

**ROXAS HOLDINGS, INC. (formerly CENTRAL AZUCARERA DON PEDRO)**

-----  
(Company's Full Name)

**6/F Cacho Gonzales Bldg., 101 Aguirre St., Legaspi Village, Makati City**

-----  
(Company's Address)

**(632) 810-8901 to 06**

-----  
(Company's Telephone Number)

**June 30, 2011**

-----  
(Fiscal Year Ending)

**SEC Form 17-Q**

-----  
(Form Type)

-----  
Amended Designation (If Applicable)

-----  
Period Ended Date

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(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

ANNUAL REPORT PURSUANT TO SECTION 11 OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17(2)(b) THEREUNDER

1. For the period ended: 30 September 2010
2. Commission Identification Number **15A** 3. BIR Tax Identification No. **000-290-538**
4. Exact name of registrant as specified in its charter **ROXAS HOLDINGS, INC. (FORMERLY  
CENTRAL AZUCARERA DON PEDRO)**
5. **Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:
7. **6/F Cacho Gonzales Bldg., 101 Aguirre St.,  
Legaspi Village, Makati City** **1200**  
Address of principal office Postal Code
8. **(632) 810-8901 to 06**  
Registrant's telephone number, including area code
9. **Not Applicable**  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares and Amount of Debt Outstanding
Authorized Capital Stock:	
No. of common shares issued and outstanding	909,552,236
No. of preferred shares issued and outstanding	-
Amount of debt outstanding as of 30 September 2010	

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

Yes [ **X** ]

No [ ]

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 11 of the Securities Revised Code (SRC) and SRC Rule 11(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 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

### 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".**

### OTHER INFORMATION

1. New projects or investments in another project, line of business or corporation;

**None for the period.**

2. Composition of Board of Directors;

<b>PEDRO E. ROXAS</b>	<b>Chairman</b>
<b>RAMON A. PICORNELL</b>	<b>President Chief Operating Officer</b>
<b>ANTONIO J. ROXAS</b>	<b>Director</b>
<b>BEATRIZ ROXAS OLGADO</b>	<b>Director</b>
<b>SANTIAGO R. ELIZALDE</b>	<b>Director</b>
<b>GERONIMO R. ESTACIO</b>	<b>Director</b>
<b>RAMON R. DEL ROSARIO, JR.</b>	<b>Director</b>
<b>RAUL M. LEOPANDO</b>	<b>Director</b>
<b>RENATO C. VALENCIA</b>	<b>Director</b>
<b>LORNA P. KAPUNAN</b>	<b>Corporate Secretary</b>

3. Performance of the corporation or result or progress of operations;

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

4. Suspension of operations;

**None for the period.**

5. Declaration of dividends;

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

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 therefore;

**None for the period.**

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

**None for the period.**

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

**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 registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Registrant**

**ROXAS HOLDINGS, INC. (formerly  
CENTRAL AZUCARERA DON PEDRO)**

**Signature and Title:**



**FLORENCIO M. MAMAUAG, JR.**  
Assistant Corporate Secretary  
VP – Legal and Compliance Officer

**Date**

**10 November 2010**

# **Annex A**

**ROXAS HOLDINGS, INC. AND SUBSIDIARIES**

INTERIM CONSOLIDATED BALANCE SHEETS

September 30, 2010 and June 30, 2010

(All Amounts in Philippine Peso)

	30-Sep-10	30-Jun-10
	Unaudited	Audited
<u>A S S E T S</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 4 and 26 )	284,317	176,827
Receivables, net (Notes 5, 14 and 26)	843,832	832,800
Inventories, net (Note 6)	1,648,549	1,873,137
Prepayments and other current assets (Note 7)	566,459	229,117
Total current assets	3,343,157	3,111,881
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment, net (Notes 9 and 13)	11,744,295	11,782,238
Deferred income tax assets (Note 22)	24,699	4,977
Investment in shares of stock of an associate (Note 8)	593,235	618,322
Pension Plan Assets (Note 15)	140,455	140,455
Other noncurrent assets (Notes 5 and 13)	22,450	27,343
Total non-current assets	12,525,135	12,573,334
Total assets	15,868,292	15,685,215
<u>LIABILITIES AND EQUITY</u>		
<b>CURRENT LIABILITIES</b>		
Short-term borrowings (Notes 10 and 26)	2,786,952	2,449,904
Current portion of long term debt (Notes 9, 13 and 26)	51,724	51,724
Accounts payable and accrued expenses ( Notes 11 and 26)	477,279	608,673
Dividends payable (Notes 23 and 26)	16,069	16,069
Customers' deposits (Notes 12, 16 and 26)	136,161	123,109
Total current liabilities	3,468,185	3,249,479
<b>NON-CURRENT LIABILITIES</b>		
Long-term borrowings, net of current portion (Notes 9, 13 and 26)	5,684,122	5,682,584
Pension benefit obligation (Note 15)	29,988	41,097
Deferred income tax liabilities (Note 22)	721,809	725,150
Total non-current liabilities	6,435,919	6,448,831
Total liabilities	9,904,104	9,698,310
<b>EQUITY (Note 23)</b>	5,964,188	5,986,905
Total liabilities and equity	15,868,292	15,685,215

Certified true and correct:



**Ma. Cecilia Agnes F. Javier**  
Controller

**ROXAS HOLDINGS, INC. AND SUBSIDIARIES**

INTERIM CONSOLIDATED STATEMENTS OF LOSS  
For the three months ending September 30, 2010 and 2009  
(All Amounts in Philippine Peso)

	2010	2009
REVENUES (Note 17)	1,392,752	987,635
COST OF SALES (Note 18)	(1,206,981)	(931,295)
GROSS PROFIT	185,771	56,340
OTHER OPERATING INCOME (Note 21)	7,819	66,812
	193,590	123,152
OPERATING EXPENSES		
General and administrative (Note 19)	(121,519)	(127,609)
Selling	(601)	(2,247)
	(122,121)	(129,856)
OPERATING PROFIT (LOSS)	71,469	(6,704)
EQUITY IN NET EARNINGS OF AN ASSOCIATE, net (Note 8)	20,591	12,345
FINANCE INCOME (COSTS), net		
Interest expense (Notes 10 and 13)	(128,109)	(28,657)
Interest income (Note 4)	967	177
	(127,142)	(28,479)
LOSS BEFORE INCOME TAX	(35,081)	(22,838)
INCOME TAX (EXPENSE) BENEFIT (Note 22)		
Current	(15,422)	(1,150)
Deferred	27,786	5,236
	12,364	4,086
LOSS FOR THE PERIOD	(22,717)	(18,753)
Attributable to:		
Equity holders of the Parent Company	(22,635)	(18,678)
Minority interest	(84)	(75)
	(22,717)	(18,753)
LOSS PER SHARE		
Basic	(0.02)	(0.02)
Diluted	(0.02)	(0.02)

Certified true and correct:



**Ma. Cecilia Agnes F. Javier**  
Controller

**ROXAS HOLDINGS, INC. AND SUBSIDIARIES**

INTERIM STATEMENTS OF COMPREHENSIVE LOSS  
For the three months period ending September 30, 2010 and 2009  
(All Amounts in Philippine Peso)

	2010	2009
Net loss for the period	(22,717)	(18,753)
Other comprehensive income (loss) , net of taxes	-	-
<b>Total comprehensive loss</b>	<b>(22,717)</b>	<b>(18,753)</b>

Certified true and correct:



**Ma. Cecilia Agnes F. Javier**  
Controller

**ROXAS HOLDINGS, INC. AND SUBSIDIARIES**

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months period ending September 30, 2010 and 2009

(All Amounts in Philippine Peso)

