

**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, 2010**

-----  
(Fiscal Year Ending)

**SEC Form 17-Q**

-----  
(Form Type)

-----  
Amended Designation (If Applicable)

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Period Ended Date

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(Secondary License Type and File Number)



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 [ **X** ] No [ ]

- (b) has been subject to such filing requirements for the past 90 days

Yes [ ] No [ **X** ]

### **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>FRANCISCO F. DEL ROSARIO</b>	<b>Vice 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>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**

**18 May 2010**

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(All Amounts in '000 Philippine Peso)

	March 31 2010 Unaudited	June 30, 2009 Audited
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents ( Notes 4 )	218,577	286,662
Receivables, net (Notes 5 and 14)	789,022	1,087,188
Inventories, net (Note 6)	2,115,503	1,468,889
Prepayments and other other current assets (Note 7)	234,761	271,819
Total current assets	3,357,862	3,114,558
NON-CURRENT ASSETS		
Property, plant and equipment, net (Notes 9 and 13)	11,650,307	9,662,371
Investment in shares of stock of an associate (Note 8)	591,618	557,432
Net pension assets (Note 15)	142,552	142,552
Other noncurrent assets (Notes 5 and 13)	29,550	44,756
Total non-current assets	12,414,028	10,407,111
Total assets	15,771,890	13,521,669
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Short-term borrowings (Notes 10 )	2,406,000	2,937,000
Accounts payable and accrued expenses (Notes 11)	750,377	774,879
Income tax payable	47,887	4,651
Dividends payable (Notes 21 )	16,069	41,074
Customers' deposits (Notes 12)	177,860	185,813
Total current liabilities	3,398,193	3,943,417
NON-CURRENT LIABILITIES		
Long-term borrowings, net of current portion (Notes 9, and 13)	5,732,816	3,075,973
Pension benefit obligation (Note 15)	90,072	74,210
Deferred income tax liabilities	713,769	711,465
Total non-current liabilities	6,536,658	3,861,648
Total liabilities	9,934,851	7,805,065
EQUITY (Note 21)	5,837,040	5,716,604
Total liabilities and equity	15,771,890	13,521,669

CERTIFIED TRUE AND CORRECT:



**ASUNCION S. AGUILAR**  
SVP-Finance & Treasurer

**ROXAS HOLDINGS, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF INCOME

(All Amounts in '000 Philippine Peso)

	For the quarter ending		For the nine months ending	
	March 31		March 31	
	2010	2009	2010	2009
	Unaudited			
REVENUES (Note 17)	1,980,417	1,408,151	4,287,430	3,674,584
COST OF SALES ( Note 18)	(1,731,064)	(1,055,416)	(3,803,192)	(3,106,337)
GROSS PROFIT	249,353	352,735	484,238	568,247
OTHER OPERATING INCOME (Note 20)	72,102	8,746	216,160	46,859
	321,455	361,481	700,399	615,106
OPERATING EXPENSES				
General and administrative (Note 19)	(149,951)	(197,346)	(440,619)	(424,471)
Selling	(12,643)	(6,249)	(21,131)	(30,681)
Other				(5,440)
	(162,594)	(203,595)	(461,750)	(460,592)
OPERATING PROFIT ( LOSS)	158,860	157,886	238,649	154,515
EQUITY IN NET EARNINGS OF AN ASSOCIATE, net (Note 8)	43,106	16,510	69,873	48,914
FINANCE INCOME (COSTS), net				
Interest expense (Notes 10 and 13)	(70,979)	(38,600)	(147,252)	(77,844)
Interest income (Note 4)	276	1,872	916	5,578
	(70,704)	(36,728)	(146,336)	(72,266)
PROFIT ( LOSS) BEFORE INCOME TAX	131,263	137,668	162,186	131,162
INCOME TAX (EXPENSE) BENEFIT				
Current	(26,351)	(2,892)	(49,718)	(67,712)
Deferred	9,184	(9,424)	6,742	(2,143)
	(17,167)	(12,316)	(42,976)	(69,855)
PROFIT (LOSS) FOR THE PERIOD	114,096	125,352	119,209	61,307
Attributable to:				
Equity holders of the Parent Company	113,142	99,302	117,850	70,504
Minority interest	575	9,225	1,292	(9,197)
	113,717	108,527	119,143	61,306
EARNINGS (LOSS) PER SHARE (Note 22)				
Basic	0.13	0.119	0.130	0.080
Diluted	0.13	0.119	0.130	0.080

CERTIFIED TRUE AND CORRECT:



**ASUNCION S. AGUILAR**

SVP-Finance & Treasurer

**ROXAS HOLDINGS, IN AND SUBSIDIARIES**

**STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME**

(All Amounts in '000 Philippine Peso)

	For the quarter ending		For the nine months ending	
	March 31		March 31	
	2010	2009	2010	2009
	Unaudited			
Net profit (loss ) for the period	114,096	125,352	119,209	61,307
Other comprehensive income (loss) , net of taxes				
Unrealized foreign currency translation gain	-	-	-	-
Net changes in revaluation increment on land net of tax	-	-	-	-
Net adjustment for forex gain on (losses)	-	-	-	-
<b>Total comprehensive income (loss)</b>	<b>114,096</b>	<b>125,352</b>	<b>119,209</b>	<b>61,307</b>

CERTIFIED TRUE AND CORRECT:



**ASUNCION S. AGUILAR**  
SVP-Finance & Treasurer

## ROXAS HOLDINGS, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

MARCH 31, 2010 AND 2009

(All Amounts in '000 Philippine Peso)

	2010	2009
	Unaudited	
SHARE CAPITAL	1,168,977	1,168,976
SHARE PREMIUM	554,959	554,959
EFFECTS OF CHANGE IN OWNERSHIP OF SUBSIDIARIES (Note 21)	44,567	44,567
SHARE IN REVALUATION INCREMENT IN PROPERTY (Note 8)	207,492	207,492
REVALUATION INCREMENT IN PROPERTIES (Note 3)	1,451,839	1,451,839
EXCESS IN INVESTMENT COST (Note 21)	577,149	577,149
RETAINED EARNINGS		
Beginning balance	2,434,249	2,136,548
Net income for the period	119,143	61,306
TREASURY STOCK	(768,859)	(768,859)
MINORITY INTEREST (Note 21)	47,524	68,786
	5,837,040	5,502,763

CERTIFIED TRUE AND CORRECT:



**ASUNCION S. AGUILAR**

SVP-Finance & Treasurer

**ROXAS HOLDINGS, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDING MARCH 31, 2010 AND 2009  
(All Amounts in '000 Philippine Peso)

	2010	2009
	Unaudited	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (Loss) before income tax	162,119	131,161
Adjustments for:		
Equity in net earnings of an associate	(69,873)	(48,914)
Depreciation	271,662	226,279
Interest expense	140,471	77,844
Loss on sugar inventory	9,763	-
Loss (Gain) on disposal of property	(1,769)	512
Interest income	(916)	(5,578)
Net cash before working capital change	511,457	381,305
(Increase) decrease in current assets		
Receivables	298,166	(149,417)
Inventories	(644,012)	(1,268,289)
Prepayments and other current assets	37,058	(153,179)
Increase in current liabilities		
Accounts payable and accrued expenses	(26,693)	223,538
Customers' deposit	(7,952)	66,752
Increase (decrease) in pension benefit obligation	15,862	3,958
Cash generated from operations	183,887	(895,332)
Income tax paid including final tax	(6,732)	(113,332)
Net cash (used in) provided by operating activities	177,155	(1,008,664)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(2,017,246)	(2,178,752)
Capitalized Interest	(242,352)	(185,913)
Dividends received	35,688	34,261
Decrease in other assets	1,049	9,319
Interest received	916	5,578
Net cash used in investing activities	(2,221,945)	(2,315,507)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from : Long term loans	2,671,000	849,000
Short term loans	2,784,025	4,443,000
Payments of : Long term loans	-	(13,333)
Short term loans	(3,315,025)	(1,896,000)
Dividends paid	(25,005)	(115,921)
Reacquisition of shares of stock	(9)	(29,153)
Interest paid	(138,280)	(82,793)
Net cash (used in) provided by financing activities	1,976,705	3,154,800
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD</b>		
CASH AND CASH EQUIVALENTS		
Beginning	286,662	350,273
Ending	218,577	180,902

CERTIFIED TRUE AND CORRECT:



**ASUNCION S. AGUILAR**  
SVP-Finance & Treasurer

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts in Thousands, unless otherwise stated and except amounts per unit)

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**1. Corporate Information, Status of Operations and Corporate Reorganizations and Approval of Consolidated Financial Statements**

*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 March 31, 2010, 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. (RCI), a company incorporated and domiciled in the Philippines. The Company has 2,356 and 2,393 equity holders as of June 30, 2009 and 2008, respectively.

