

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, 2009

(Fiscal Year Ending)

SEC Form 17-Q

(Form Type)

Amended Designation (If Applicable)

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

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

1. For the quarterly period ended : 31 December 2008
2. Commission Identification Number **15A** 3. BIR Tax Identification No. **000-290-538**
4. Exact name of registrant as specified in its charter **ROXAS HOLDINGS, INC. (FORMERLY
CENTRAL AZUCARERA DON PEDRO)**
5. **Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:
7. **6/F Cacho Gonzales Bldg., 101 Aguirre St.,
Legaspi Village, Makati City** **1200**
Address of principal office Postal Code
8. **(632) 810-8901 to 06**
Registrant's telephone number, including area code
9. **Not Applicable**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of Each Class	Number of Shares and Amount of Debt Outstanding
Authorized Capital Stock:	
No. of common shares issued and outstanding	909,552,236
No. of preferred shares issued and outstanding	-
Amount of debt outstanding as of 31 December 2008	Please See Annex "A".

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

Yes [**X**]

No []

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 11 of the Securities Revised Code (SRC) and SRC Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

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

Yes [] No []

FINANCIAL INFORMATION

Item 1. Financial Statements.

Please See Annex "A".

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

Please See Annex "B".

OTHER INFORMATION

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

None for the period.

2. Composition of Board of Directors;

PEDRO E. ROXAS	Chairman
FRANCISCO F. DEL ROSARIO, JR.	President Chief Operating Officer
ANTONIO J. ROXAS	Director
RENATO C. VALENCIA	Director
SANTIAGO R. ELIZALDE	Director
CARLOS G. DOMINGUEZ	Director
RAMON R. DEL ROSARIO, JR.	Director
LORNA P. KAPUNAN	Corporate Secretary

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

17 February 2009

ANNEX A

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(All amounts in thousand Philippine Pesos)

	2008	
	December 31 (Unaudited)	June 30 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	479,097	350,273
Receivables, net (Note 5)	567,481	581,271
Inventories, net (Note 6)	1,679,953	1,348,287
Prepayments and other other current assets (Note 7)	665,498	168,575
Total current assets	3,392,029	2,448,406
NON-CURRENT ASSETS		
Property, plant and equipment, net (Note 9)	8,012,467	6,645,258
Deferred income tax assets	70,516	47,047
Investment in shares of stock of an associate (Note 8)	577,114	546,388
Other assets, net	155,707	180,085
Total non-current assets	8,815,804	7,418,778
Total assets	12,207,833	9,867,184
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short-term borrowings (Note 10)	2,533,838	702,552
Current portion of long-term borrowings (Note 13)	-	13,333
Accounts payable and accrued expenses (Note 11)	805,577	630,628
Income tax payable	3,716	107,770
Dividends payable	23,028	81,205
Customers' deposits (Note 12)	252,187	215,313
Advances from related parties	-	-
Total current liabilities	3,618,346	1,750,801
NON-CURRENT LIABILITIES		
Long-term borrowings, net of current portion (Note 13)	2,496,838	1,829,728
Pension benefit obligation	48,097	63,772
Deferred income tax liabilities	741,899	721,988
Total non-current liabilities	3,286,834	2,615,488
Total liabilities	6,905,180	4,366,289
EQUITY (Note 23)	5,302,654	5,500,895
Total liabilities and equity	12,207,834	9,867,184

CERTIFIED TRUE AND CORRECT:



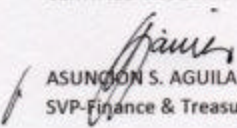
ASUNCIÓN S. AGUILAR
SVP Finance & Treasurer

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(All amounts in thousand Philippine Pesos)

	For the quarter ending		For the six months ending	
	December 31		December 31	
	2008	2007	2008	2007
REVENUES	1,408,151	1,426,630	2,299,092	2,390,711
COST OF SALES	(1,229,342)	(1,176,741)	(2,025,659)	(1,982,759)
GROSS PROFIT	178,809	249,889	273,433	407,952
OTHER OPERATING INCOME	8,746	10,235	20,399	25,894
	187,555	260,124	293,832	433,846
OPERATING EXPENSES				
General and administrative	(186,113)	(126,378)	(319,990)	(246,302)
Selling	(6,249)	(9,591)	(9,180)	(10,798)
Other	(11,233)	(12,851)	(16,419)	(14,974)
	(203,595)	(148,820)	(345,589)	(272,074)
OPERATING PROFIT	(16,040)	111,304	(51,756)	161,772
EQUITY IN NET EARNINGS OF AN ASSOCIATE, net	16,510	23,826	29,727	37,802
FINANCE INCOME (COSTS), net				
Interest expense	(38,600)	(28,094)	(70,733)	(42,869)
Interest income	1,872	2,955	2,394	3,982
	(36,728)	(25,139)	(68,339)	(38,887)
PROFIT BEFORE INCOME TAX	(36,258)	109,991	(90,369)	160,687
INCOME TAX EXPENSE (BENEFIT)				
Current	(2,892)	30,881	(4,373)	(49,066)
Deferred	(9,424)	3,681	4,431	1,607
	(12,316)	34,562	59	(47,459)
PROFIT FOR THE PERIOD	(48,574)	75,429	(90,427)	113,229
Attributable to:				
Equity holders of the Parent Company	(40,911)	67,200	(79,777)	101,604
Minority interest	(7,843)	8,229	(10,533)	11,625
	(48,754)	75,429	(90,310)	113,229
EARNINGS PER SHARE (Note 19)				
Basic	(0.05)	0.06	(0.10)	0.09
Diluted	(0.05)	0.06	(0.10)	0.09