	2010	2009
SHARE CAPITAL	1,168,976	1,168,976
SHARE PREMIUM	554,959	554,959
EFFECTS OF CHANGE IN OWNERSHIP OF SUBSIDIARIES	44,567	44,567
SHARE IN REVALUATION INCREMENT IN PROPERTY	207,492	207,492
REVALUATION INCREMENT IN PROPERTY	1,412,834	1,451,839
EXCESS IN INVESTMENT COST	577,149	577,149
RETAINED EARNINGS		
Beginning balance	2,749,127	2,463,769
Share of Parent company in net income for the period	(22,634)	(18,678)
TREASURY STOCK	(768,859)	(768,859)
MINORITY INTEREST		
Beginning balance	40,661	37,720
Share of Minority Interest for this period	(84)	(75)
	5,964,188	5,718,859

Certified true and correct:



**Ma. Cecilia Agnes F. Javier**

Controller

**ROXAS HOLDINGS, INC. AND SUBSIDIARIES**

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months period ending September 30, 2010 and 2009

(All Amounts in Philippine Peso)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxes	(35,081)	(22,838)
Adjustments for:		
Equity in net earnings of an associate	(20,591)	(12,345)
Depreciation and amortization	119,897	75,593
Interest expense	128,109	27,867
Gain on disposal of property	(220)	-
Interest income	(967)	(177)
Net cash before working capital change	191,146	68,099
(Increase) decrease in current assets		
Receivables	(11,031)	327,602
Inventories	192,161	453,753
Prepayments and other current assets	(219,348)	(321,230)
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	(131,394)	131,829
Customers' deposit	13,052	226,564
Increase (decrease) in pension benefit obligation	(11,108)	166
Cash generated from operations	23,478	886,783
Income tax paid including final tax & application of CWT	(15,381)	(1,920)
Net cash provided by operating activities	8,097	884,864
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(157,840)	(739,356)
Capitalized interest paid	(405)	-
Dividends received	45,679	-
Decrease in other non current assets	4,892	2,619
Interest received	967	177
Net cash used in investing activities	(106,706)	(736,560)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Long-term loans	-	1,125,000
Short-term loans	1,723,476	441,000
Payment of short term loans	(1,386,428)	(1,662,975)
Dividends paid	-	(25,005)
Reacquisition of shares of stock	-	(9)
Interest paid	(130,949)	(71,165)
Net cash provided by (used in) financing activities	206,099	(193,155)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	107,490	(44,852)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	176,827	286,662
Ending	284,317	241,810

Certified true and correct:



**Ma. Cecilia Agnes F. Javier**

Controller

**ROXAS HOLDINGS, INC.**  
**(A Subsidiary of Roxas and Company, Inc.)**  
**AND SUBSIDIARIES**

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**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

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**1. Corporate Information, Status of Operations and Corporate Reorganizations**

*Corporate Information*

Roxas Holdings, Inc. (RHI or the “Company”) was organized in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1930 for the purpose of operating mill and refinery facilities to manufacture sugar and allied products. On November 1, 1980, the Company’s corporate life was extended for another 50 years until 2030.

In July 1996, the Company offered its shares to the public through an initial public offering. On August 8, 1996, the Company’s shares of stock were listed in the Philippine Stock Exchange.

As of June 30, 2010 and 2009, the Company is 65.70% owned by Roxas and Company, Inc. (RCI), a publicly listed company incorporated and domiciled in the Philippines. Prior to the merger effective June 29, 2009 as discussed below, the Company was 65.12% owned by Roxas & Company, Inc., a company incorporated and domiciled in the Philippines. The Company has 2,330 equity holder

The Company’s corporate office is located at the 6th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City, while the manufacturing plants of its operating subsidiaries (see Note 27) are in Barrio Lumbangan, Nasugbu, Batangas and Barrio Consuelo, La Carlota City, Negros Occidental.

*Status of Operations and Corporate Reorganizations*

Following the Reorganization Program approved by the Philippine SEC on December 11, 2001, RHI has been transformed into a diversified holding and investment corporation, while its subsidiary, CADP Group Corporation (CADPGC), emerged as a holding and investment company with specific focus on sugar milling and refining business. The sugar milling and refinery business of the Company in Nasugbu, Batangas was spun-off to Central Azucarera Don Pedro, Inc. (CADPI) on December 1, 2002 (see Note 23b). Subsequently, the Company exchanged its shareholdings in CADPI, CADP Consultancy Services, Inc. (CCSI) and CADP Farms Services, Inc. (CFSI) for 1.3 billion of CADPGC’s common shares with a par value of ₱1 per share. CADPI, CCSI and CFSI became 100% subsidiaries of CADPGC, while RHI’s ownership interest in CADPGC increased from 73.17% to 95.78%. The 95.78% equity ownership of RHI over CADPGC reduced to 89.28% following the declaration of property dividends to its shareholders.

In 2008, RHI increased its equity ownership in CADPGC to 89.36% when CADPGC re-acquired portion of its shares (see Note 23f). On December 16, 2008, RHI acquired CADPGC’s sugar-related operating subsidiaries [CADPI, Central Asucarera de la Carlota, Inc. (CACI), CFSI, CCSI, Jade Orient Management Services, Inc. (JOMSI), Najalin Agri-Ventures, Inc. (NAVI)] and associate [Hawaiian-Philippine Company (HPCo)], as well as certain assets and liabilities of CADPGC for a total consideration of ₱3,838.0 million. On January 23, 2009, RHI sold its investment in CADPGC to Roxas & Company, Inc. for ₱3,927.3 million (see Note 23c).

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

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

### Basis of Preparation and Statement of Compliance

The interim condensed consolidated financial statements of the Company and its Subsidiaries (collectively referred to as "the Group") have been prepared in accordance with Philippine Financial Reporting Standards' (PFRS) Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

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

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

### Changes in Accounting Policies

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

- Amendments to PFRS 2, *Share-based Payment - Group Cash-settled Share-based Payment Transactions*, clarifies the scope and the accounting for group-settled share-based payment transactions.
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.
- PFRS 8, *Operating Segments*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- PAS 1, *Presentation of Financial Statements*, clarifies that the terms of a liability that could result at anytime in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either “finance” or “operating” in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.
- Amendment to PAS 32, *Classification of Rights Issues*, this amendment to PAS 32, *Financial Instruments: Presentation*, addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment issued today requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.
- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.
- PAS 39, *Financial Instruments: Recognition and Measurement*, provides clarification on prepayment option, scope exemption for contracts between an acquirer and a vendor in a business combination, and gains or losses on cash flow hedges of a forecast transaction.
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. It clarifies the requirements of PFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. It clarifies that: (a) the entity’s equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability; (b) the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished and (c) the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity’s profit or loss for the period.

Adoption of these changes in PFRS did not have any impact on the Group’s interim condensed consolidated financial statements.

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

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

#### *Effective 2012*

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

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.
- PAS 24, *Related Party Disclosures* (Revised) was revised in response to concerns that the previous disclosure requirements and the definition of a ‘related party’ were too complex and difficult to apply in practice, especially in environments where government control is pervasive. It addresses these concerns by providing a partial exemption for government-related entities and by simplifying the definition of a related party and removing inconsistencies.

#### *Effective 2013*

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

#### *Effective 2014*

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

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

#### Consolidation

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

	Percentage of Ownership	
	09-30-2010	06-30-2010
	Direct	Direct
CADPGC <sup>(1)</sup>	–	–
CADPI	100.00	100.00
CACI	100.00	100.00
CADP Insurance Agency, Inc. (CIAI) <sup>(2)</sup>	100.00	100.00
CCSI	100.00	100.00
CFSI	100.00	100.00
JOMSI	99.99	99.99
NAVI	77.38	77.38
Roxol Bioenergy Corporation (RBC) <sup>(3)</sup>	100.00	100.00
CADP Port Services, Inc. (CPSI) <sup>(4)</sup>	100.00	100.00
Roxas Power Corporation (RPC) <sup>(4)</sup>	50.00	50.00

(1) The loss of ownership interest in CADPGC is the result of the restructuring undertaken by the Group through sale of all its equity interest in CADPGC to RCI effective January 23, 2009 (see Note 1). As a result, the Company

has now a direct ownership interest in the sugar-related operating subsidiaries which were previously owned by CADPGC. Results of operation of CADPGC are included in the consolidated financial statements until January 23, 2009, the date on which the Company's control ceased.