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 the operating subsidiaries (see Note 2) 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. (CADP, Inc.) on December 1, 2002 (see Note 23b). Subsequently, the Company exchanged its shareholdings in CADP, Inc., 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. CADP, Inc., 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 RHI over CADPGC has been 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 [CADP, Inc., CACI, CFSI, CCSI, Jade Orient Management Services, Inc. (JOMSI), Najalin Agri-Ventures, Inc. (NAVI)] and associate [Hawaiian Phil. Co (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 RCI 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 were exchanged for every share of RCI. On the same date, Philippine SEC approved the change in CADPGC's corporate name to Roxas and Company, Inc.

#### *Approval of the Consolidated Financial Statements*

The consolidated financial statements as of and for the period ending March 31, 2010 and 2009 (with audited figures for June 30, 2009) have been approved and authorized for issue by the Company's Audit Committee on May 12, 2010.

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

### Basis of Preparation and Statement of Compliance

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

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

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

### Changes in Accounting Policies and Disclosures

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

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

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

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

*Effective Fiscal Year Ending June 30, 2010*

- **PFRS 2, *Share-based Payment - Vesting Condition and Cancellations***  
The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled.
- **Revised PFRS 3, *Business Combinations* and Revised PAS 27, *Consolidated and Separate Financial Statements***  
The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests (previously referred to as “minority interests”); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively and PAS 27 must be applied retrospectively, except for some scenarios, and will affect future acquisitions and transactions with non-controlling interests.
- **PFRS 8, *Operating Segments***  
This standard replaces PAS 14, *Segment Reporting*, and adopts a management approach to reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the balance sheet and statement of income and companies will need to provide explanations and reconciliations of the differences.
- **Amendment to PAS 1, *Presentation of Financial Statements***  
This amendment requires a company to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate statement of income and a statement of comprehensive income. The statement of comprehensive income shall disclose profit and loss for the period, plus each component of income and expense recognized outside of profit and loss. The Group will prepare a consolidated statement of comprehensive income when this amendment becomes effective.
- **PAS 23, *Borrowing Costs***  
This standard requires capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of this standard, the Group will adopt this change in the standard. However, such adoption will not affect the consolidated financial statements since it is already the Group’s policy to capitalize borrowing cost on qualifying assets.
- **Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate***  
Amendment to PAS 27 has changes in respect of the holding companies separate financial statements including (a) the deletion of cost method, making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific

requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendment to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*  
These amendments identify, among others, certain specified features, the presence of all of which will make puttable financial instruments to be classified as equity.
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*  
Amendment to PAS 39 addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*  
This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or expire.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*  
This interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.
- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*  
This interpretation covers accounting for all non-reciprocal distribution of non-cash assets to owners. It provides guidance on when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so.
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*  
This interpretation applies to the accounting for transfers of items of property, plant and equipment by an entity that receive such transfers from its customer, wherein the entity must then use such transferred asset either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

#### *Improvements to PFRSs*

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. The applicable amendments to the Group are as follows:

- *PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations*  
When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.
- *PAS 1, Presentation of Financial Statements*  
Current assets also include assets held primarily for the purpose of trading (examples include some financial assets classified as held for trading in accordance with PAS 39) and the current portion of non-current financial assets.

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

- *PAS 16, Property, Plant and Equipment*  
Revises the definition of “recoverable amount” as the higher of an asset’s fair value less costs to sell and its value-in-use.
- *PAS 19, Employee Benefits*  
Revises the definition of “past service costs” to include reductions in benefits related to past services (“negative past service costs”) and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment.

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

- *PAS 20, Accounting for Government Grants and Disclosure of Government Assistance*  
The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognized and measured in accordance with PAS 39. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with PAS 39 and the proceeds received.
- *PAS 23, Borrowing Costs*  
Revises the definition of borrowing costs to consolidate the types of items that are considered components of “borrowing costs” - that is, components of the interest expense calculated using the effective interest rate method.
- *PAS 28, Investments in Associates*  
An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.
- *PAS 31, Interests in Joint Ventures*  
If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- PAS 36, *Impairment of Assets*  
When discounted cash flows are used to estimate “fair value less cost to sell” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value-in-use”.
- PAS 38, *Intangible Assets*  
Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service.
- PAS 40, *Investment Property*  
Revises the scope (and the scope of PAS 16, *Property, Plant and Equipment*) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

*Effective Fiscal Year Ending June 30, 2013*

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

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

Consolidation

The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

	Country of Incorporation	Percentage of Ownership			
		2009		2008	
		Direct	Indirect	Direct	Indirect
CADPGC <sup>(1)</sup>	Philippines	89.22	–	89.22	–
CADPI	Philippines	–	89.22	–	89.22
CACI	Philippines	–	89.22	–	89.22
CCSI	Philippines	–	89.22	–	89.22
CFSI	Philippines	–	89.22	–	89.22
JOMSI	Philippines	–	89.21	–	89.21
NAVI	Philippines	–	63.96	–	59.13
CADP Insurance Agency, Inc. (CIAI)	Philippines	–	89.22	–	89.22
Roxol Bioenergy Corporation (Roxol) <sup>(2)</sup>	Philippines	100.00	–	–	–
CADP Port Services, Inc. (CPSI) <sup>(3)</sup>	Philippines	–	–	–	–
Roxas Power Corporation (RPC) <sup>(3)</sup>	Philippines	–	–	–	–

<sup>(1)</sup> 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 ceases.

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

<sup>(3)</sup> CPSI and RPC were incorporated on July 17, 2008 and have not yet started commercial operations.

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

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

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.

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

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

#### Business Combinations

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

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

In cases where the business combination has no substance, the Company shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Company are reflected at their carrying values. Comparatives shall be restated to

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

#### Investment in Shares of Stock of an Associate

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

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

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

#### Segment Reporting

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

The Group's management has designated a business segmentation of the Group's operation as set out below (see Note 27):

##### a. Business segments

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

- Raw sugar and molasses (Raw sugar milling operation)

This segment is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. As at March 31, 2010 and June 2009, the Group operates two boiling houses - one in La Carlota City, Negros Occidental with a daily cane capacity of 14,000 metric tons, respectively and the other in Nasugbu, Batangas with daily plant capacity of 13,000. Canes are sourced from both district and non-district planters and are milled by the Group under a production sharing agreement (see Note 16).

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

- Refined sugar (Refinery operation)

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

- Tolling operation

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

- Other segments

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

b. Geographical segments

Geographical segments are organized according to the Group's two milling operations.

c. Segment revenue and expenses

The Group's main revenue stream comes from the sale of raw sugar, molasses and refined sugar. Its customers consist largely of sugar traders, wholesalers and beverage companies, which are situated in various parts of the Philippines, with concentration in the Visayas and Metro Manila.

d. Segment assets and liabilities

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

e. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

#### Cash and Cash Equivalents

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

#### Financial Assets and Financial Liabilities

##### *Classification and recognition*

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

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into the following categories:

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

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

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

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

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

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

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

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

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

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

The Group has not designated any financial asset or financial liability as at fair value through profit or loss as of March 31, 2010 and June 30, 2009.

#### *Embedded Derivatives*

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

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

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

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

As of March 31, 2010 and June 30, 2009, the Group has identified embedded prepayment option on its long-term borrowings. However, no amounts were recognized in relation to these options since the amounts are considered immaterial.

#### b. Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at cost or amortized cost in the consolidated balance sheet.

Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date, otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the Group's cash in bank and cash equivalents, trade receivables, advances to employees, advances to related parties and other receivables (see Note 26).

#### c. Held-to-maturity investments

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

The Group has not designated any financial asset as held-to-maturity as of March 31, 2010 and June 30, 2009.

d. Available-for-sale financial assets

Available-for-sale financial assets are nonderivatives that are either designated in this category or not classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments.

The unrealized gains and losses arising from the fair valuation of available-for-sale financial assets, except for the foreign exchange fluctuations on available-for-sale debt securities and the related effective interest, are excluded, net of tax, from reported earnings, and are reported in the equity section of the consolidated balance sheet. These changes in fair values are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in the consolidated statement of income.

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

The Group has not designated any financial assets as available-for-sale as of March 31, 2010 and June 30, 2009.

e. Other financial liabilities

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

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

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

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

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

### *Derecognition of Financial Assets and Financial Liabilities*

#### a. Financial assets

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

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

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

#### b. Financial liabilities

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

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

### *Impairment of Financial Assets*

The Group assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

#### a. Financial assets carried at amortized cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial

assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

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

b. Financial assets carried at cost

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

c. Available-for-sale financial assets

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

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

*Day 1 Difference*

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

*Offsetting Financial Instruments*

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

related financial assets and financial liabilities are presented gross in the consolidated balance sheet.