CERTIFIED TRUE AND CORRECT:


ASUNCION S. AGUILAR
SVP-Finance & Treasurer

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 DECEMBER 31, 2008 AND 2007
 (All amounts in thousand Philippine Pesos)

	2008	2007
SHARE CAPITAL	1,168,977	1,168,977
SHARE PREMIUM	554,959	554,959
REVALUATION INCREMENT ON LAND	207,492	-
SHARE IN REVALUATION INCREMENT IN PROPERTY	523,505	325,073
REVALUATION INCREMENT IN PROPERTY	970,564	958,592
RETAINED EARNINGS		
Restricted	1,158,674	210,958
Unrestricted	1,052,322	1,763,592
TREASURY STOCK	(768,859)	(99,394)
MINORITY INTEREST	435,020	502,935
	5,302,654	5,385,692

CERTIFIED TRUE AND CORRECT:


 ASUNCION S. AGUILAR
 SVP-Finance & Treasurer

ROXAS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2008 AND 2007
 (All amounts in thousand Philippine Pesos)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	(90,369)	160,687
Adjustments for:		
Equity in net earnings of an associate	(29,727)	(37,802)
Depreciation	155,227	194,244
Interest expense	70,733	42,869
Interest income	(2,394)	(3,982)
(Increase) decrease in current assets		
Receivables	13,790	(40,468)
Inventories	(331,666)	509,084
Prepayments and other current assets	(496,923)	(336,600)
Increase in current liabilities		
Accounts payable and accrued expenses	174,950	69,167
Customers' deposit	36,874	142,201
Decrease in pension benefit obligation	(15,675)	(1,517)
Cash generated from operations	(515,180)	697,883
Income tax paid	(113,693)	(145,527)
Net cash from (used in) operating activities	(628,873)	552,356
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,526,291)	(896,945)
Dividends received	-	45,679
Decrease in other assets	24,378	139
Interest received	4,319	3,570
Net cash used in investing activities	(1,497,594)	(847,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) short-term borrowings, net	2,502,000	572,900
Proceeds from (payments of) long-term borrowings, net	(13,333)	(40,920)
Dividends paid	(135,534)	(129,942)
Reacquisition of shares of stock	(29,553)	(35,584)
Interest paid	(68,289)	(42,869)
Net cash from financing activities	2,255,291	323,585
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		
	128,824	28,384
CASH AND CASH EQUIVALENTS		
Beginning	350,273	542,883
Ending	479,097	571,267

CERTIFIED TRUE AND CORRECT:


 ASUNCION S. AGUILAR
 SVP Finance & Treasurer

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Corporate Information and Business Operations

Corporate Information

Roxas Holdings, Inc. (RHI or the "Parent 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 Parent Company's corporate life was extended for another 50 years until 2030.

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

The Parent Company is 51.13% owned by Roxas & Company, Inc. (RCI), a company incorporated and domiciled in the Philippines. The Parent Company has 2,393 equity holders as of June 30, 2008 and 2007.

The Parent 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.

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 Parent Company in Nasugbu, Batangas was spun-off to Central Azucarera Don Pedro, Inc. (CADP, Inc.) on December 1, 2002. Subsequently, the Parent 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 Parent Company over CADPGC has been reduced to 89.28% following the declaration of property dividends to its shareholders.

On June 26, 2008, the Corporate Reorganization (Reorganization) of the Roxas Group was presented to and approved by the Board of Directors and the same was ratified by the stockholders at their duly constituted meeting held on December 3, 2008.

Under the current corporate structure, RHI and CADPGC (both listed with the Philippines Stock Exchange), are the holding companies for the sugar and sugar related businesses of the Roxas Group. The Reorganization, including the merger of RCI and CADPGC are being undertaken in order to create a corporate structure that will ultimately separate the sugar and real estate businesses of the Roxas Group. The Reorganization will also reduce redundancies, improve operational efficiency, and provide long-term cost reduction benefits.

The steps leading to CADPGC being the listed holding company for the real estate business and RHI being the sole listed holding company for the sugar-related businesses of the Roxas Group are as follows:

1. CADPGC will sell and RHI will buy, all the sugar-related operating subsidiaries and associate (namely, Central Azucarera Don Pedro, Inc., Central Azucarera de La Carlota, Inc., Hawaiian-Philippine Company, Jade Orient Management Services, Inc., Najalin Agri-Ventures, Inc., CADP Consultancy, Inc., and CADP Farms Services, Inc.) as well as certain assets and liabilities, for a total consideration of P3,837,972,401.
2. With no more sugar-related subsidiary company, CADPGC will be sold by RHI to RCI for P3,927,339,439.
3. After the purchase of RCI of CADPGC, the two will merge with CADPGC as the surviving entity. The share swap ratio for the plan of merger is computed at 11.71 CADPGC shares for every RCI share. The share swap ratio was arrived at in consultation with third party financial advisors.