- (2) CIAI was incorporated on August 19, 2009 and has not yet started commercial operations.
- (3) RBC was incorporated on February 29, 2008 and has completed the construction of its plant facility as of June 30, 2010 but has not yet started commercial operations.
- (4) CPSI and RPC were incorporated on July 17, 2008 and have not yet started commercial operations. The Company has control on RPC since it has the power to cast the majority of votes at the BOD's meetings and the power to govern the financial and reporting policies of RPC.

The 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.

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

The preparation of the 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 interim condensed 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, 2010 represent a summary of judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the interim consolidated financial statements.

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### 4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<b>09.30.10</b>	06.30.10
	<i>(In Thousands)</i>	
Cash on hand and in banks	<b>₱284,317</b>	₱176,827
Short-term placements	-	-
	<b>₱284,317</b>	<b>₱176,827</b>

Interest income earned on cash in banks amounted to ₱ 1.0 million and ₱.2million in September 30, 2010 and 2009, respectively.

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**5. Receivables**

Receivables consist of:

	<b>09.30.10</b>	06.30.10
	<i>(In Thousands)</i>	
Trade	<b>₱602,616</b>	₱681,216
Advances to:		
Related parties (Note 14)	<b>49,084</b>	49,022
Employees	<b>43,910</b>	38,762
Planters and cane haulers	<b>128,916</b>	38,547
Advances for raw sugar purchases	<b>15,192</b>	15,192
Others	<b>24,758</b>	30,705
	<b>864,476</b>	853,444
Less allowance for impairment of receivables	<b>(20,644)</b>	(20,644)
	<b>₱843,832</b>	₱832,800

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

Other receivables include advances to suppliers for the purchase of local and imported materials and supplies. The account also includes outstanding receivable from the 2002 sale of a portion of the Company's land in Barrio Bilaran, Nasugbu, Batangas to its employees. Due to the Reorganization Program discussed in Note 1, the employees were transferred to CADPI, whereas, the receivable remained with the Company. These loans bear annual interest of 12% and are payable over 10 years until 2012.

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**6. Inventories**

Inventories consist of:

	<b>09.30.10</b>	06.30.10
	<i>(In Thousands)</i>	
At cost:		
Refined sugar	<b>₱261,161</b>	₱732,092
Alcohol	<b>66,490</b>	21,278
Materials in transit	<b>79,830</b>	19,532
At NRV:		
Raw sugar	<b>763,525</b>	584,076
Molasses	<b>123,100</b>	135,025
Materials and supplies	<b>354,443</b>	381,134
	<b>₱1,648,549</b>	₱1,873,137

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**7. Prepayments and Other Current Assets**

Prepayments and other current assets consist of:

	<b>09.30.10</b>	06.30.10
	<i>(In Thousands)</i>	
Input VAT and other prepaid taxes	<b>₱171,094</b>	₱111,390
Creditable withholding taxes, net of allowance of ₱13.7 million in 2010 (As of Sept.30 and June 30, 2010)	<b>81,279</b>	84,267
Consumable biological assets	<b>26,968</b>	24,322
Deferred Manufacturing cost	<b>276,499</b>	-
Others	<b>10,619</b>	9,138
	<b>₱566,459</b>	₱229,117

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Consumable biological assets pertain to standing sugarcanes of NAVI.

Input value-added taxes arise from purchases of equipment and services relating to the Expansion Project and RBC Plant construction (see Note 9). Other current assets consist of prepaid insurance and rentals, advance payments made to a sugar milling company for tolling services and advanced input VAT for refined sugar sales.

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**8. Investment in Shares of Stock of an Associate**

The details of the investment in HPCo, 45.09%-owned associate, and incorporated in the Philippines, follow:

	<b>09.30.10</b>	06.30.10
	<i>(In Thousands)</i>	
Acquisition cost	<b>₱127,933</b>	₱127,933
Accumulated equity in net earnings		
Beginning of year	<b>282,897</b>	222,007
Equity in net earnings for the year	<b>20,591</b>	132,263
		354,270
Less dividend received	<b>45,679</b>	71,373
End of year	<b>257,809</b>	282,897
Share in revaluation increment	<b>207,492</b>	207,492
	<b>593,235</b>	₱618,322

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

The summarized financial information of HPCo as of August 31, 2010 is as follow:

	<i>( In Thousand )</i>
Current assets	<b>335,573</b>
Noncurrent assets	<b>825,833</b>
Current liabilities	<b>213,684</b>
Noncurrent liabilities	<b>87,053</b>
Net assets	<b>860,869</b>
Revenue	<b>1,445,820</b>
Net income	<b>310,733</b>

## 9. Property, Plant and Equipment

Details and movements of property, plant and equipment, valued at cost basis are shown below:

September 30, 2010						
	Buildings and Improvements	Machinery and Equipment	Railroad Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
<i>(In Thousands)</i>						
Cost	2,041,237	8,802,232	32,935	68,170	3,630,456	14,581,030
Accumulated depreciation	(754,270)	(4,498,271)	(12,123)	(57,072)		(5,321,736)
Net book value	1,286,967	4,309,961	20,812	11,098	3,630,456	9,259,294

June 30, 2010						
	Buildings and Improvements	Machinery and Equipment	Railroad Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
<i>(In Thousands)</i>						
<b>Cost</b>						
Beginning balances	P1,224,798	P5,165,361	P123,144	P605,646	P4,967,334	P12,086,283
Additions	129,408	1,346,670	23,597	267,563	797,146	2,564,384
Disposals		(10,820)	(118,449)	(982)	-	(130,251)
Reclassification	686,889	2,307,477	4,643	(803,557)	(2,217,363)	(21,911)
Ending balances	2,041,095	8,808,688	32,935	68,670	3,547,117	14,498,505
<b>Accumulated depreciation</b>						
Beginning balances	697,442	3,607,310	121,326	515,494	-	4,941,572
Depreciation	67,037	321,051	8,066	10,871	-	407,025
Disposals		(6,748)	(118,030)	(640)	-	(125,418)
Reclassification	(28,118)	477,941	(362)	(471,372)		(21,911)
Ending balances	736,361	4,399,554	11,000	54,353	-	5,201,268
<b>Net Book Value</b>	<b>P1,304,734</b>	<b>P4,409,134</b>	<b>P21,935</b>	<b>P14,317</b>	<b>P3,547,117</b>	<b>P9,297,237</b>

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

	<i>(In Thousands)</i>
Beginning balance at appraisal values	P2,517,660
Additions	26,097
Revaluation decrease	(58,756)
Ending balance at appraisal values	P2,485,001
At cost	P58,715

a. Construction in progress

Construction in progress as of September 30, 2010 pertains mainly to the foregoing milling plant improvement project, refinery plant installation of sieving facilities, as well as construction and improvement of waste and pollution facilities of the Group.

*Milling plant improvement project (the Expansion Project)*

With the intent of improving its revenue generating capability, the Group purchased second-hand mills and related equipment from Bryant, Florida, United States of America (USA) and Fairymead, Australia.

In August 2007, CADPGC entered into a purchase agreement, for and on behalf of its then wholly-owned subsidiaries, CADPI and CACI, with a foreign corporation to buy certain sugar mill equipment for a total purchase price of US\$19.5 million. The purchase pertains to different pieces of disassembled equipment that originated from “Bryant Sugar House”, a sugar mill located in Bryant, Florida, USA, of which the sellers had purchased from United States Sugar Corporation through a purchase and removal agreement executed on April 30, 2007. To complement the mills from Bryant Sugar House, mill components and shredder were purchased from Australia in March 2008.