#### Inventories

Raw and refined sugar inventory is valued at the lower of cost and net realizable value (NRV), cost being determined using the weighted average method. NRV is the estimated selling price in the ordinary course of business less variable selling expense. Molasses inventory is carried at the lower of cost and NRV. Production cost is allocated using the relative sales value of each of the joint products, i.e., raw and refined sugar and molasses.

Materials and supplies inventory is valued at the lower of cost and NRV, cost being determined using the moving average method. A provision for inventory losses is provided for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation.

#### Consumable Biological Assets

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

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

#### Property, Plant and Equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any impairment, except for land which is stated at revalued amount less any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period, in which they are incurred.

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

The net appraisal increment resulting from the revaluation of land is presented under "Revaluation increment on properties", net of related deferred income tax liability, in the consolidated balance sheets and consolidated statements of changes in equity. The Parent Company's share in net appraisal increase resulting from the revaluation of land of an associate is shown as "Share in revaluation increment on land of an associate" in the consolidated balance sheets. Increases in the carrying amount arising on revaluation of properties are credited to revaluation increment directly in equity, net of related deferred tax liability. Any resulting decrease is directly charged against the related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to the consolidated statements of income. Valuations are performed frequently enough to ensure that the fair value of properties does not differ significantly from its carrying amount.

The Group used the carrying amount of CADP, Inc.'s depreciable assets as of July 1, 2004, which is the revalued amount less accumulated depreciation from the Group's perspective, as their deemed costs at that date when the Group adopted PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*.

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

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

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

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

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

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

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

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

#### Impairment of Nonfinancial Assets

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

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset. Impairment loss

recognized during interim period in respect to goodwill or an investment, either an equity instrument or a financial asset carried at cost, should not be reversed at year end.

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

### Revenue Recognition

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

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

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

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

#### *Sale of molasses*

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

#### *Revenue from tolling services*

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

#### *Interest income*

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

#### *Other income*

Other income is recognized when earned.

### Employee Benefits

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

#### *Pension plan asset*

The assets of the Group recognized in the consolidated balance sheet in respect of defined benefit pension plans is the lower of (a) the excess of the fair value of plan assets over the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognized actuarial gains or losses and past service costs and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic

benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

#### *Pension costs and obligations*

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

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains and losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of debt securities that are denominated in Philippine peso (currency in which the benefits will be paid) and that have terms to maturity approximating the terms of the related pension liability.

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

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

Transitional liability resulting from the Group's initial adoption of PAS 19 is being amortized for a period of five years from July 1, 2005. Unamortized transitional liability as of June 30, 2009 and 2008 amounted to ₱32.6 million and ₱65.3 million, respectively

#### *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### Borrowings Costs

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

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

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

### Leases

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

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

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

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

### Provisions and Contingencies

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of

money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

#### Foreign Currency -Denominated Transactions and Translations

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

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

#### Related Party Relationships and Transactions

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

#### Income Taxes

##### *Current tax*

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

##### *Deferred tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused tax credits and unused tax losses can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

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

controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

#### Share Capital

Ordinary or common shares are classified as equity.

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

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

#### Dividend Distribution

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

#### Earnings per Share

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

#### Events after the Balance Sheet Date

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

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

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to exercise judgment, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. The Group makes estimates and

uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

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

#### Judgments

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

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

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

#### *Classification of financial instruments*

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

#### *Classification of leases*

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

#### *Allocation of cost to molasses inventory*

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

Molasses inventory amounted to ₱99.96 million and ₱19.87 million as of March 31, 2010 and June 30, 2009, respectively (see Note 6).

#### Estimates and Assumptions

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

#### *Determination of provision for impairment of receivables*

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

As of March 31, 2010 and June 30, 2009, the carrying amount of the Group's receivables amounted to ₱789 million and ₱1,087.2 million, net of allowance for impairment of receivables of ₱23.9 million for both periods. (see Note 5).

#### *Determination of NRV of inventories*

The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV. The Group's inventories as of March 31, 2010 and June 30, 2009 amounted to ₱2,116 million and ₱1,469 million, respectively (see Note 6).

#### *Determination of fair value less estimated costs to sell on consumable biological asset*

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

As of March 31, 2010 and June 30, 2009, the Group's consumable biological assets amounted to ₱10.8 million and ₱14.8 million, respectively (see Note 7).

#### *Determination of provision for unrecoverable creditable withholding taxes*

Provision for unrecoverable creditable withholding taxes is maintained at a level considered adequate to provide for potentially unrecoverable claims. The Group, on a continuing basis, makes a review of the status of the claims, designed to identify those to be provided with any impairment losses. In these cases, management uses judgment based on the best available facts and circumstances. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made. The Group's allowance for losses on the creditable withholding taxes amounted to ₱9.8 million as of March 31, 2010 and June 30, 2009 (see Note 7).

As of March 31, 2010 and June 30, 2009, the carrying amount of the Group's creditable withholding taxes amounted to ₱102.5 million and ₱53.5 million, respectively (see Note 7).

#### *Valuation of land under revaluation basis*

The Group's land is carried at revalued amount, which approximate its fair value at the date of the revaluation, less any subsequent accumulated impairment losses. The valuation of land is performed by professionally qualified appraisers. Revaluations are made on a regular basis to

ensure that the carrying amounts do not differ materially from those which would be determined using fair values at balance sheet date. Land carried at revalued amounts as of March 31, 2010 and June 30, 2009 amounted to ₱2,547.0 and ₱2,517.7 million, respectively. (see Note 9).

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

#### *Estimation of useful lives and residual values of property, plant and equipment*

The useful life of each of the Group’s items of property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A change in the estimated useful life of any item of property, plant and equipment would impact the recorded operating expense and noncurrent assets. The total carrying value of the Group’s depreciable property, plant and equipment as of March 31, 2010 and June 30, 2009 amounted to ₱9,103.2 million and ₱7,144.7 million, respectively (see Note 9).

#### *Impairment of nonfinancial assets*

The Group assesses at each reporting date whether there is any indication that a property, plant and equipment, investment in shares of stock of an associate and other nonfinancial assets may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset’s fair value less costs to sell and its value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. The Group determines that there are no impairment indicators, hence, no impairment loss on nonfinancial assets was recognized in 2009, 2008 and 2007.

The total carrying value of the Group’s property, plant and equipment as of March 31, 2010 and June 30, 2009 amounted to ₱ 11,650 million and ₱9,662.4 million, respectively (see Note 9).

The carrying value of the Group’s investment in share of stock of an associate amounted to ₱591.6 million and ₱557.4 million as of March 31, 2010 and June 30, 2009, respectively (see Note 8).

#### *Estimation of retirement benefits cost*

The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions determined by management and used by actuaries in calculating such amounts. Those assumptions are described in Note 15 and include, among others, discount rate, expected rate of return on plan assets and rate of salary increase. Actual results that differ from the Group’s assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

Net pension plan assets as of March 31, 2010 and June 30, 2009 amounted to ₱142.6 million. On the other hand, net pension benefit obligation as of March 31, 2010 and June 30, 2009 amounted to ₱90.07 million and ₱74.2 million, respectively (see Note 15).

#### *Provisions*

The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at balance sheet date, net of any estimated amount that may be reimbursed to the Group. If the effect of the time value of

money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information. No provision is deemed necessary as of March 31, 2010 and June 30, 2009.

#### *Contingencies*

The Group is involved in various other labor disputes, litigations, claims, and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of these cases, the Group believes that it does not have a present obligation arising from a past event and/or the likely outcome and estimated potential cash outflow cannot be reasonably determined as of this time. As such, no provision was made for these other contingencies as of March 31, 2010 and June 30, 2009.

#### *Recognition of deferred income tax assets*

The Group reviews the carrying amounts at each balance sheet date and reduces the amount of deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit in the future will be available to allow all or part of the deferred tax assets to be utilized.

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#### 4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<b>March 31, 2010</b>	June 30, 2009
	<i>(In Thousands)</i>	
Cash on hand and in banks	<b>₱218,577</b>	₱ 280,957
Short-term placements	-	5,705
	<b>₱218,577</b>	₱ 286,662

Short-term placements earn interest ranging from 1.5% to 3.0% per annum in 2009. The average maturities of these placements is 30 days to 60 days. Interest income earned on these placements amounted to ₱7.4 million as of June 30, 2009.

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#### 5. Receivables

Receivables consist of:

	<b>March 31, 2010</b>	June 30, 2009
	<i>(In Thousands)</i>	
Trade	<b>₱630,593</b>	₱ 756,680
Advances to related parties (Note 14)	<b>47,983</b>	201,423
Advances to employees	<b>48,994</b>	50,481
Advances to planters and cane haulers	<b>51,405</b>	27,664
Advances for raw sugar purchases	-	16,962
Others	<b>33,940</b>	57,871
	<b>812,915</b>	1,111,081
Less allowance for impairment of receivables	<b>(23,893)</b>	(23,893)
	<b>₱ 789,022</b>	₱1,087,188

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.