On December 16, 2008, CADPGC sold all of its sugar related operating subsidiaries and associate, as well as certain assets and liabilities to RHI for a total consideration of P3,837,972,401.

RHI sold to RCI on January 20, 2009, all of its investments to CADPGC for a total consideration of P3,927,339,439.

Approval of the Consolidated Financial Statements

The consolidated financial statements as of June 30, 2008 and for the year then ended (with comparative figures for 2007 and 2006) have been approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on October 3, 2008.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Parent 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), Standing Interpretations Committee, Philippine Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC) Interpretations which have been approved by the Philippine Financial Reporting Standards Council (FRSC) 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 Parent Company's functional and presentation currency, and rounded to the nearest thousand, except when otherwise indicated.

The preparation of consolidated financial statements in accordance with PFRS requires the use of certain 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 Adoption of New Accounting Standards and Amendments and Interpretations to Existing Accounting Standards

The accounting policies adopted are consistent with those of the previous financial years, except beginning on July 1, 2007, the Group adopted the following new and amended PFRS and Philippine Interpretations:

- PFRS 7, *Financial Instruments: Disclosures*, requires disclosures that enable users of the financial statements to evaluate the significance of an entity's financial instruments and the nature and extent of risks arising from those

financial instruments. Additional disclosures required by PFRS 7 were included in the consolidated financial statements, where applicable (see Notes 5 and 26).

Adoption of this standard resulted in the inclusion of additional disclosures such as market risk sensitivity analysis, contractual maturity analysis of undiscounted financial liabilities, credit quality of financial assets that are neither past due nor impaired and aging analysis on financial assets that are neither past due nor impaired. The Group adopted the amendment to the transitional provisions of PFRS 7, as approved by the Philippine FRSC, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Group did not present comparative information for the disclosures required by paragraphs 31 to 42 of PFRS 7, unless the disclosure was previously required under PAS 32, *Financial Instruments: Presentation* (see Note 26).

- Amendment to PAS 1, *Presentation of Financial Statements: Capital Disclosures*, requires the following additional disclosures: (a) an entity's objectives, policies and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity has complied with any capital requirements; and (d) if it has not complied, the consequences of such noncompliance. Additional disclosures required by this amendment were included in the consolidated financial statements, where applicable (see Note 25).
- Philippine Interpretation IFRIC 7, *Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies*, provides guidance on how to apply PAS 29 when an economy first becomes hyperinflationary, in particular the accounting for deferred tax. The adoption of this interpretation has no impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 8, *Scope of PFRS 2, Share-based Payments*, requires PFRS 2 to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. The adoption of this interpretation has no impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly

modifies the cash flows. The adoption of the interpretation has no significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*, requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The adoption of this interpretation has no significant impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when the subsidiary's employees receive rights to the equity instruments of the parent. The adoption of this interpretation has no impact on the consolidated financial statements.

Future Changes in Accounting Policies

The following are the amendments to accounting standards and Philippine Interpretations that will become effective to the Group subsequent to 2008. The revised disclosures required by these standards and interpretations will be included in the consolidated financial statements when the Group adopts them at their respective effective dates:

- PFRS 8, *Operating Segments* (effective for annual periods beginning on or after January 1, 2009), requires a management approach to reporting segment information. PFRS 8 will replace PAS 14, *Segment Reporting*, and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the Philippine SEC for purposes of issuing any class of instrument in a public market. The Group is currently evaluating the effect on its consolidated financial statements when this standard is adopted.
- PFRS 3R, *Business Combinations* and PAS 27R, *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after July 1, 2009). PFRS 3R 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. PAS 27R requires that a change in a parent's controlling ownership interest that do not result in a loss of control of the subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Group is currently evaluating the effect on its consolidated financial statements when this standard is adopted.

- Amendment to PAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after January 1, 2009), introduces new disclosures to aggregate information in the financial statements on the basis of shared characteristics. It requires the following presentations: (a) all changes in equity arising from transactions with owners are to be presented separately from non-owner changes in equity; (b) income and expenses are to be presented in one statement (a statement of comprehensive income) or in two statements (a separate income statement and a statement of comprehensive income), separately from owner changes in equity; (c) components of other comprehensive income to be displayed in the financial statements. The Group is currently evaluating the effect of the amendment on its consolidated financial statements. Additional disclosures required by this amendment will be included in the consolidated financial statements when this amendment is adopted.
- Amendment to PAS 23, *Borrowing Costs* (effective for annual periods beginning on or after January 1, 2009), eliminates the option to immediately recognize borrowing cost as expense if they are directly attributable to the acquisition, construction or reproduction of a qualifying asset. The Group expects that the adoption of this amendment will not have significant impact on the consolidated financial statements upon its adoption since the Group already capitalizes borrowing costs on qualifying assets.
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008), covers contractual arrangements arising from entities providing public services. As the Group currently does not have service concession arrangements, and is not expecting to have such transaction upon adoption, the Group expects the adoption of this interpretation will not have any impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after July 1, 2008), prescribes that loyalty awards are accounted for as a separate component of the sales