The Group obtained short and long-term borrowings from various local banks to finance the Expansion Project (see Notes 10 and 13).

*RBC Plant Construction Project*

On June 27, 2008, in line with the Group Expansion Project, RBC entered into an agreement to construct its bioethanol plant in La Carlota City, Negros Occidental for a total contracted amount of US\$20.9 million. As of September 30, 2010 and June 30, 2010, the balance in the construction in progress relating to RBC plant amounted to ₱1.250 million and ₱1,202.2 million, respectively.

*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 three months ended September 30, 2010 no borrowing cost were capitalized due to substantial completion 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 ₱54.7 million, of June 30, 2010.

b. Depreciation

Depreciation charged to operations follow :

	<b>09.30.10</b>	09.30.09
	<i>(In Thousands)</i>	
Cost of sales (Note 18)	<b>₱114,616</b>	₱70,764
General and administrative expenses (Note 19)	<b>5,281</b>	4,828
	<b>₱119,897</b>	<b>₱75,592</b>

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 13).

d. Capital expansion commitments

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

## 10. Short-term Borrowings

At various dates in 2010, 2009 and 2008, CACI and CADPI 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 4.7% to 7.0%, 5.0% to 9.75% and 4.7% to 8.1% and have terms ranging from 29 to 32 days, 30 to 32 days and 28 to 179 days in 2010, 2009, 2008, respectively.

As of September 30, 2010 and June 30 2010, the balance of the short-term loans, net of related unamortized debt commitment fees, amounted to ₱2,787 million and ₱2,449.9 million, respectively.

## 11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<b>09.30.10</b>	06.30.10
	<i>(In Thousands)</i>	
Trade suppliers	<b>₱ 152,293</b>	₱131,488
Accrued expenses:		
Interest (Notes 10 and 13)	<b>78,159</b>	80,999
Contractors	<b>3,519</b>	43,752
Payroll and other benefits	<b>5,351</b>	9,834
Purchases and others	<b>63,505</b>	64,119
Due to planters	<b>24,256</b>	18,857
Payable to government agencies for taxes and contributions	<b>76,081</b>	73,681
Payable to retirement fund (Note 14)	<b>65,988</b>	58,555
Others	<b>8,127</b>	127,388
	<b>₱477,279</b>	₱608,673

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 9).

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## 12. Customers' Deposits

Customers' deposits represent noninterest-bearing cash deposits from buyers of the Group's sugar and molasses. These deposits will be applied against future deliveries of sugar and molasses which are expected to be completed in the next 12 months. Customers' deposits amounted to ₱136.2 million and ₱123.1 million as at September 30, 2010 and June 30, 2010, respectively.

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## 13. Long-term Borrowings

Long-term borrowings as consist of:

	<b>09.30.10</b>	06.30.10
	<i>(In Thousands)</i>	
Banco de Oro Unibank, Inc. (BDO)	<b>₱3,770,000</b>	₱3,770,000
Syndicated Loan Agreement:		
Bank of the Philippine Islands (BPI)	<b>1,500,000</b>	1,500,000
Rizal Commercial Banking Corporation (RCBC)	<b>500,000</b>	500,000
	<b>5,770,000</b>	5,770,000
Unamortized debt commitment fee	<b>(34,154)</b>	(35,692)
	<b>5,735,846</b>	5,734,308
Less current portion	<b>51,724</b>	51,724
	<b>₱5,684,122</b>	₱5,682,584

On February 8, 2008, RHI availed the loan facility from BDO with an aggregate amount of ₱6,189.0 million. The principal amount of debt accommodation is shared by RHI and 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.

### 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.

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

### CADPI

On February 14, 2008, CADPI entered into a loan agreement with BPI to avail loans in two tranches with an aggregate principal amount of ₱500.0 million. Tranche "A" of the loan amounting to ₱300.0 million bears fixed annual interest of 8.00% and payable on the 5th anniversary date of the

borrowing. On the other hand, Tranche “B” of the loan amounting to ₱200.0 million bears fixed annual interest of 8.40% and payable on an installment basis, ₱2.0 million on the 5th and 6th anniversary date of the borrowing and the balance on the 7th anniversary date of the borrowing.

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

Likewise, on May 5, 2008, CADPI availed additional loan from BDO amounting to ₱365.9 million. The principal of the loan is payable quarterly starting on the 4th year of the 10-year term. As of June 30, 2009, the interest rate was 5.90% subject to repricing based on loan agreements.

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

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

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

#### CACI

On May 5, 2008, CACI availed loans from BPI, BDO and RCBC amounting to ₱129.8 million, ₱395.3 million and ₱64.9 million, respectively, and with interest rates of 6.50%, 6.60% and 6.60%, respectively. Loans availed are with 10-year terms and payable in 29 and 28 quarterly installments beginning May 2011 for BPI and RCBC and August 2011 for BDO, respectively. As of June 30, 2009, interest rates of the availed loans with BDO, BPI and RCBC were 5.80%, 5.90% and 5.90%, respectively.

In 2010, CACI exercised its option to fix the quarterly interest rate of repricing BPI loans at 8.79% and BDO and RCBC loans at 8.84% beginning August 5, 2009 until the end of the loan terms.

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

*Debt commitment fees*

As part of the Syndicated Loan Agreement with BPI/RCBC, the Group incurred debt commitment fees amounting to ₱59.4 million in 2008. Of the total amount of debt commitment fees paid, ₱29.8 million pertains to the drawn portion of the total credit facility (referred to as “Unamortized debt commitment fees” and presented as a reduction from the principal loan balance), while the remaining ₱29.6 million pertains to the undrawn portion (presented as “Deferred charges” under “Other noncurrent assets”). In 2010, the deferred charges amounting to ₱16.3 million as of June 30, 2009 was all recognized as reduction from the outstanding loans upon full availment of the undrawn portion of the credit facility. As of September 30, 2010 and June 30 2010, unamortized debt commitment fees on long-term loans amounted to ₱34.14 million and ₱35.7 million, respectively.

*Suretyship agreement, mortgage trust indenture and debt covenants*

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

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

Further, RHI, CADPI and CACI executed a Mortgage Trust Indenture (MTI) to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in Nasugbu, Batangas which consist mainly of RHI’s land and CADPI’s properties with an aggregate carrying value of ₱1.9 billion and ₱4.5 billion, respectively, and CACI’s properties in La Carlota, Negros Occidental amounting to ₱4.0 billion as of June 30, 2010.

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

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

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

The maturities profile of the noncurrent portion of the long-term borrowings as of June 30 is as follows:

	<b>09-30-2010</b>	06-30-2010
		<i>(In Thousands)</i>
Between one and two years	<b>₱797,192</b>	₱797,192
Between two and five years	<b>2,736,404</b>	2,736,404
Over five years	<b>2,202,250</b>	2,200,712
	<b>₱5,735,846</b>	₱5,734,308

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#### 14. Related Party Transactions

In the normal course of business, the Group has transactions with related parties as follows:

- a. As of September 30, 2010 and June 30, 2010, the Group's outstanding advances to RCI amounted to ₱49.0 million. RHI granted the advances to RCI in 2009 which were used to defray cost and expenses relating to the restructuring activities undertaken by the Group during the year.
- b. As of June 30, 2010 and 2009, the Company as a lessee, has a one-year lease agreement with CADP Retirement Fund, Inc. (CADPRFI), which is renewable annually at the option of the Company, CADPI and CACI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted to ₱.75 million in September 30, 2010 and ₱.70 million in September 30, 2009.
- c. In December 2005, the Company also entered into a lease agreement with CADPRFI, for the lease of its office space. The contract, which is renewable annually, requires a monthly rental of ₱56,183. Related rent expense charged to operations in 2010, 2009 and 2008 amounted to ₱0.6 million.
- d. Key management compensation for the years ended September 30 follows:

	2010	2009
	<i>(In Thousands)</i>	
Salaries and wages	₱8,537	₱7,7414
Employee and other benefits (income)		-
	<b>₱8,537</b>	<b>₱7,7414</b>

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

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#### 15. Retirement Benefit Plans

##### Net Pension Plan Assets

Prior to Restructuring in fiscal year 2009 (see Note 1), the Company and CADPGC maintain an individual and separately funded, non-contributory defined benefit plan (the Plan) covering all eligible employees. On December 16, 2008, the Company assumed the transferred employees covered by the Plan and acquired the related net pension plan assets from CADPGC. The acquired net pension plan assets, including the related deferred income tax liabilities, were part of the total consideration received from the acquisition of CADPGC's investments in shares of stock and certain assets and liabilities (see Note 1).