Other receivables also include outstanding receivable from the 2002 sale of a portion of the Company's land in Barrio Lumbangan, Nasugbu, Batangas to its employees. Due to the Reorganization Program discussed in Note 1, the employees were transferred to CADP, Inc., whereas, the receivable remained with the Company. These loans bear annual interest of 12% and are payable over 10 years until 2012. Unearned interest income, relating to the current portion of such receivable (presented as a deduction from such receivable)

Noncurrent portion of loans to CADP, Inc. employees as of March 31, 2010 and June 30, 2009 amounting to ₱4.5 and ₱8.8 million, respectively, is presented under "Other noncurrent assets" account net of unearned interest income of ₱1.8 million and ₱2.1 million, respectively .

Details of allowance for impairment of receivables, determined using specific assessment, as of March 31, 2010 and June 30, 2009 follow:

Trade	<b>₱6,732</b>
Advances to planters and cane haulers	<b>6,144</b>
Advances to employees	<b>1,276</b>
Others	<b>9,741</b>
	<b>₱23,893</b>

## 6. Inventories

Inventories consist of:

	<b>March 31, 2010</b>	June 30, 2009
	<i>(In Thousands)</i>	
At NRV:		
Raw sugar	<b>₱1,241,299</b>	₱ 614,437
Materials and supplies	<b>451,829</b>	511,526
At cost:		
Refined sugar	<b>285,385</b>	310,593
Molasses	<b>99,964</b>	19,869
Materials in transit	<b>37,026</b>	12,464
	<b>₱2,115,503</b>	₱1,468,889

Allowance for inventory losses of raw sugar amounted to ₱19.4 million and ₱22.0 million respectively as of March 31, 2010 and June 30, 2009, respectively .

Allowance for inventory obsolescence of materials and supplies amounted to ₱30.9 million as of March 31, 2010 and June 30, 2009.

## 7. Prepayments and Other Current Assets

Prepayments and other current assets consist of:

	<b>March 31, 2010</b>	June 30, 2009
	<i>(In Thousands)</i>	
Prepaid taxes	<b>₱65,409</b>	₱63,236
Deposits to suppliers	<b>45,715</b>	119,620
Creditable withholding taxes, net of allowance of ₱9.8 million in 2010 and 2009	<b>102,526</b>	53,452
Consumable biological assets	<b>10,820</b>	14,796
Others	<b>10,291</b>	20,715
	<b>₱234,761</b>	₱271,819

Consumable biological assets pertain to standing sugarcanes of NAVI.

Prepaid taxes comprise mainly of input value-added tax on purchases of equipment and services relating to the Expansion Project and Roxol Plant Construction (see Note 9).

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

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

Details of the investment in Hawaiian Philippine Company (HPCo), 45.09%-owned associate, and incorporated in the Philippines, follow:

	<b>March 31, 2010</b>	June 30, 2009
	<i>(In Thousands)</i>	
Acquisition cost	<b>₱127,933</b>	₱127,933
Accumulated equity in net earnings		
Beginning of year	<b>222,007</b>	210,963
Equity in net earnings for the year	<b>69,873</b>	79,564
	<b>291,880</b>	290,527
Less dividend received	<b>(35,687)</b>	(68,520)
End of the period	<b>256,193</b>	222,007
Share in revaluation increment	<b>207,492</b>	207,492
	<b>₱591,618</b>	₱557,432

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 and for the period ended March 31, 2010 and June 30, 2009 are as follows:

	<b>March 31, 2010</b>	June 30, 2009
	<i>(In Thousands)</i>	
Current assets	<b>₱593,059</b>	₱433,880
Noncurrent assets	<b>776,190</b>	750,103
Current liabilities	<b>493,175</b>	305,953
Noncurrent liabilities	<b>97,180</b>	96,435
Net assets	<b>778,894</b>	781,595
Revenue	<b>848,695</b>	1,567,874
Net income	<b>127,585</b>	176,457

## 9. Property, Plant and Equipment

Details and movements of property, plant and equipment, valued at cost basis, for the period ending March 31, 2010 and June 30, 2009 are shown below:

March 31, 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	11,579	234,494		3,137	1,990,669	2,239,879
Disposals		(28,177)	(123,144)	(2,552)	-	(153,873)
Ending balances	1,236,377	5,371,678	-	606,231	6,958,003	14,172,289
<b>Accumulated depreciation</b>						
Beginning balances	697,442	3,607,310	121,326	515,494	-	4,941,572
Depreciation	37,252	225,127	1,818	7,465	-	271,662
Disposals		(20,045)	(123,144)	(1,052)	-	(144,241)
Ending balances	734,694	3,812,392		521,907		5,068,993
<b>Net Book Value</b>	<b>P501,683</b>	<b>P1,559,286</b>	<b>P</b>	<b>P84,324</b>	<b>P6,958,003</b>	<b>P9,103,296</b>

June 30, 2009						
	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	P1,053,034	P5,053,663	P121,158	P563,855	P1,983,930	P8,775,640
Additions	183,995	141,108	3,147	41,791	2,983,404	3,353,445
Disposals	(12,231)	(29,410)	(1,161)	-	-	(42,802)
Ending balances	1,224,798	5,165,361	123,144	605,646	4,967,334	12,086,283
<b>Accumulated depreciation</b>						
Beginning balances	659,861	3,377,179	121,158	489,844	-	4,648,042
Depreciation	42,975	235,614	187	25,650	-	304,426
Disposals	(5,394)	(5,483)	(19)	-	-	(10,896)
Ending balances	697,442	3,607,310	121,326	515,494	-	4,941,572
<b>Net Book Value</b>	<b>P527,356</b>	<b>P1,558,051</b>	<b>P1,818</b>	<b>P90,152</b>	<b>P4,967,334</b>	<b>P7,144,711</b>

Land at appraised values and had it been carried at cost at the beginning and end of March 31, 2010 and June 30, 2009 are as follows:

	March 31, 2010	June 30, 2009
<i>(In Thousands)</i>		
Beginning balance, at appraised values	P2,517,660	P2,517,660
Appraisal increase	-	-
Ending balance, at appraised values	P2,517,660	P2,517,660
Beginning balance, at cost	P32,620	P32,620
Additions during the period	29,350	-
Ending balance, at cost	P61,970	P32,620

### a. Construction in progress

Construction in progress as of March 31, 2010 and June 30, 2009 pertains mainly to the foregoing milling plant improvement project, refinery plant installation of sieving facilities, construction of ethanol plant, 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.

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

*Roxol Plant Construction Project*

On June 27, 2008, in line with the Group Expansion Project, Roxol entered into an agreement to construct its bioethanol plant in La Carlota City, Negros Occidental for a total contracted amount of US\$20.9 million. As of March 31, 2010 and June 30, 2009, the balance in the construction in progress relating to Roxol plant development amounted to ₱1,072 million and ₱615.4 million, respectively.

*Capitalization of borrowing costs*

Interests from short and long-term borrowings directly incurred to finance the Expansion Project were capitalized to property, plant and equipment. The Group amortizes such capitalized interest over the useful life of the qualifying asset to which it relates.

b. Depreciation

Depreciation charged to operations for March 31,2010, and June 30,2009:

	<b>March 31, 2010</b>	<b>June 30, 2009</b>
Cost of sales (Note 18)	<b>₱252,491</b>	₱ 274,204
General and administrative expenses (Note 19)	<b>19,171</b>	30,222
	<b>₱ 271,662</b>	₱ 304,426

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).

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## 10. Short-term Borrowings

At various dates in 2009 and 2008, CACI and CADP, Inc. 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 5.0% to 9.75% and 4.7 % to 8.1%, and have terms ranging from 30 to 32 days in 2009 and 28 to 179 days in 2008 and 2007.

As of March 31, 2010 and June 30, 2009, the balance of the short-term loan, net of related unamortized debt commitment fees, amounted to ₱2,406.0 million and ₱2,937.0 million, respectively.

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## 11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	March 31, 2010	June 30, 2009
	<i>(In Thousands)</i>	
Trade suppliers	<b>₱338,299</b>	₱ 305,704
Accrued expenses:		
Payroll and other benefits	<b>4,394</b>	6,689
Interest	<b>37,425</b>	35,234
Purchases and others	-	139,378
Accrued manufacturing cost	<b>214,465</b>	-
Due to planters	<b>97,987</b>	47,874
Payable to government agencies for taxes and contributions	<b>16,181</b>	56,638
Others	<b>41,626</b>	183,362
	<b>₱ 750,377</b>	₱774,879

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 ₱177.9 million and ₱185.8 million as of March 31, 2010 and June 30, 2009, respectively.