transaction in which they are granted, in accordance with PAS 18, *Revenue*. Under this interpretation, a portion of fair value of the consideration received is allocated to the loyalty award credits and is deferred until the awards are redeemed. This interpretation also requires that an entity must apply judgment in determining the appropriate method of measuring award credits and the other components of the sale. As the Group currently does not offer loyalty awards to customers, and is not expecting to have such transaction upon its adoption, the Group expects the adoption of this interpretation will not have any impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after January 1, 2008), provides that the asset ceiling test under PAS 19, *Employee Benefits*, limits the measurement of the net pension asset in respect of a defined benefit plan at the balance sheet date to the total of any cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits that will be “available to the employer” in the form of refunds from the plan or reduction in future contributions to the plan. This interpretation specifies that so long as refunds from the plan will be realizable at some point during the life of the plan or at a final settlement, they will be considered to be “available to the employer” at the balance sheet date, regardless of whether or not the entity intends to settle the plan. This interpretation further clarifies that the entity controls the asset only if there is an unconditional right to the refund. This interpretation also prescribes how the following are determined: (1) economic benefits available as a reduction in future contributions; (2) how the availability of reductions in future contributions is affected by a minimum funding requirement; and (3) when a minimum funding requirement may give rise to a liability. The Group is currently evaluating the impact of this interpretation on the consolidated financial statements.

Consolidation

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

	Country of incorporation	Percentage ownership	
		2008	2007
CADPGC	Philippines	89.34	89.28
Roxol Bioenergy Corporation	Philippines	100.00	100.00

(Roxol)			
CADP Insurance Agency, Inc.	Philippines	100.00	100.00

The following are the subsidiaries of CADPGC:

	Country of incorporation	Percentage of ownership	
		2008	2007
CADP, Inc.	Philippines	100.00	100.00
Central Azucarera de La Carlota, Inc. (CACI)	Philippines	100.00	100.00
CCSI	Philippines	100.00	100.00
CFSI	Philippines	100.00	100.00
Jade Orient Management Services, Inc. (JOMSI)	Philippines	99.99	99.99
Najalin Agri Ventures, Inc. (NAVI)	Philippines	71.69	66.73

Subsidiaries are all entities over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. 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 Group'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 Group'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 parties 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 Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Parent 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.

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 parent'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.

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 management has designated a business segmentation of the Group's operation as set out below (see Note 28):

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 June 30, 2008 and 2007, the Group operates two boiling houses - one in La Carlota City, Negros Occidental and the other in Nasugbu, Batangas, with a daily cane capacity of 12,000 metric tons and 11,000 metric tons, respectively. 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 showed 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 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 June 30, 2008 and 2007.

Embedded Derivatives

An embedded derivative 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 at fair value through profit or loss. Changes in the fair values are included in the consolidated statement of income.

As of June 30, 2008, the Group has embedded prepayment option on its long-term borrowings, the value of which is immaterial.

b. Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at 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 planters and cane haulers, advances to employees, advances for raw sugar purchases, advances to related parties and other receivables (see Note 26) .

c. Held-to-maturity investments

Held-to-maturity investments are nonderivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method. Assets under this category are classified as current assets if maturity is within 12 months 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 June 30, 2008 and 2007.

d. Available-for-sale financial assets

Available-for-sale financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the consolidated balance sheet. Changes in the fair value of investments classified as available-for-sale financial assets are recognized in equity (net of the related deferred tax), except for the foreign exchange fluctuations on available-for-sale debt securities and the related effective interest which are taken directly to the consolidated statement of income. 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. 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 assets as available-for-sale as of June 30, 2008 and 2007.

e. Other financial liabilities

This category pertains to financial liabilities that are not held for trading and are not designated as 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) activities and advances to related parties.

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.

b. Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or 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. 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. 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

If an available-for-sale financial asset is impaired, the amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit and loss, is transferred from equity to the consolidated statement of income. Increases in fair value after impairment is assessed as having sustained once the decline in value reaches 20% of cost. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the consolidated statement of income. Increase in fair value after impairment are recognize directly in equity. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

Day 1 Profit or Loss

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 profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of

asset. In cases where use is 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 profit or loss 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, a by-product of raw and refined sugar 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 point-of-sale costs, 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. The harvesting costs 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 point-of-sale costs and from a change in fair value less

estimated point-of-sale costs of a consumable biological asset 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 sheet and consolidated statement 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 sheet. 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 statement of income. Valuations are performed frequently enough to ensure that the fair value of properties does not differ significantly from its carrying amount.

The 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 prospective, 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:	
Boilers and mill machinery	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 possible that future economic benefits will flow into the entity and specific criteria have been met or reach 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 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 Parent 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

Retirement benefits 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 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.

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. 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. 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 carryforward 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 Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Parent 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 Parent Company's equity holders.

Dividend Distribution

Dividend distribution to the Parent 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 Parent Company's BOD.

Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holder of the Parent Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary or common shares purchased by the Parent 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 (see Note 29).