Under the Plan, the normal retirement age is 65. A participant may opt to retire at age 60 or after rendering 20 years of continuous service. Retirement benefit for both normal retirements is equivalent to two months average basic salary for each year of service rendered.

The amounts recognized in the consolidated balance sheets at September 30 and June 30, 2010 are determined as follows (in thousands):

Present value of obligation	₱169,899
Fair value of plan assets	(248,544)
Surplus	(78,645)
Unrecognized actuarial gain (loss)	(61,810)
<u>Net pension plan assets</u>	<u>(₱140,455)</u>

Plan assets cannot be returned to RHI unless on circumstances discussed in Note 2. The net pension plan assets as of June 30, 2010 and 2009 of ₱140.5 million and ₱142.6 million, respectively, will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's 2009 retained earnings related to pension plan asset, net of deferred income tax liability, is not available for dividend declaration (see Note 23).

#### 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 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.

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

	<b>09.30.10</b>	06.30.10
	<i>(In Thousands)</i>	
Present value of obligations	<b>₱423,920</b>	₱423,920
Fair value of plan assets	<b>(345,381)</b>	(334,273)
Deficit	<b>78,539</b>	89,647
Unrecognized net transition obligation	-	-
Unrecognized actuarial loss	<b>(48,550)</b>	(48,550)
<u>Net pension benefit obligation</u>	<u><b>₱29,989</b></u>	<u>₱41,097</u>

## **16. Commitments and Contingencies**

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

- b. As of June 30, the Group has in its custody the following sugar owned by quedan holders:

	<b>2 0 1 0</b>	
	<b>Total volume (In thousands) (Lkg*)</b>	<b>Estimated market value (In Millions)</b>
Raw sugar	<b>387</b>	<b>₱707</b>
Refined sugar	<b>506</b>	<b>1,264</b>
	<b>893</b>	<b>₱1,971</b>

*\*Equivalent to 50 kilogram bag unit.*

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

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

CADPI received cash deposits from customers for the above transactions as of June 30, 2010 and 2009, which will be applied against future deliveries of sugar and molasses. These deposits are classified as current liabilities (see Note 12).

- d. CADPI entered into agreements as follows:

- (i) Lease of offsite warehouse for a period of one year renewable at the option of the lessee through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to ₱0.1 million in 2010 and ₱.9 million in 2009.
- (ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations in September 30, 2010, and 2009 amounted to ₱11.5 million, and ₱8.2 million, respectively.

- e. CADPI entered into an indemnity and guarantee fee agreement with RHI to continue to be a mortgage trust indenture (MTI) between and among CADPI, RHI and BPI. RHI conveyed unto BPI as mortgage trustee its land located in Nasugbu, Batangas (mortgaged property) (see Note 13). RHI agreed to continue to subject the mortgaged property to the MTI on the following conditions:

- (i) CADPI shall protect the property and reimburse RHI with all expenses in case the mortgaged property is attached to satisfy the obligations of CADPI secured by the MTI; and
- (ii) A guarantee/mortgage fee of ₱3.0 million shall be paid annually by CADPI to compensate RHI for the continuance of the mortgage. This guarantee fee agreement expired in April 2009.

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

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

As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance RBC's community development projects (see Note 28).

- g. There are pending legal cases in the ordinary course of the Group's business as at June 30, 2010 and 2009, but in the opinion of management and legal counsel, the ultimate outcome of these cases will not have a material impact on the financial position and results of operations of the Group. Consequently, no provision related to these legal cases was made in the 2010 and 2009.
- h. As of September 30, 2010 and June 30, 2010, the Group has unused lines of credit from local banks amounting to ₱ 2.477 million and ₱2,814.0 million (see Notes 10 and 13).

## 17. Revenue

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

	<b>2010</b>	2009
	<i>(In Thousands)</i>	
Refined sugar	<b>₱1,109,939</b>	₱856,981
Raw sugar	<b>248,412</b>	92,412
Molasses	<b>24,148</b>	19,990
Tolling fees	<b>8,070</b>	18,015
Others	<b>2,183</b>	237
	<b>₱1,392,752</b>	₱987,635

Others include farm income and changes in fair value of consumable biological assets (see Note 7).

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**18. Cost of Sales**

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

	<b>2010</b>	2009
	<i>(In Thousands)</i>	
Purchased sugar (Note 6)	<b>₱738,175</b>	₱67,951
Net changes in inventories ( Note 6)	<b>284,473</b>	
		630,519
Direct Labor	<b>67,044</b>	71,223
Cost of transporting cane to mill	<b>11,487</b>	8,173
Tolling fees	<b>895</b>	17,618
Manufacturing overhead:		
Off- operational cost	<b>(271,574)</b>	(229,439)
Repair and Maintenance	<b>115,391</b>	99,050
Depreciation	<b>114,616</b>	70,764
Fuel and Oil	<b>44,718</b>	84,935
Outside services	<b>34,873</b>	34,118
Taxes and licenses	<b>24,337</b>	19,313
Communication, lights and water	<b>20,153</b>	18,379
Rent	<b>8,871</b>	7,341
Others	<b>13,522</b>	31,350
	<b>₱1,206,981</b>	₱931,295

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**19. General and Administrative Expenses**

The components of general and administrative expenses as of September 30 are as follows:

	<b>2010</b>	2009
	<i>(In Thousands)</i>	
Employee benefits (Note 20)	<b>₱42,762</b>	₱ 41,274
Taxes and licenses	<b>10,196</b>	18,935
Insurance	<b>9,956</b>	5,659
Outside services	<b>9,583</b>	9,643
Gas and Oil	<b>7,236</b>	6,667
Rent	<b>6,291</b>	4,828
Materials and consumables	<b>5,570</b>	11,970
Depreciation	<b>5,281</b>	4,828
Professional Fee	<b>2,571</b>	5,575
Corporate and stockholder expenses	<b>2,152</b>	677
Communication, light and water	<b>1,809</b>	1,922
Corporate social responsibility	<b>1,014</b>	678
Repair and maintenance	<b>904</b>	1,458
Others	<b>16,194</b>	13,495
	<b>₱121,519</b>	₱127,609

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**20. Employee Benefits**

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

	<b>2010</b>	2009
	<i>(In Thousands)</i>	
Salaries and wages (Notes 18 and 19)	<b>₱36,802</b>	₱35,661
Allowances and other employee benefits (Notes 18 and 19)	<b>3,325</b>	5,614
Pension costs (Note 15)	<b>2,634</b>	5,337
	<b>₱42,761</b>	₱46,612

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**21. Other Income - Net**

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

	<b>2010</b>	2009
	<i>(In Thousands)</i>	
Recovery from insurance claim	<b>₱-</b>	₱38,448
Sale of scrap	<b>10,447</b>	19,100
Foreign exchange gains (losses) net	<b>(5,504)</b>	484
Sugar and molasses handling fee	<b>868</b>	3,181
Others	<b>2,008</b>	5,599
	<b>₱7,819</b>	₱66,812