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## 13. Long-term Borrowings

Long-term borrowings consist of:

	March 31, 2010	June 30, 2009
	<i>(In Thousands)</i>	
Banco de Oro (BDO)	<b>₱ 3,770,000</b>	₱1,938,494
Syndicated loan facility:		
Bank of the Philippine Islands (BPI)	<b>1,500,000</b>	940,562
Rizal Commercial Banking Corporation (RCBC)	<b>500,000</b>	219,944
	<b>5,770,000</b>	3,099,000
Unamortized debt arrangement fee	<b>(37,184)</b>	(23,027)
	<b>₱5,732,816</b>	₱3,075,973

### BDO Loan Facility and BPI/RCBC Syndicated Loan Agreement

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

### *RHI*

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

Subsequently, the Company availed additional long-term loans of P575 million from BDO on October 29, 2008. The principal of the loan will be payable quarterly starting on the 4th year of the original 10-year term. As of June 30, 2009 and June 30, 2008, the interest rate was 5.94% p.a. and 6.63% p.a., respectively, subject to quarterly repricing as agreed by the parties.

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

### *CADP, Inc.*

On February 14, 2008, CADP, Inc. entered into a loan agreement with BPI AMTG to avail loans in two tranches with an aggregate principal amount of ₱500.0 million. Actual availment of the loan was on March 14, 2008. 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% p.a. and payable on an installment basis, ₱2.0 million on the 5th and 6th anniversary date of the borrowing and the balance on the 7th anniversary date of the borrowing.

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

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

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

On February 12, 2010, the last drawdown of P1,546 million was made from BDO of P1,050 million, BPI of P329 million and RCBC of P166 million. This was at fixed interest rate of 8.75% p.a. for BDO and RCBC and 8.70% p.a. for BPI.

### *CACI*

On May 5, 2008, CACI availed loans from BPI, BDO and RCBC amounting to ₱129.8 million, ₱395.3 million and ₱64.9 million, respectively, and with interest rates of 6.50%, 6.60% and 6.60%, respectively. Loans availed are with 10-year terms and will all mature on May 5, 2018. As of June 30, 2009, interest rates of the availed loans were 5.80%, 5.90% and 5.90%, respectively.

On August 10, 2009, the Company availed from BDO P781 million at 8.85% p.a. fixed rate.

On August 12, 2009, additional drawdown was made from BPI and RCBC of P230 million and P114 million, respectively at a fixed rate of 8.74% and 8.80% p.a., respectively.

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

*Debt arrangement fees*

As arrangement fee for the loan agreements, the Group paid Macquarie Securities (Asia) Pte. Limited ₱59.4 million in 2008. Of the total amount of paid, ₱29.8 million pertains to the drawn portion of the total credit facility (referred to as “Unamortized debt arrangement fees” and presented as a reduction from the principal loan balance), while the remaining ₱29.6 million pertains to the undrawn portion (presented as “Deferred charges” under “Other noncurrent assets”). As of March 31, 2010 and June 30, 2009, unamortized debt arrangement fees on long-term loans amounted to ₱37.2 million and ₱20.3 million, respectively.

*Suretyship agreement, mortgage trust indenture and debt covenants*

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

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

Further, RHI, CADP, Inc. and CACI executed a Mortgage Trust Indenture (MTI) to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in Nasugbu, Batangas which consist mainly of RHI’s land and CADP, Inc.’s properties with an aggregate carrying value of ₱1.3 billion and ₱2.2 billion, respectively, and CACI’s properties in La Carlota, Negros Occidental amounting to ₱1.6 billion as of June 30, 2009.

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

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

As of March 31, 2010 and June 30, 2009, the Company is in compliance with these loan covenants.

The maturity of long-term borrowings is as follows:

	<b>March 31, 2010</b>	June 30, 2009
	<i>(In Thousands)</i>	
Between two and five years	<b>₱1,445,038</b>	₱1,455,038
Over five years	<b>4,287,778</b>	1,630,935
	<b>₱5,732,816</b>	₱3,075,973

Total interest expense recognized from short and long-term borrowings, net of capitalized interest amounted to ₱140.5 million and ₱133.3 million, in March 31, 2010 June 30, 2009, respectively.

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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 March 31, 2010 and June 30 2009, the Group's outstanding advances to RCI amounted to ₱48.0 million and ₱201.4 million, respectively . 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. On July 1, 2004, CADPGC entered into an agreement with RCI as lessor, for the lease of its corporate office. As a result of the sale of the corporate office by RCI to CADPIRFI on December 29, 2005, the lease agreement with RCI was terminated and replaced by a one-year lease agreement with CADPIRFI, which is renewable annually at the option of CADPGC, CADP, Inc. and CACI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted to ₱2.8 million in 2009 and ₱4.2 million each in 2008 and 2007.
- c. In December 2005, the Company also entered into a lease agreement with CADPIRFI, 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 2009, 2008 and 2007 amounted to ₱0.6 million.

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#### **15. Retirement Benefit Plans**

##### Net Pension Plan Assets

Prior to Restructuring in 2008 (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 tax liability, was 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).

Plan assets cannot be returned to RHI unless on circumstances discussed in Note 2. The net pension plan assets as of June 30, 2009 and 2008 of ₱142.6 million and ₱120.0 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).

The Company has no expected contributions for the fiscal year ending June 30, 2010.

As of June 30, 2009, pension plan assets, which are managed by a trustee, include investments in equity securities of RHI with a fair value amounting to ₱104.8 million. As of June 30, 2008, the fair value of investments in equity shares of RHI and CADPGC amounted to ₱92.4 million and ₱1.9 million, respectively.

##### 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 the 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.

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

CADP, Inc. and CACI are expected to contribute a total of ₱98.0 million to their respective fund for the year ending June 30, 2010. As of June 30, 2009, net pension plan obligation amounted to ₱74.2 million.

#### Transition Liability

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

Present value of the obligation at the date of adoption	₱333,645
Fair value of plan assets at the date of adoption	(153,303)
<u>Transitional liability</u>	<u>180,342</u>
<u>Pension liability already recognized</u>	<u>(17,207)</u>
<u>Increase in net pension liability</u>	<u>₱163,135</u>

The Group recognizes the increase in net pension liability as an expense on a straight-line basis over a period of five years from July 1, 2005, as allowed under PAS 19. The amortization recognized amounts to ₱32.6 million each year.

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## 16. Commitments and Contingencies

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

	2009		2008	
	Total volume (In thousands) (Lkg*)	Estimated market value (In Millions)	Total volume (In thousands) (Lkg*)	Estimated market value (In Millions)
Raw sugar	942	₱998	1,411	₱1,296
Refined sugar	1,014	1,384	1,037	1,409
	<u>1,956</u>	<u>₱2,382</u>	2,448	₱2,705

\*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 trustee sugar or their sales proceeds.

- c. CADP, Inc. entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of June 30, 2009 and 2008, CADP, Inc. has outstanding sales contracts for refined sugar with a total value of ₱1,279.6 million and ₱1,236.3 million, equivalent to 839,152 Lkg and 817,091 Lkg, respectively. No losses are expected to arise from these contractual obligations.

CADP, Inc. received cash deposits from customers for the above transactions as of June 30, 2009 and 2008, which will be applied against future deliveries of sugar and molasses. These deposits are classified as current liabilities (see Note 12).

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

(i) Lease of offsite warehouse for a period of one year renewable at the option of the lessee through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to ₱3.5 million, ₱3.5 million and ₱3.7 million in 2009, 2008 and 2007, respectively .

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

e. On January 14, 2009, Roxol and World Bank signed a \$3.2 million Emission Reduction Purchase Agreement (ERPA) for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year and has a crediting period of 10 years starting 2010. As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance Roxol's community development projects.

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## 17. Revenue

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

	2010	2009
Refined sugar	₱2,622,963	₱1,851,172
Raw sugar	1,306,805	1,421,102
Tolling fees	96,779	187,329
Molasses	250,358	214,981
Others	10,525	
	<b>₱4,287,430</b>	<b>₱3,674,584</b>

Others include 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 March 31 are as follows:

	2010	2009
Purchased sugar and Molasses (Note 6)	<b>₱2,046,803</b>	₱1,955,883
Cost of transporting canes to mill (Notes 6 and 16)	<b>370,900</b>	387,394
Net changes in inventories (Note 6)	<b>(651,276)</b>	(840,337)
Direct labor	<b>284,980</b>	272,076
Tolling fees	<b>274,506</b>	165,397
Manufacturing overhead:		
Materials and consumables	<b>470,906</b>	384,869
Repairs and maintenance	<b>246,334</b>	242,877
Depreciation (Note 9)	<b>252,491</b>	204,448
Taxes and licenses	<b>59,234</b>	80,066
Outside services	<b>120,909</b>	117,299
Rent (Notes 14 and 16)	<b>66,501</b>	45,235
Communication, light and water	<b>50,060</b>	31,969
Production cost – Consumable Biological Asset	<b>14,914</b>	15,375
Insurance	<b>15,397</b>	4,782
Others	<b>14,629</b>	3,256
Off operational cost	<b>182,325</b>	34,577
Allocation to (from) general & admin	<b>(16,421)</b>	1,171
	<b>₱3,803,192</b>	₱3,106,337