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to exercise judgments, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. The Group makes estimates and 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 continually 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 the judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next fiscal year, and related impact and associated risk in the consolidated financial statements:

Judgments

Determination of the Parent Company's functional currency

Based on the economic substance of the underlying circumstances relevant to the Parent 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.

The classifications of the various financial assets and financial liabilities of the Group are disclosed in Note 26.

Classification of 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 P19.0 million as of June 30, 2008 (see Note 6).

Estimates

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 June 30, 2008 and 2007, the carrying amount of the Group's receivables amounted to P581.3 million and P800.0 million, net of allowance for impairment of receivables of P23.5 million and P22.8 million, respectively (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 June 30, 2008 and 2007 amounted to P1,348.3 million and P1,376.1 million, respectively (see Note 6).

Determination of fair value less estimated point-of-sale cost on consumable biological asset

Management determines the age of the sugarcane and bases the fair value of the sugarcane on observable market data. Point-of-sale costs, such as harvesting costs and other direct expenses, are estimated based on the yearly budgets of the Group.

As of June 30, 2008 and 2007, the Group's consumable biological assets amounted to P20.8 million and P16.1 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 P9.8 million as of June 30, 2008 and 2007 (see Note 7).

As of June 30, 2008 and 2007, the carrying amount of the Group's creditable withholding taxes amounted to 23.0 million and P53.8 million, respectively.

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 June 30, 2008 and 2007 amounted to P2,517.7 million and P1,986.5 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 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.

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 these are no impairment indicators, hence, no impairment loss on nonfinancial assets was recognized in 2008, 2007 and 2006.

The total carrying value of the Group's property, plant and equipment as of June 30, 2008 and 2007 amounted to ₱4,127.6 million and ₱2,272.6 million, respectively (see Note 9).

The carrying value of the Group's investment in share of stock of an associate amounted to ₱546.4 and ₱545.5 million as of June 30, 2008 and 2007, 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 June 30, 2008 and 2007 amounted to ₱120.0 million and ₱104.8 million, respectively. On the other hand, net pension benefit

obligation as of June 30, 2008 and 2007 amounted to P63.8 million and P54.8 million, respectively.

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 June 30, 2008 and 2007.

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 June 30, 2008 and 2007.

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. The Group has deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to P92.4 million and P92.9 million as of June 30, 2008 and 2007, respectively
(see Note 22).

4. **Cash and Cash Equivalents**

Cash and cash equivalents at June 30 consist of:

	December ,2008	June 30, 2008
Cash on hand and in banks	463,758	303,363
Short-term placements	15,338	46,910
	479,097	350,273

Short-term placements earn interest ranging from 1.5% to 5.1%, 2.3% to 5.0% and 3.3% to 4.8% per annum and have average maturities of 30 days, 60 days and 32 days in 2008, 2007 and 2006, respectively. Interest income earned on these placements amounted to P10.4 million, P10.6 million and P17.2 million in 2008, 2007 and 2006, respectively.

5. Receivables

Receivables at December 31 2008 and June 30, 2008 consist of:

Trade	365,516	428,537
Advances to planters and cane haulers	157,616	65,399
Advances to employees	44,748	73,027
Advances for raw sugar purchases	-	23,799
Advances to related parties	-	198
Others	23,141	13,851
		604,811
Less - Allowance for impairment of receivables	23,540	23,540
	567,481	581,271

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 which are collected through salary deduction.

Other receivable includes outstanding receivable from the 2002 sale of a portion of the Parent 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 Parent Company. As of June 30, 2008 and 2007, remaining balance amounts to P5.6 million and P6.9 million, respectively. These loans bear annual interest of 12% and are payable over 10 years until 2012. Unearned interest income, relating to the current portion of such receivable (presented as a deduction from such receivable), amounts to P0.5 million and P1.3 million as of June 30, 2008 and 2007, respectively. These transactions were not recognized in prior years. In 2008, the Parent Company restated its financial statements to recognize the transactions. Resulting adjustment to the consolidated retained earnings as of July 1, 2007 amounted to P29.2 million (see Note 27).

Noncurrent portion of loans to CADP, Inc. employees as of June 30, 2008 and 2007 amounting to P12.1 million and P12.0 million, respectively, is presented under "Other noncurrent assets" account net of unearned interest income of P2.1 million and P2.6 million, respectively.

Details and movement of allowance for impairment of receivables, determined using specific assessment, as of June 30 follow:

	2006	Additions	Write-offs	2007	Additions	Write-offs	2008
Trade	P4,260		(P672)	P3,588	P2,914		P6,502
Advances to planters and cane haulers	9,099	1,650	-	10,749	-	(4,705)	6,044
Advances to employees	3,250	205	-	3,455	-	(2,179)	1,276
Others	3,718	1,332	-	5,050	4,668	-	9,718
	20,327	P3,187	(P672)	22,842	P7,582	(P6,884)	23,540

6. Inventories

	December 31, 2008	June 30, 2008
At NRV		
Raw sugar	549,950	729,095
Materials and supplies	699,400	352,394
At cost		
Refined sugar	379,710	191,976
Molasses	34,326	18,955
Materials in transit	37,805	55,867
Others	15,189	
Allowance for impairment	(36,427)	-
	1,679,953	1,348,287

Inventories at June 30 consist of:

Allowance for inventory losses of raw sugar amounted to P10.8 million and P27.2 million as of June 30, 2008 and 2007, respectively.