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

## 22. Income Taxes

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

	September 30, 2010		June 30, 2010	
	Net Deferred Income Tax Asset	Net Deferred Income Tax Liabilities	Net Deferred Income Tax Assets <sup>(2)</sup>	Net Deferred Income Tax Liabilities <sup>(1)</sup>
<b>Deferred income tax assets on:</b>				
Allowance for:				
Impairment of receivables (Note 5)		₱ 5,772	₱–	5,772
Sugar inventory losses (Note 6)			–	–
Inventory obsolescence (Note 6)	₱ 783	7,591	783	7,951
Pension benefit obligation (Note 15)		11,871	–	₱11,332
Unamortized past service cost		59,094.	–	60,591
Unrealized foreign exchange loss		38	–	38
NOLCO	23,916	22,714	4,194	19,862
Excess MCIT		6,895	–	6,895
	24,699	113,975	4,977	112,441
<b>Deferred income tax liabilities on:</b>				
Revaluation increment on properties (Note 23)		(627,498)	–	(627,498)
Unamortized capitalized interest (Note 9)		(155,868)	–	(157,248)
Pension plan assets (Note 15)		(42,137)	–	(42,137)
Unrealized foreign exchange gain			–	–
Unamortized debt commitment fees		(10,281)	–	(10,708)
		835,784	–	(837,591)
<b>Net deferred income tax assets (liabilities)</b>	<b>₱ 24,699</b>	<b>₱ 721,809</b>	<b>₱4,977</b>	<b>(₱725,150)</b>

<sup>(1)</sup> Pertain to RHI, CADPI, CACI, Roxol and NAVI.

<sup>(2)</sup> Pertain to CFSI & CACI

- b. Details of benefits arising from NOLCO and MCIT and the corresponding analysis of deferred income tax assets as of June 30 follow:

The Company and its subsidiaries are subject to MCIT of 2% based on its gross income as defined under the Philippine Tax Code, if normal income tax is less than the computed MCIT.

The excess of MCIT over the normal income tax is carried forward on an annual basis and credited against the normal income tax payable for three immediately succeeding taxable years. Any balance of excess MCIT which has not been applied against the normal income tax payable for the three-year period will be closed to provision for income tax for financial reporting purposes.

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## 23. Equity

### a. Share capital and treasury shares

Details of share capital and treasury shares September 30 and June30, 2010

	2010	
	Number of Shares	Amounts ('000)
Authorized common shares "Capital A" at ₱ 1 par value each	1,500,000,000	₱ 1,500,000
Issued common shares Class "A"	1,168,976,425	₱ 1,168,976
Treasury shares	(259,424,189)	(768,860)
Issued and outstanding	909,552,236	₱ 400,116

Reacquisition of shares by the Parent Company on its Share Buy Back Program follow:

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

### b. Retained earnings

#### *Restricted retained earnings*

The following amounts of retained earnings as of September 30, 2010 are not available for dividend declaration:

	<b>2010</b>
Treasury shares	<b>₱768,860</b>
Pension plan asset - net of deferred income tax liability (Note 15)	<b>98,319</b>
	<b>₱867,179</b>

Further, unrestricted retained earnings include accumulated earnings of consolidated subsidiaries and unconsolidated associate amounting to ₱1,026.4 as of September 30, 2010 million which are not available for distribution to the Company's shareholders unless received as cash dividends from investees.

*Dividend declaration*

Cash dividends declared by the Company from retained earnings during the years ended June 30, 2009 and 2008 follow:

Date Approved	Per Share	Total Amount (In Thousands)	Stockholders of Record Date	Date Paid/Issued
June 24, 2009	₱0.06	₱54,575	July 15, 2009	July 31, 2009
October 3, 2008	0.06	54,575	October 15, 2008	October 31, 2008
June 25, 2008	0.06	55,058	July 15, 2008	July 31, 2008

No dividends were declared by the Company in 2010.

## c. Share prices

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

Quarter	High	Low
July 2009 through June 2010		
First	₱3.00	₱2.80
Second	3.50	2.80
Third	3.50	2.55
Fourth	2.70	2.55
July 2008 through June 2009		
First	3.50	2.30
Second	2.90	2.30
Third	2.40	2.00
Fourth	3.00	2.80
July 2007 through June 2008		
First	3.10	2.06
Second	2.95	2.48
Third	3.60	2.60
Fourth	3.60	2.20

## 24. Earnings Per Share

Earnings per share (EPS) for the three months ended September 30 is computed as follows:

	2010	2009
	<i>(In Thousands, except EPS)</i>	
Net income for the year attributable to the equity holders of the Parent Company	<b>(₱22,717)</b>	(₱18,753)
Weighted average number of common shares outstanding	<b>909,552</b>	909,552
Basic/diluted EPS	<b>(₱0.02)</b>	(₱0.02)

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

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## 25. 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.

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## 26. Financial Instruments

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

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, 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 the President and Senior Vice President for Finance and Treasurer under the direction of the BOD of the Company.

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

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## 27. Segment Information

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

- a. RHI, a diversified holding and investment corporation with specific focus on sugar milling and refining business. It provides management services to its subsidiaries, particularly CADPI, CACI and RBC.
- b. CADPI, which is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 13,000 metric tons as of September 30, 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 (see Note 16). 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.

- c. CACI, which produces raw sugar and molasses and to trade the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,000 metric tons as of September 30, 2010 and 2009, is located in La Carlota, Negros Occidental.
- d. RBC, established to engage in the business of producing, marketing and selling of bio-ethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials. Its plant facility is located in La Carlota, Negros Occidental.
- e. CFSI, established to engage in the business of transporting sugar cane, sugar and its by-products including all kinds of commercial cargoes to and from sugar factories, sugar refineries, millsites or warehouses and/or similar establishments by land. CFSI currently caters various planters in Batangas, Negros, and other provincial areas in Visayas and Southern Luzon.

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

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**28. 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.

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**29. 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 HOLDINGS, INC & SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE**  
**AS OF SEPTEMBER 30, 2010**

*1) Aging of Accounts Receivable*

<b>Description</b>	<b>Amount</b>	<b>Current</b>	<b>1-month</b>	<b>2-3 months</b>	<b>Over 4 months</b>	<b>Past due accounts &amp; Items in Litigation</b>
<i>Non-Trade</i>						
Planters and Planters Association	154,662,423.25	18,244,103.00	31,659,000.00	64,782,863.00	39,976,457.25	
Employees	43,909,677.00	4,722,385.00	6,520,746.00	7,660,693.00	25,005,853.00	
Advances to Affiliate	49,083,988.00				49,083,988.00	
Others	14,203,027.89	74,761.00	32,566.00		14,095,700.89	
<b>Total</b>	<b>261,859,116.14</b>	<b>23,041,249.00</b>	<b>38,212,312.00</b>	<b>72,443,556.00</b>	<b>128,161,999.14</b>	<b>-</b>
Less: Allowance for doubtful accounts	(17,893,476.05)				(17,893,476.05)	
<b>Net non-trade receivable</b>	<b>243,965,640.09</b>	<b>23,041,249.00</b>	<b>38,212,312.00</b>	<b>72,443,556.00</b>	<b>110,268,523.09</b>	<b>-</b>
Add: Net trade receivable	599,865,925.79	381,857,996.80	124,577,286.70	31,016,829.90	62,413,812.56	-
<b>Net Receivable</b>	<b>843,831,565.88</b>	<b>404,899,245.80</b>	<b>162,789,598.70</b>	<b>103,460,385.90</b>	<b>172,682,335.65</b>	<b>-</b>