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## 19. General and Administrative Expenses

The components of general and administrative expenses as of March 31 are as follows:

	2010	2009
Salaries & Employee benefits	<b>₱178,425</b>	₱162,671
Taxes and licenses	<b>60,519</b>	65,390
Outside service	<b>29,762</b>	22,890
Depreciation (Note 9)	<b>19,171</b>	21,540
Materials and consumables	<b>29,230</b>	27,610
Insurance	<b>18,450</b>	21,362
Rent (Notes 14 and 16)	<b>6,700</b>	10,582
Transfer cost	<b>12,781</b>	5,874
Management and Professional fee	<b>9,452</b>	14,603
Travel and transportation	<b>11,536</b>	11,655
Bank Charges	<b>6,560</b>	9,840
Communication, light and water	<b>7,482</b>	7,055
Repairs and maintenance	<b>7,417</b>	13,830
Corporate social responsibility	<b>8,131</b>	4,022
Training & Development	<b>4,518</b>	4,842
Computerization	<b>3,648</b>	5,189
Recreations and Athletics	<b>2,278</b>	2,103
Corporate stockholders expense	<b>2,792</b>	5,466
Dues and Membership	<b>2,223</b>	2,655
Representation & Entertainment	<b>1,937</b>	3,290
Others	<b>1,186</b>	3,173
Allocation from (to) Manufacturing	<b>16,421</b>	(1,171)
	<b>₱440,619</b>	₱424,471

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## 20. Other Operating Income - Net

The components of other operating income as of March 31 are as follows:

	2010	2009
Gain on insurance claim	<b>₱141,341</b>	₱
Sale of scrap	<b>43,062</b>	9,106
Storage fee	<b>8,143</b>	6,490
Insurance income	<b>6,164</b>	3762
Sugar and molasses handling fees	<b>7,719</b>	6,688
Other incentives	<b>564</b>	125
Gain on disposal of property	<b>1,769</b>	1,269
Rental	<b>1,878</b>	506
Foreign exchange gain	<b>1,033</b>	9,403
Others	<b>4,487</b>	9,510
	<b>₱216,160</b>	₱46,859

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In April 2009, a fully depreciated generator set became unusable and CADP, Inc. was able to recover from insurance claim.

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## 21. Equity

### a. Share capital and treasury shares

Details of share capital and treasury shares at March 31, 2010 and June 30, 2009 follow:

	Number of shares	Amount (In Thousands)
Authorized common shares "Capital A" at ₱1 par value each	<b>1,500,000,000</b>	<b>₱1,500,000</b>
Issued common shares "Class A"	<b>1,168,976,425</b>	<b>₱1,168,976</b>
Treasury shares	<b>(259,424,189)</b>	<b>(768,860)</b>
Issued and outstanding	<b>909,552,236</b>	<b>₱400,116</b>

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### b. Share premium and revaluation increment

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

On December 1, 2002, the Company exchanged its shareholdings in CADP, Inc., CCSI and CFSI for 1,302.8 million of the CADPGC's common shares with a par value of ₱1 per share for ₱2,050.2 million, the cost of investments in the Company's books immediately before the transfer. CADPGC recorded a premium of ₱596.8 million and set-up share in revaluation increment in properties of subsidiary amounting to ₱150.6 million. Consequently, the

Company's ownership interest in CADPGC increased and CADP, Inc., CCSI and CFSI became 100%-owned subsidiaries of the CADPGC.

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

- c. Excess of consideration received from parent company over carrying amount of disposed subsidiary and effect of change in ownership interest in subsidiaries

As discussed in Note 1, the Group has undertaken a corporate restructuring. On December 16, 2008, RHI acquired the sugar-related operating subsidiaries and an associate from CADPGC for a total consideration of ₱3,838.0 million, which represents the cost of CADPGC's investments in shares of stock in subsidiaries and an associate amounting to ₱4,101.0 million reduced by the net liabilities transferred by CADPGC amounting to ₱263.0 million. As a result, RHI increased its effective ownership interest in the sugar-related operating subsidiaries and recognized the effect of the change in ownership interest in subsidiaries and an associate as a result of reduction of minority interests in subsidiaries of ₱44.5 million and presented as a separate component of the Group's total consolidated equity.

On January 23, 2009, following the acquisition of the sugar-related operating subsidiaries and an associate from CADPGC, RHI sold its investment in CADPGC to RCI on account for a total consideration of ₱3,927.3 million. The excess of consideration received from RCI over the carrying amounts of share of the Company in the net assets of CADPGC amounted to ₱577.1 million.

On June 29, 2009, as a result of merger of RCI and CADPGC, the note payable from CADPGC was set off against the note receivable from RCI amounting to ₱3.8 billion.

- d. Retained earnings

*Restricted retained earnings*

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

	2009	2008	2007
	<i>(In Thousands)</i>		
Treasury shares	<b>₱768,860</b>	₱739,707	₱63,767
Pension plan asset - net of deferred income tax liability (Note 15)	<b>99,786</b>	63,377	53,143
	<b>₱868,646</b>	₱803,084	₱116,910

Further, unrestricted retained earnings includes ₱634.1 million, ₱1,131.2 million and ₱846.6 million as of June 30, 2009, 2008 and 2007, respectively, which represents accumulated earnings of consolidated subsidiaries and unconsolidated associate which are not available for distribution to the Company's shareholders unless received as cash dividends from investees.

*Dividend declaration*

Cash dividends declared by the Company from retained earnings during the years ended June 30, 2009, 2008 and 2007 follow:

Date Approved	Per Share	Total Amount (In Thousands)	Stockholders of Record Date	Date Paid/Issued
June 25, 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
September 19, 2007	0.05	55,700	October 15, 2007	November 8, 2007
June 20, 2007	0.12	66,840	July 13, 2007	July 31, 2007
October 25, 2006	0.12	67,123	October 12, 2006	November 10, 2006

## 22. Earnings Per Share

Earnings per share (EPS) for the period ended March 31

	2010	2009
Net income for the year attributable to the equity holders of the Parent Company	<b>₱117,850</b>	₱70,504
Weighted average number of common shares outstanding	<b>909,552</b>	909,552
Basic/diluted earnings per share	<b>₱0.13</b>	₱0.08

There are no potential dilutive common shares as at March 31, 2010 and 2009.

## 23. Capital Management

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

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2009.

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

	March 31, 2010	June 30, 2009
	<i>(In Thousands, except ratio)</i>	
Total liabilities	<b>₱9,934,851</b>	₱7,805,065
Total equity	<b>5,837,040</b>	5,716,604
Total liabilities and equity	<b>₱15,771,890</b>	₱13,521,669
Debt ratio	<b>0.59:1.00</b>	0.58:1.00
Debt-to-equity ratio	<b>1.70:1.00</b>	1.37:1.00

## MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### *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.

The Company is now 65.70% owned by Roxas & Company, Inc. (RCI), a company incorporated and domiciled in the Philippines. It has its corporate office at the 6<sup>th</sup> Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City, while the manufacturing plants of its operating subsidiaries are located in Barrio Lumbangan, Nasugbu, Batangas and Barrio Consuelo, La Carlota City, Negros Occidental.

#### *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 refinery 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.

Last year, 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 CADPGC was likewise changed to Roxas & Company, Inc. (RCI).

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 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 CADPI, which is based in Nasugbu, Batangas and CACI whose operations are located in La Carlota City, Negros Occidental, Roxol Bioenergy Corporation (RBC), CCSI, CFSI, Najalin Agri-Ventures, Inc. (NAVI), Jade Orient Management Services, Inc. (JOMSI) and CADP Insurance Agency, Inc. (CIAI).

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

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

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

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

The Sugar Group instituted strategic and operating management systems and processes that aim to enhance its capability to monitor and control the operational effectiveness and efficiencies of the two (2) consolidated subsidiaries.

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

- Increasing production capacity:

Mills

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

Refinery

CADPI-	from 18,000 Lkg/day to 22,500 Lkg/day
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- Establishment of Bio-ethanol Plant

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.

RBC is currently constructing its plant facility located at La Carlota City, Negros Occidental. The project 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.

However, due to delay in the completion/construction of the ethanol plant, RBC filed a letter request in December 2009 to the BOI, extending its start of commercial operations to July 2010.

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

- Farm Services

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

- Optimizing production-marketing mix, with greater emphasis given on direct sales to industrial customers.
- Optimizing manufacturing efficiencies through better management of production of steam and usage of fuel and electricity and reducing manufacturing downtime.
- Being prudent and cautious in capital investments.
- Reducing manufacturing and operating costs.