Allowance for inventory obsolescence of materials and supplies amounted to P25.7 million and P25.6 million as of June 30, 2008 and 2007, respectively.

Cost of inventories recognized as expense and included in "Cost of sales" amounted to

₱3,111.8 million, ₱2,666.7 million and ₱1,956.8 million in 2008, 2007 and 2006, respectively.

7. Prepayments and Other Current Assets

	December 31,2008	June 30, 2008
Creditable withholding tax	51,369	23,035
Prepaid taxes	112,541	59,393
Consumable biological assets	10,022	20,791
Deposit to suppliers	94,144	53,012
Others	397,422	12,344
TOTAL	655,457	168,575

Other prepayments consist of advance payment made to a sugar milling company for tolling of CACI's raw sugar, Prepaid Taxes includes Vat Input

Consumable biological assets pertain to standing sugarcanes of NAVI.

The Group recognized the changes in the fair value of the standing cane and the amortization of the cane replantation cost, and has restated the opening balance of retained earnings. As a result of the restatement, retained earnings increased by ₱2.3 million as of July 1, 2007. The restatement has no impact on the retained earnings as of July 1, 2006.

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

Other current assets consist mainly of advance payment made to a sugar milling company for tolling services of CACI's raw sugar.

8. Investment in Shares of Stock of an Associate

As at June 30, 2008 and 2007, details of the investment in Hawaiian Philippine Company (HPCo), 45.09%-owned associate, and incorporated in the Philippines, follow:

	December 31,2008	June 30, 2008
Acquisition cost	127,933	127,933
Accumulated equity in net earnings Beginning of year		210,029

	210,963	
Equity in net income for the year	29,727	69,739
		279,768
		-
Less : Dividend income		68,805
End of year	236,674	210,963
Share in revaluation increment	207,492	207,492
	577,115	546,388

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

a. Merger of HPCo and Marina Trading Corp. (MTC)

On December 15, 2003, the Group through CADPGC, acquired 250,000 shares representing 45.78% equity interest in MTC, for a total consideration of P127.9 million. The underlying net assets of MTC on acquisition date amounted to P288.1 million, resulting in a negative goodwill of P4.0 million.

On November 25, 2005, the respective BOD of MTC and HPCo resolved to proceed with the statutory merger of MTC and HPCo with HPCo as the surviving entity. Pursuant to the plan of merger executed between MTC and HPCo, approved by the Philippine SEC on March 24, 2006, all the assets and liabilities of MTC with net asset value of P 696.3 million were deemed transferred to HPCo as of that date.

Upon adoption of PFRS 3, *Business Combinations*, the Group recognized the negative goodwill amounting to P132.0 million, of which the Group's share amounts to P117.8 million, in the opening balance of the retained earnings as of July 1, 2005.-

MTC equity holders exchanged their MTC shares for HPCo shares. CADPGC received 28.55 million of HPCo shares in exchange for its MTC shares representing 45.09% equity in HPCo. The carrying amount of CADPGC's share in net assets of MTC approximates the value of HPCo shares received in consideration for the transfer.

The summarized financial information of HPCo as of and for the years ended June 30, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Current assets	P436,982	P413,960	P462,965
Noncurrent assets	731,052	935,453	1,322,686
Current liabilities	386,539	505,233	269,252
Noncurrent liabilities	14,986	64,286	316,348
Net assets	766,509	779,894	1,200,051
Revenue	1,304,346	931,734	795,955
Net income	154,669	123,616	114,806

9. Property, Plant and Equipment

Details and movements of property, plant and equipment which are valued at cost basis and for the years ended June 30 are shown below:

	2008					Total
	Buildings and Improvements	Machinery and Equipment	Railroad Equipment	Office Furniture, Fixtures and Equipment	Construction In Progress	
Cost						
Beginning balances	P1,022,547	P4,717,476	P121,158	P623,590	P164,371	P6,649,142
Additions	15,341	163,057	-	23,239	1,992,101	2,193,738
Disposals	(6,426)	(7,543)	-	-	-	(13,969)
Reclassifications	7,559	45,127	-	(105,957)	-	(53,271)
Completed projects	14,013	135,546	-	22,983	(172,542)	-
Ending balances	1,053,034	5,053,663	121,158	563,855	1,983,930	8,775,640
Accumulated depreciation						
Beginning balances	560,245	3,196,998	121,158	498,129	-	4,376,530
Depreciation	69,829	203,822	-	54,452	-	328,103
Disposals	(2,630)	(3,341)	-	-	-	(5,971)
Reclassifications	32,417	(20,300)	-	(62,737)	-	(50,620)

Ending balances	659,861	3,377,179	121,158	489,844	-	4,648,042
Net Book Value	P393,173	P1,676,484	P-	P74,011	P1,983,930	P4,127,598