**ROXAS HOLDINGS, INC & SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE-TRADE**  
**AS OF SEPTEMBER 30, 2010**

<b>Customers</b>	<b>Amount</b>	<b>Current</b>	<b>1-month</b>	<b>2-3 months</b>	<b>Over 4 months</b>	<b>Past due accounts &amp; Items in Litigation</b>
ALASKA MILK	106,416,354.00	89,253,135.00	17,160,214.50		3,004.50	
BIG E FOOD	32,859,120.00	16,816,800.00	16,016,000.00		26,320.00	
CASTLEMAINE CORPORATION	3,806,250.00	543,750.00	3,262,500.00		-	
CENTURY CANNING CORP	6,275,294.40		6,252,748.80		22,545.60	
COCA COLA BOTTLERS	169,061.57				169,061.57	
COLUMBIA INTL FOODS	3,150,000.00	3,150,000.00			-	
CONFITES INC.					-	
DEL MONTE PHILS	2,671,195.00				2,671,195.00	
DEL MONTE PHILS., INC.	72,487				72,487	-
DELFI FOODS	4,340,000.00	2,170,000.00	1,627,500.00	542,500.00	-	
DIAGEO PHILS. INC.	3,423,958.60	1,150,000.00	1,466,751.40	800,000.00	7,207.20	
EDISON LEE	68,100.00	68,100.00			-	
ES MARKETING	78,720				78,720	
ED & F MAN PHILS.	7,666,685.00				7,666,685.00	
FERNA CORPORATION					-	
FOODSPHERE INC.	7,869,400.00	613,200.00	4,190,200.00	3,066,000.00	-	
FRESH AND FAMOUS-DELIFRANCE					-	
FRESH AND FAMOUS-GREENWICH	234,079.21	169,275.00	63,750.00		1,054.21	
FRESH AND FAMOUS-CHOWKING	35,710.41	29,193.00			6,517.41	
GARDENIA BAKERIES	11,527,298.11	8,952,975.91	2,572,425.00		1,897.20	
GENOSI					-	
HERMANO OIL MFG. AND SU	39,700			7,200	32,500	
HEINZ UFC PHILS., INC.	44,285				44,285	
ISAAC THREE FOOD					-	
INTEGRATED MANUFACTURING SI	560,000.00	560,000.00			-	
JSCC TRADING	700,000.00				700,000.00	
JOLLIBEE FOOD CORP	4,802,462.97	3,321,000.00	1,387,500.00	4,469.90	89,493.07	
LIWAYWAY MARKETING	3,759,993.00		3,758,997.00		996.00	
LLYOD LABORATORIES	4,840,000.00	2,200,000.00	770,000.00	1,870,000.00	-	
MEAD JOHNSON PHILS					-	
MIX PLANT INC.	1,980,925.52	1,978,860.00			2,065.52	
NESTLE PHILS	130,226,616.47	54,855,000.00	33,392,000.00	9,415,000.00	32,564,616.47	
NEW FOOD COATING					-	
NUTRI-ASIA, INC.	1,903,987	1,903,987			-	
NUTRI ASIA					-	

<b>Customers</b>	<b>Amount</b>	<b>Current</b>	<b>1-month</b>	<b>2-3 months</b>	<b>Over 4 months</b>	<b>Past due accounts &amp; Items in Litigation</b>
PEOTRACO INDUSTRIES	11,112,180.00	5,550,000.00	5,550,000.00		12,180.00	
OLEO FATS	5,687,500.00	3,412,500.00	1,137,500.00	1,137,500.00	-	
OCEANIC CONTAINER	182,250.00				182,250.00	
PHILIP MORIS	1,247,750.00	1,247,750.00			-	
PMFTC INC.	6,096,000.00	4,848,250.00			1,247,750.00	
ROXOL BIOENERGY CORP	35,674,004.86	35,674,004.86			-	
RFM CORP	1,210,000.00				1,210,000.00	
SARIMANOK FEEDS	1,387.38				1,387.38	
SENSIENT TECHNOLOGIES	1,275,000.00	1,275,000.00			-	
SOUTHEAST ASIA FOOD, INC.	100,930				100,930	
SYDENHAM LABORATORIES					-	
T & E SUGAR AND MOLASSES TRAI	1,297,350				1,297,350	
THE COCA COLA EXPORT					-	
UNILAB-PHILHEALTH FOODS	1,542,800.00		527,800.00	1,015,000.00	-	
UNILEVER PHILS	32,586,910.00	16,376,000.00	11,968,000.00	2,632,910.00	1,610,000.00	
UNILEVER RFM	16,916,549.20	14,925,000.00	995,000.00		996,549.20	
UNITED LABORATORIES	29,238,679.00	10,323,745.00	7,378,400.00	9,523,750.00	2,012,784.00	
UNITED LABORATORIES-UNIVET	2,005,000.00	1,002,500.00		1,002,500.00	-	
UNITED LABORATORIES-AAI	1,530.00				1,530.00	
UNITRADE	9,644,221	9,644,221			-	
UNITRADE INDUSTRIAL MANUFAC	86,625,000.00	86,625,000.00			-	
W.L FOODS	2,127.00				2,127.00	
YULEFEST CORP	1,631,250.00	543,750.00	1,087,500.00		-	
UNITED LABORATORIES-AMHEST LAB					-	
ZENITH FOODS	6,710,000.00	2,675,000.00	4,012,500.00		22,500.00	
VARIOUS CUSTOMERS	12,306,357.56				12,306,357.56	
<b>TOTAL</b>	<b>602,616,458.74</b>	<b>381,857,996.80</b>	<b>124,577,286.70</b>	<b>31,016,829.90</b>	<b>65,164,345.51</b>	<b>-</b>
LESS: ALLOWANCE	(2,750,532.95)				(2,750,532.95)	
<b>Net Trade Receivable</b>	<b>599,865,925.79</b>	<b>381,857,996.80</b>	<b>124,577,286.70</b>	<b>31,016,829.90</b>	<b>62,413,812.56</b>	<b>-</b>

# **Annex B**

## MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

### CORPORATE INFORMATION AND BUSINESS OPERATIONS

#### *Corporate Information*

Roxas Holdings, Inc. (formerly, Central Azucarera Don Pedro) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1930 for the purpose of operating mill and refinery facilities to manufacture sugar and allied products. On November 1, 1980, Roxas Holdings, Inc.'s (RHI or the "Company") corporate life was extended for another 50 years until 2030.

In July 1996, the company offered its shares to the public through an initial public offering and on August 8, 1996, the Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The Company is now 65.70% owned by Roxas & Company, Inc. (RCI), a company incorporated and domiciled in the Philippines.

#### *Corporate Reorganization*

Following the Reorganization Program approved by the Philippine SEC on December 11, 2001, RHI has been transformed into a holding and investment corporation, while its subsidiary, CADP Group Corporation (CADPGC), emerged as a holding and investment company with specific focus on sugar milling and refining business. The sugar milling and refining business of the Company in Nasugbu, Batangas was spun-off to Central Azucarera Don Pedro, Inc. (CADPI) on December 1, 2002. Subsequently, the Company exchanged its shareholdings in CADPI, CADP Consultancy Services, Inc. (CCSI) and CADP Farm Services, Inc. (CFSI) for 1.3 billion CADPGC's common shares with par value of P1 per share. CADPI, CCSI and CFSI became 100% subsidiaries of CADPGC, while RHI's ownership interest in CADPGC increased from 73.17% to 95.78%. The 95.78% equity ownership of the Company in CADPGC has been reduced to 89.28% following a declaration of property dividends to its shareholders.

On December 16, 2008, the Roxas Group undertook another corporate reorganization, which consisted of several corporate actions leading to the sale by CADPGC to the Company of its interest in all sugar-related operating subsidiaries and associate of the Group. With the sale of all its operating assets and liabilities to the Company, CADPGC ended up as a shell company and was eventually sold by the Company to their ultimate parent, RCI. Thereafter, RCI and CADPGC merged with the latter as the surviving company. The name CADP Group Corporation was likewise changed to Roxas & Company, Inc.