The 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 – 3<sup>rd</sup> QUARTER 2009-2010 VS. CY 2008 -2009**

#### Financial Condition

Consolidated total assets of Roxas Holdings, Inc. and subsidiaries (the "Group") stood at P15.8 billion as at March 31, 2010 versus P13.5 billion for the crop year ended June 30, 2009. Current assets increased to P3.4 billion this period from P3.1 billion in June 2009. Current liabilities also went down to P3.4 billion in the current year from P3.9 billion in prior crop year.

Current ratio improved to 0.99:1.00 in March 2010 compared to 0.79:1.00 at the end of crop year 2009. The Group's leverage position stayed within the limits of certain loan covenant. Debt to equity ratio is at

1.70:1.00 in the current period versus 1.37:1.00 in June 2009. Maximum debt to equity ratio allowable is at 2.33:1.00.

Debt service coverage ratio is within the minimum permissible level of 1.25:1.00, registered at 1.28:1.00 this period while in June 30, 2009, ratio is 5.25:1.00.

Unused working capital lines as of March 31, 2010 and June 30, 2009 from local banks amounted to P2.3 billion and P938 million, respectively. Book value per share slightly increased to P6.42 from P6.28 in prior crop 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 17% upsurge in the Group's total assets is mainly attributable to increased property, plant and equipment (PPE) account this period. PPE balance as at March 2010 amounted to P11.6 billion, P1.9 billion or 20% higher than the P9.7 billion posted in June 2009. This was due to on-going expansion of milling and refining facilities of CADPI and CACI, the construction of ethanol plant in La Carlota City for RBC and acquisition of farm implements for the farm operations of CFSI.

Current assets also increased to P3.4 billion from P3.1 billion due to increased inventories this period. Total inventories as of March 31, 2010 amounted to P2.1 billion, higher by 40% or P1.5 billion as of June 30, 2009. This was attributable to high sugar inventory level this year due to slow withdrawal of customers coupled with high inventory cost. Raw and refined sugar inventory amounted to P1.5 billion this year versus P925 million in prior crop year.

On the other hand, cash and cash equivalents went down to P219 million compared to P287 million last year due to settlement of short-term borrowings this period. However, collections improved in the current year, reducing trade receivables to P631 million from P757 million in previous period. Advances to related parties significantly reduced due to settlement this year amounting to P48 million in March 2010 from prior year's P201 million.

Prepayments and other current assets, likewise decreased from P272 million to P235 million as deposits to suppliers went down to P46 million from P120 million in June 2009.

Total current liabilities fell by P545 million or 14% from P3.9 billion in June 2009 to P3.4 billion in March 2010 as short term borrowings decreased to P2.4 billion compared to P2.9 billion in June 2009. This is due to payment, lower availment and transfer of bridge loans to long term this period, consequently, increasing long-term borrowings to P5.7 billion from P3.07 billion in June, thus, non-current liabilities were up by 69% to P6.5 billion versus P3.9 billion in prior period.

Likewise, customer's deposits moved down to P178 million from prior period's P186 million. Accounts payable and accrued expenses, also decreased by 3% as expansion project in CAC, Inc. were almost completed.

Stockholders' equity was recorded at P5.8 billion and P5.7 billion in March 31, 2010 and June 30, 2009, respectively.

### Results of Operations

#### *Batangas Operations*

CADPI started its mill operations on November 26, 2009, two (2) days delayed from last year. Total tonnage for the period reached 1.039 million versus 1.238 million last year.

Recovery improved this period, 1.93 Lkg/tc compared to 1.81 Lkg/tc in prior year. Raw sugar production as of March 31, 2010 posted at 1.983 million Lkg versus 2.215 million Lkg same period last year.

The decrease in tonnage was due to downtime resulting from breakdowns and commissioning of new equipment. Likewise, refined sugar production went down to 2.055 million Lkg compared to 2.635 million Lkg due to frequent stoppages.

#### *Negros Operations*

With the decline in cane supply in Negros area and diversion of canes to other mills, CACI's tonnage this year went down to 1.209 million tons versus 1.494 million tons in prior year. Coupled with lower recovery this period of 2.066 Lkg/tc compared to 2.069 Lkg/tc last year, raw production this year decreased to 2.497 million Lkg from 3.075 million Lkg in previous year.

Consolidated revenues increased by 15% from P3.7 billion in prior year to P4.3 billion this year due to higher refined sugar sales this year amounting to P2.6 billion from prior year's P1.9 billion. Refined sales volume went up by 375,617 Lkg from 1.347 million Lkg last year. In addition, average selling prices increased to P1,524 per bag from P1,374 per bag in previous period.

Cost of sales this year amounted to P3.8 billion from P3.1 billion last year. Gross profit margin decreased to 11% versus 15% in previous year. Unit cost this year increased due to low production and high bunker usage.

Other operating income substantially increased from P47 million to P216 million due to gain from insurance claim of CADP, Inc. amounting to P141 million. Sales of scrap also increased from P9 million to P43 million this year.

General and administrative expenses surged this year to P441 million versus P424 million last year or 4% higher due to higher transfer cost of materials from P6 million to P13 million, increased labor and labor related expenses due to CBA salary adjustments and additional light allowance, increased outside services due expansion.

Equity in net earnings of an associate increased from P49 million to P70 million this year due to higher operating results of HPCo.

Net financing cost this year went up to P146 million from P72 million due to expensing of borrowing costs related to expansion of CAC, Inc. as projects were substantially completed this period.

The Group posted net income of 119 million versus P61 million in prior period due to higher other operating income recognized this year.

This translated to earnings per share of P0.13 this year from last year's of P0.08

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to P 510 million from P381 million.

#### 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 affiliate, and pertains to production capacity, ability to source sugar canes and the efficiencies and productivity of manufacturing facilities.
- Refined sugar production – the most important determinant of revenues and computed as the gross volume of refined sugar produced by the CADPI refinery both as direct sales to industrial customers and traders or as tolling manufacturing service, limited by production capacity and by the ability of the Group to market its services to both types of customers.
- Raw sugar milling recovery – a measure of raw sugar production yield compared to unit of input and is computed as the fraction of raw sugar produced (in Lkg bags) from each ton of sugar cane milled (Lkg/tc).
- Earnings before interest, taxes, depreciation and allowances (EBITDA) – the measure for cash income from operation and computed as the difference between revenues and cost of sales and operating and other expenses, but excluding finance charges from loans, income taxes and adding back allowances for depreciation and other cash amortizations.
- Return on Equity – denotes the capability of the Group to generate returns on the shareholders' funds computed as a percentage of net income to total equity.

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

<b>Performance Indicator</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Raw sugar production	8.123M bags	9.002M bags	8.381M bags
Refined sugar production	3.965M bags	3.659M bags	3.883M bags
Milling recovery	2.02 Lkg/tc	1.83 Lkg/tc	1.99 Lkg/tc
EBITDA	P669 million	P973 million	P996 million
Return on Equity	3%	8%	9%

#### 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 P1.2 billion to complete the expansion project for crop year 2009-2010 – P669 million for CADPI and P567 million for CACI and an allocation of P122.5 million for regular capital expenditures in 2009-2010, broken down into P51.5 million for the CADPI integrated mill and refinery manufacturing operations and P71 million for CACI.

Construction of the RBC Ethanol Plant in La Carlota City is still on going with a total budget of P1.453 billion.

CFSI started its operations in Crop Year 2009-2010 with total budget of P155 million.

- 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.

**ROXAS HOLDINGS, INC & SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE**  
**AS OF MARCH 31, 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	52,424,981.92	5,689,457.00	11,250,451.00	15,250,125.00	20,234,948.92	
Employees	48,993,550.00	8,306,111.00	1,454,878.00	7,145,620.00	32,086,941.00	
Contractors	18,785,095.00	7,325,062.00	8,547,900.00	2,756,084.00	156,049.00	
Advances to Affiliate	47,982,632.48				47,982,632.48	
Others	13,555,687.00	1,096,937.00	8,457,250.00	2,018,255.00	1,983,245.00	
<b>Total</b>	<b>181,741,946.40</b>	<b>22,417,567.00</b>	<b>29,710,479.00</b>	<b>27,170,084.00</b>	<b>102,443,816.40</b>	<b>-</b>
Less: Allowance for doubtful accounts	(16,745,901.00)				(16,745,901.00)	
<b>Net non-trade receivable</b>	<b>164,996,045.40</b>	<b>22,417,567.00</b>	<b>29,710,479.00</b>	<b>27,170,084.00</b>	<b>85,697,915.40</b>	<b>-</b>
Add: Net trade receivable	624,025,466.90	325,954,550.29	214,476,054.08	54,622,150.46	28,972,712.07	-
<b>Net Receivable</b>	<b>789,021,512.30</b>	<b>348,372,117.29</b>	<b>244,186,533.08</b>	<b>81,792,234.46</b>	<b>114,670,627.47</b>	<b>-</b>