2007						
	Buildings and Improvements	Machinery and Equipment	Railroad Equipment	Office Furniture, Fixtures and Equipment	Construction In Progress	Total
Cost						
Beginning balances	P1,012,941	P4,571,469	P121,158	P601,478	P92,185	P6,399,231
Appraisal increase	-	-	-	-	-	-
Additions	7,686	73,194	-	21,934	147,639	250,453
Disposals	-	-	-	(542)	-	(542)
Completed projects	1,920	72,813	-	720	(75,453)	-
Ending balances	1,022,547	4,717,476	121,158	623,590	164,371	6,649,142

(Forward- -

2007						
	Buildings and Improvements	Machinery and Equipment	Railroad Equipment	Office Furniture, Fixtures and Equipment	Construction In Progress	Total
Accumulated depreciation						
Beginning balances	P523,443	P2,844,848	P121,158	P457,308	P-	P3,946,757
Depreciation	36,802	352,150	-	40,821	-	429,773
Ending balances	560,245	3,196,998	121,158	498,129	-	4,376,530
Net Book Value	P462,302	P1,520,478	P-	P125,461	P164,371	P2,272,612

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

	2008	2007
Beginning balance, at appraised values	P1,986,487	P1,986,487
Appraisal increase	531,173	-
Ending balance, at appraised values	P2,517,660	P1,986,487
At cost	P32,620	P32,620

a. Construction in progress

Construction in progress as of June 30, 2008 and 2007 pertains mainly to the foregoing milling plant impairment project, milling plant improvement project, refinery plant installation of sieving facilities, as well as construction and improvement of waste and pollution facilities of the Group.

Milling plant improvement project (the Expansion Project)

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

In August 2007, CADPGC entered into a purchase agreement, for and on behalf of its wholly-owned subsidiaries, CADP, Inc. and CACI, with a foreign corporation to buy certain sugar mill equipment for a total purchase price of US\$19.5 million. The purchase pertains to different pieces of disassembled equipment that originated from "Bryant Sugar House", a sugar mill located in Bryant, Florida, U.S.A., of which the sellers had purchased from United States Sugar Corporation through a purchase and removal agreement executed on April 30, 2007.

To complement the mills from Bryant Sugar House, mill components and shredder were purchased from Australia in March 2008.

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

Capitalization of borrowing costs

In 2008, interests from short and long-term borrowings amounting to P45.5 million, directly incurred to finance the Expansion Project were capitalized to property, plant and equipment. No capitalized borrowing cost was recorded in 2007 and 2006. The Group amortizes such capitalized interest over the useful life of the qualifying asset to which it relates. Unamortized capitalized interest as of June 30, 2008 and 2007 amounted to P91.3 million and P53.6 million with corresponding deferred income tax liability of P30.0 million and P18.8 million, respectively (see Note 22).

Noncash additions to property, plant and equipment

The Group has outstanding liability on purchase of equipment relating to the Expansion Project amounting to P68.1 million as of June 30, 2008.

b. Depreciation

Depreciation charged to operations are as follows:

	2008	2007	2006
Cost of sales (Note 18)	P301,858	P405,479	P422,614
General and administrative expenses (Note 19)	26,245	24,294	24,796
	P328,103	P429,773	P447,410

As part of the Group's annual review of useful lives and residual values of its property, plant and equipment, the Group has recorded additional depreciation amounting to P35.0 million and P151.5 million in 2007 and 2006, respectively, due to the revision of the estimated useful lives of some items. In 2008, no significant changes were made in the useful lives and residual values of the property, plant and equipment.

As of June 30, 2008 and 2007, fully depreciated property, plant and equipment, with an aggregate cost of P954.5 million and P1,070.0 million, respectively, are still being used in operations.

c. Property, plant and equipment as collateral

Some property, plant and equipment of the Group are mortgaged to secure the Group's loan obligations with creditor banks (see Note 13).

d. Capital expansion commitments

The Group has outstanding capital expansion commitments amounting to P 2,319.0 million and P36.0 million as of June 30, 2008 and 2007, respectively.

10. Short-term Borrowings

At various dates in 2008 and 2007, 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 4.7 % to 8.1% and have terms ranging from 28 to 90 days.

Short-term loan amounting to P400.0 million availed by the Parent Company from Banco de Oro (BDO) is part of the Syndicated Loan Facility Agreement

discussed in Note 13. As of June 30, 2008, the balance of the short-term loan, net of related unamortized debt commitment fees, amounted to P392.6 million.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	December 31,2008	June 30, 2008
Trade suppliers	469,864	215,703
Payable to government agencies for taxes and contributions	54,240	22,428
Purchases and others	33,262	132,273
Interest	6,948	18,479
Payroll and other benefits	5,020	43,374
Due to planters		66,239
	13,439	
Others	222,804	131,862
	805,577	630,628

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).

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 P215.3 million and P85.3 million as of June 30, 2008 and 2007, respectively.