RHI is now the listed company for all the sugar-related businesses of the Roxas Group while RCI will initially have interest in both sugar and property businesses of the Roxas Group. It is envisioned though that the two (2) listed companies, RHI and RCI, will eventually focus on their respective businesses – sugar for RHI and real estate for RCI.

Prior to June 2008 reorganization plan, RHI owned majority of CADPGC, whose financial statements were fully consolidated under that of the Sugar Group. RHI as parent company received management, consultancy, guarantee and lease income from CADPGC and subsidiaries. The financial statements of CADPGC, being its only major operating subsidiary, are synonymous to that of the Group except for certain items because RHI reports financial statements on full consolidation basis until January 2009. After which, CADPGC was deconsolidated and became a shell company until its merger with RCI in June 29, 2009.

The discussion below provides an overview of the operation of RHI and subsidiaries.

The Sugar Group's consolidated subsidiaries are as follows:

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, operates a 15,000-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 cane milled.

Roxol Bioenergy Corporation (RBC)

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

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

RBC substantially completed its plant construction. Its plant facility located at Barangay La Granja/Esperanza, La Carlota City, Negros Occidental will cost 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.

In December 2009, due to delay in the construction of the plant, RBC filed a letter request extending its start of commercial operations to July 2010. However, as of September 30, 2010, commercial operations has yet to start in the last quarter of 2010. Testing and commissioning of the plant is ongoing and is expected to be completed also in the last quarter of 2010.

#### CADP Farm Services, Inc. (CFSI)

CFSI was organized and registered principally to engage in the business of transporting sugar cane, sugar and its by-products including all kinds of commercial cargoes to and from sugar factories, sugar refineries, mill sites 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 cane ripeners, use of bio-organic fertilizer, cane hauling, etc.

#### Other Subsidiaries

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

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

In Crop Year 2007-2008, the Sugar Group started to implement strategic projects to improve profitability and cash flows, through capacity expansion, farm services and ethanol venture.

As of September 30, 2010, the expansion projects are substantially complete for both Batangas and Negros plant sites. However, refinery expansion was deferred for the meantime.

Combined milling capacity will increase from 23,000 tons cane per day (TCD) to 28,000 TCD. CACI will have a heightened capacity to produce Direct Consumption Raw Sugar (DCRS) at 700,000 bags/year.

The 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.

RHI 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.

### **INTERIM RESULTS – 1<sup>ST</sup> QUARTER CY 2010-2011 versus CY 2009-2010**

Roxas Holdings, Inc. and Subsidiaries' (the "Group") reported P15.868 billion in consolidated resources as at September 30, 2010, a slight increase of 1% from P15.685 billion in June 30, 2010. Current assets and liabilities likewise increased from P3.112 billion to P3.343 billion and from P3.250 billion to P3.468 billion, respectively.

The Group achieved current ratio of 0.96:1.00 in September 2010, the same ratio in June 2010. The Group does not anticipate any liquidity problems in the next twelve (12) months. Cash generated by the Group's operations, as well as existing cash balance and short term loans have been the main sources of funds for working capital requirements, capital expenditures as well as maintenance expenses.

The Group likewise has existing credit lines/facilities with banks to meet increasing working capital requirements and required capital expenditures. Unused working capital lines as at September 30, 2010 and June 30, 2010 from local banks amounted to P2.5 billion and P2.8 billion, respectively.

Leverage position stayed within the limits of certain loan covenant, debt to equity ratio this period is 1.66:1.00 with maximum ratio allowable at 2.33:1.00.

Debt service coverage ratio for the current period is within the minimum permissible level of 1.25:1.00. This quarter's ratio stood at 1.46:1.00.

Book value per share increased to P6.56 per share from P6.58 per share in previous year.

There are no:

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

### Change in Financial Condition

The slight increase in total assets from June 30, 2010 balance was due to higher cash and cash equivalent level coming from increased sales in the first quarter and availments of short-term loans during the period. The proceeds from loans and cash generated from operations were used for the purchase of imported sugar and for off-season repairs and maintenance of the milling and refinery facilities of the Group. Off-season repairs and maintenance costs were initially deferred and charged to prepayments and other current assets. Balance of this account as at June 30, 2010 amounted to P229 million versus September 30, 2010 of P566 million.

Cash and cash equivalents went up from P177 million to P284 million, a 60% increase from June 30, 2010 due to higher sales and accounts receivable turn over this period.

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

Deferred income tax assets increased to P25 million in September from P5 million as at June 2010 due NOLCO of a subsidiary, likewise deferred tax in the profit and loss statement increased.

Other non current assets decreased to P22 million from P27 million in prior crop year due to reclassification to current assets of employees' receivable related to the sale in 2002 of a portion of RHI's land in Barrio Bilaran, Nasugbu, Batangas.

Short term borrowings of P2.839 billion was higher by P337 million or 13% than the June 2010 balance of P2.502 billion.

Accounts payable and accrued expenses slid to P477 million from P609 million in June. The decrease was attributable to reduction in trade payables as a result of substantial completion of strategic projects and its cost containment measures through reduction in materials inventory requisitions.

Customers' deposits increased from June 30, 2010 balance of P123 million to P136 million in September 2010.

Stockholders' equity posted at P5.964 billion as at the first quarter of CY 2010-2011 versus P5.987 billion in 2009-2010, slightly lower due to incurred loss of the Group in the first quarter.

### Results of Operations

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

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

Net revenues for the three-months ended September 30, 2010 grew by 41% to P1.393 billion from P987 million in the same period last year as selling prices of raw and refined sugar remained high in 2010. Refined sugar sales for Q1 2010 recorded at P1.111 billion versus P849 million in 2009, despite lower sales volume this period of 552 thousand Lkg from 629 thousand Lkg in previous year. Raw sales surged to P248 million from P92 million, 123 thousand Lkg of raws were sold this period compared to 81 thousand Lkg in 2009.

Cost of sales grew 30% higher to P1.207 billion from P931 million. This was due to high depreciation charged this year as expansion projects were substantially completed as of this period and closed to corresponding PPE accounts. Total charged for Q1 2010 amounted to P120 million versus P76 million same period last year. Likewise, interest expense went up as the related interests on loans used in the strategic projects closed to PPE were charged to expense. Interest expense this period amounted to P127 million versus P28 million in prior year.

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

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

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

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

Other income, net decreased to P8 million from P67 million, as proceeds from insurance claim was received by CADPI in prior year amounting to P38 million and scrap sales of both sugar companies.

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

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

#### Top Five Performance Indicators

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 associate, 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 amortizations (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 amortization.
- Return on Equity – denotes the capability of the Group to generate returns on the shareholders' fund computed as a percentage of net income to total equity.

The table below, presenting the top five performance indicators of the Group in three (3) fiscal years, shows general improvement in the financial and operating results:

<b>Performance Indicator</b>	<b>2009-2010</b>	<b>2008-2009</b>	<b>2007-2008</b>
Raw sugar production	6.947 M bags	8.123 M bags	9.002 M bags
Refined sugar production	3.324 M bags	3.965 M bags	3.659 M bags
Milling recovery	2.09 Lkg/TC	2.02 Lkg/TC	1.83 Lkg/TC
EBITDA	P984 million	P669 million	P973 million
Return on equity	5%	3%	8%

#### 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 group had an allocation of P442.6 million to complete the expansion project for crop year 2010-2011 of which P87 million for CADPI, P47 million for CACI, P27.6 million for CFSI and P281 million for RBC. An allocation of P92 million for regular capital expenditures in 2010-2011, broken down into P22 million for the CADPI integrated mill and refinery operations and P70 million for CACI.

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.