2. *Accounts Receivable Description*

<b>Type of Receivable</b>	<b>Nature and Description</b>	<b>Collection Period</b>
1) Trade receivable	Receivable arising from sale of sugar and other related products.	15 days after issuance of sales invoice
2) Planters and Planters Association	Cash advance granted to planters to take the form of fertilizers and harvesting assistance.	Offset against actual production: One milling season
3) Employees	Loans granted to officers and employees in form of educational or financial assistance.	Salary deduction-one year
4) Contractors	Downpayment on future contracts.	Offset against billing.
5) Pegasus	Management project re: cost of hauling of trucks which were managed by some employees of the company.	Five years
6) Truckers	Assistance given to haulers during off-season for the repair expenses of their trucks.	One milling season
7) Advances to Affiliate	Advances to Roxas & Company	

**ROXAS HOLDINGS, INC & SUBSIDIARIES**  
**AGING OF RECEIVABLES**  
**MARCH 31,2010**

<b>CUSTOMER</b>	<b>BALANCE DUE</b>	<b>0-30 DAYS</b>	<b>31-60 DAYS</b>	<b>61- 90 DAYS</b>	<b>91-120 DAYS</b>
A J E SUGAR TRADING	76,803				76,803
ALASKA MILK	172,251,014	78,708,520	87,396,165	6,141,852	4,477
ALASKA MILK CORPORATION	1,967,387				1,967,387
ALLIED SUGAR CONSOLIDATED CORP.	957,179				957,179
AMEROP PHILIPPINES INC.	40,801				40,801
B-BROS MARKETING & SALES	14,777				14,777
BIG E FOOD	16,219,153	9,759,750	4,504,500		1,954,903
CENTURY CANNING CORP	7,169,856	5,810,000	1,350,000		9,856
COCA COLA BOTTLERS	169,062				169,062
CONFITES INC.	2,450,000	1,225,000	1,225,000		-
CRYSTAL SUGAR COMPANY, INC.	125,466				125,466
DEL MONTE PHILS	15,372,500	10,642,500	4,730,000		-
DEL MONTE PHILS., INC.	72,487				72,487
DELFI FOODS	2,478,552		825,000	1,650,000	3,552
DELMAX TRADING CORPORATION	33,825				33,825
DIAGEO PHILS. INC.	1,542,156	842,156	700,000		-
E.D. & F. MAN PHILS. INC.	769,458				769,458
ED & F MAN PHILS.	9,646,170	9,646,170			-
EDISON LEE MARKETING CORPORATION	71,321				71,321
EDWARD KELLER	3,755,400	565,000	90,400	3,100,000	-
ES MARKETING	820,969	768,000			52,969
FERNA CORPORATION	1,044,420		1,042,500		1,920
FOODSPHERE INC.	1,356,000			1,040,000	316,000
FRESH AND FAMOUS-CHOWKING	7,008,602	3,685,370	2,941,750	37	381,445
FRESH AND FAMOUS-DELIFRANCE	38,285	28,210		10,075	-
FRESH AND FAMOUS-GREENWICH	343,366	50,375	245,763	40,565	6,663
GARDENIA BAKERIES	19,327,413	6,998,553	8,164,088	2,656,024	1,508,748
GARDENIA BAKERIES (PHILIPPINES), INC.	270				270
GENOSI	740,000			740,000	-
GOLD EMPIRE TRADING CORPORATION	82,518		82,518		-
HEINZ UFC PHILS., INC.	44,285				44,285
HERMANO OIL MFG. AND SUGAR CORP.	514,971				514,971
ICE SKATING MARKETING	13,727,462	13,680,000			47,462
INTEGRATED MANUFACTURING SERV	622,200		622,200		-
ISAAC THREE FOOD	1,177,500			1,177,500	-
JOLLIBEE FOOD CORP	6,051,251	3,701,250	1,058,940	802,939	488,122
KRAFT FOODS PHILIPPINES, INC.	5,808				5,808
LA CARLOTA MILL DISTRICT MULTI-PURPOSE COC	645,054				645,054
LIWAYWAY MARKETING	2,023				2,023
LLYOD LABORATORIES	400,975			400,000	975
M. MOLINA GENERAL MERCHANDISE	1,937				1,937
MEAD JOHNSON PHILS	24,958,440	11,700,000	13,255,320		3,120
MICRO AGRO MARINE RESOURCES	486,201				486,201
MIX PLANTS	5,976,377	2,614,560	3,143,400	217,577	840
MMAMCAC	13,500				13,500
MONDE DENMARK - NISSIN BISCUIT	7,500				7,500
NEGROS COFA	55,694				55,694
NESTLE PHILS	175,673,216	95,206,200	48,403,000	24,652,596	7,411,420
NEW FOOD COATING	435,000				435,000
NEW SEASON PRODUCTS SUPPLY, INC.	11,300				11,300
NUTRI ASIA	13,301,875	3,832,500	5,110,000	4,359,375	-
NUTRI-ASIA, INC.	6,860,207	6,860,207			-
OLEO FATS	1,265,000	1,265,000			-
ORO ALLADO COMMODITIES	13,012				13,012
PAMPANGA'S BEST, INC.	1,287,090			1,287,090	-
PEOTRACO INDUSTRIES	8,759,960	7,960,000	790,000		9,960

**ROXAS HOLDINGS, INC & SUBSIDIARIES**  
**AGING OF RECEIVABLES**  
**MARCH 31,2010**

<b>CUSTOMER</b>	<b>BALANCE DUE</b>	<b>0-30 DAYS</b>	<b>31-60 DAYS</b>	<b>61- 90 DAYS</b>	<b>91-120 DAYS</b>
PHILIP MORIS	621,220				621,220
R-5 TRADING AND MARKETING	6,043				6,043
RDS COMMODITIES	41,518				41,518
RED RIBBON	9,270,000	6,180,000	3,090,000		-
RFM CORP	1,210,000				1,210,000
SARIMANOK FEEDS	761,387			761,387	-
SECOND CONSOLIDATED SUGAR CORPORATION	567	-			567
SOUTHEAST ASIA FOOD, INC.	4,896,493		1,706,250	1,068,750	2,121,493
SYDENHAM LABORATORIES	332,813				332,813
T & E SUGAR AND MOLASSES TRADER	1,297,350				1,297,350
THE COCA COLA EXPORT	737,500			737,500	-
THE DYNAMIC TRIPLE C MARKETING CORP.	25,140				25,140
TRADING OPERATION	(0)				(0)
TRI-MAXI TRADING	41,346				41,346
UNILEVER PHILS	28,152,000	17,964,000	6,968,000	805,000	2,415,000
UNILEVER RFM	31,344,049	22,885,000	8,457,500		1,549
UNITED LABORATORIES	2,713,406			2,241,450	471,956
UNITED LABORATORIES-AMHEST LAB	1,530				1,530
VARIOUS CUSTOMERS	6,996,973		6,973,751		23,222
VARIOUS CUSTOMERS	1,835,049	818,201			1,016,848
VARIOUS CUSTOMERS	7,014				7,014
VARIOUS CUSTOMERS/Ms. V. de la Cruz	7,516				7,516
VICTORIAS AGRICULTURAL DISTRICT MULTI-PURF	12,500				12,500
ZENITH FOODS	3,045,000	2,015,000	1,007,500		22,500
ART - WITHHOLDING TAX	8,993,472	543,029	592,510	732,433	7,125,499
<b>GRAND TOTAL</b>	<b>630,592,928</b>	<b>325,954,550</b>	<b>214,476,054</b>	<b>54,622,150</b>	<b>35,540,173</b>
Less : Allowance for Impairment	(6,567,461)				(6,567,461)
<b>NET OF ALLOWANCE FOR IMPAIRMENT</b>	<b>624,025,467</b>	<b>325,954,550</b>	<b>214,476,054</b>	<b>54,622,150</b>	<b>28,972,712</b>

May 13, 2010

**DISCLOSURE DEPARTMENT  
THE PHILIPPINE STOCK EXCHANGE, INC**

**ATTENTION : Ms Janet Encarnacion**  
Head of Disclosure Department

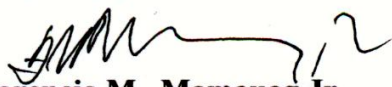
**Subject : Request for Extension to submit Quarterly Report**  
For the period ended March 31, 2010

Gentlemen,

Our company Roxas Holdings, Inc would like to request for extension of time to submit its Quarterly Report for the period ended March 31, 2010. The company will not be able to file the above mentioned report on its deadline May 17, 2010 due to volume of work and various deadlines and other office work which also require immediate attention.

The company undertakes to submit the reports within five (5) calendar days after the prescribed deadline or upon submission of report to Security and Exchange Commission, which ever is earlier. The company understands that failure to comply with the undertaking may result to imposition of applicable penalties and/or sanction/s.

Very truly your,



**Florencio M. Mamaug Jr.**  
VP Legal and Compliance Officer