,499 | 16,109 |
| Related Parties | 135,894 | 2,180 | 786 | 97 | 232 | 132,599 |
| Others | 17,403 | 334 | 205 | 295 | 4,250 | 12,319 |
| Total | 243,580 | 3,227 | 10,015 | 12,926 | 16,404 | 201,008 |
| Less : Allowance for doubtful accounts | (29,109) | | | | | (29,109) |
| | 214,471 | 3,227 | 10,015 | 12,926 | 16,404 | 171,899 |
| RECAP | | | | | | |
| Trade | 729,427 | 364,967 | 213,567 | 14,742 | 127,139 | 9,012 |
| Non-Trade | 243,580 | 3,227 | 10,015 | 12,926 | 16,404 | 201,008 |
| Total | 973,007 | 368,194 | 223,582 | 27,668 | 143,543 | 210,020 |
| Less : allowance for doubtful accounts | (33,994) | | | | | (33,994) |
| | 939,013 | 368,194 | 223,582 | 27,668 | 143,543 | 176,026 |

Certified True and Correct : ARMANDO B. ESCOBAR
VP - CFO