13. Long-term Borrowings

Long-term borrowings consist of:

	December 31,2008	June 30,2008
Syndicated loan allowance		
Banco de Oro (BDO)	1,363,494	904,500
Bank of the Philippine Island (BPI)	940,562	797,000
Rizal Commercial Banking Corporation (RCBC)	219,944	148,500
Planters Development Bank		13,333
Land Bank of the Philippines		
	2,524,000	1,863,333
Unamortized debt commitment fee	(27,162)	(20,272)
	2,496,838	1,843,061
Less : Current portion		
PDB		13,333
LBP		
		13,333
Long-term portion	2,496,838	1,829,728

a. Syndicated Loan Facility Agreement

On February 8, 2008, the Parent Company renewed its Syndicated Loan Facility Agreement with BPI, RCBC and BDO (with BPI as lead bank) with an aggregate amount of P6,136.0 million. The principal amount of debt accommodation is shared by the Parent Company and CADP, Inc./CACI amounting to P1,517.0 million and P4,619.0 million, respectively.

CADP, Inc.

On February 14, 2008, CADP, Inc. entered into loan agreement with BPI to avail loans in two tranches with an aggregate principal amount of P500.0 million. Tranche "A" of the loan amounting to P300.0 million bears fixed annual interest of 8.0% and payable on the 5^h anniversary date of the borrowing. On the other hand, Tranche "B" of the loan amounting to P200.0 million bears fixed annual interest of 8.4% and payable on an installment basis,

P2.0 million on the 5^h and 6^h anniversary date of the borrowing and the balance on the 7^h anniversary date of the borrowing. These loans were obtained to finance the Expansion Project discussed in Note 9.

On May 5, 2008, CADP, Inc. availed loans from BPI and RCBC amounting to P 167.2 million and P83.6 million, respectively, which bear interest of 6.5% and 6.6%, respectively. Promissory notes issued by CADP, Inc. to the banks are under the terms set forth in the Syndicated Loan Facility Agreement. Loans availed are with 10-year terms and will all mature on May 5, 2018.

Likewise, In May 5, 2008, CADP, Inc. availed additional loan from BDO amounting to P365.9 million. The principal of the loans is payable quarterly starting on the 4th year of the 10-year term. As of June 30, 2008, the interest rate was 6.63%, subject to repricing for every 30 to 180 days as agreed by the parties.

CACI

On May 5, 2008, CACI availed loans from BPI, BDO and RCBC amounting to P129.8 million, P395.3 million and P64.9 million, respectively, and with interest rates of 6.56%, 6.63% and 6.70%, respectively. Promissory notes issued by CACI to the banks are also under the terms set forth in the Syndicated Loan Facility Agreement. Loans availed are with 10-year terms and will all mature on May 5, 2018.

Debt commitment fees

As part of the Syndicated Loan Facility Agreement, the Group incurred debt commitment fees amounting to P59.4 million in 2008. Of the total amount of debt commitment fees paid, P29.8 million pertains to the drawn portion of the total credit facility (referred to as "Unamortized debt commitment fees" and presented as a reduction from the principal loan balance), while the remaining P29.6 million pertains to the undrawn portion (presented as "Deferred charges" under "Other noncurrent assets"). As of June 30, 2008, unamortized debt commitment fees

on long-term and short-term loans amounted to P20.3 million and P7.4 million, respectively, deferred charges amounted P30.3 million.--

Debt covenants

The above loans stipulate certain affirmative and negative covenants, which include among others, the maintenance of debt service coverage ratio and debt to equity ratio based on the Group's audited consolidated financial statements; the prohibition on purchase of additional equipment except in pursuance of its sugar expansion and ethanol project; and the 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 June 30, 2008, the Group is in compliance with the loan covenants.

b. Loan with PDB

The loan with PDB is payable in 18 equal quarterly amortizations, with the first amortization to be paid on the 9th month from the date of release of the loan proceeds until December 16, 2008. The loan was used to finance capital expenditures for both sugar mill and refinery. Interest rate is fixed at 9.88% per annum.

The above loans are secured by mortgage trust indenture covering properties in Nasugbu, Batangas consisting mainly of RHI's land with an aggregate carrying value of P1.3 billion as of June 30, 2008 and 2007 and CADP, Inc.'s real properties of P2.2 billion as of June 30, 2008 and 2007 (see Note 9).

The loan agreements stipulate certain covenants, which include among others, the maintenance of a reasonable amount of deposit with the bank maintenance of certain financial ratios and that all collateral must be registered and free from liens and liabilities. As at June 30, 2008 and 2007, CADP, Inc. is in compliance with the loan covenants.

c. Loans with LBP

CADPGC

As of June 30, 2007, the outstanding loan from LBP amounting to P250.0 million that was availed by CADPGC is secured by a mortgage on sugar mills and machinery and equipment spun off to CACI with an aggregate carrying

value of P1.3 billion as of June 30, 2007. The loan is payable in 10 years, inclusive of three years grace period on principal amount, in equal quarterly installments commencing at the end of the 12th quarter from the initial draw down until October 30, 2012. CADPGC fully paid the remaining balance of the loan amounting to P250.0 million in March 2008.

CADP, Inc.

As of June 30, 2007, the loan with LBP amounting to P303.4 million was initially made jointly by CADP, Inc. and RHI on October 28, 2002. Pursuant to the terms of the agreement, the loan was assumed by CADP, Inc. on June 26, 2003. The loan is payable in 10 years, inclusive of two years and three quarters grace period on principal repayments, in 20 equal quarterly installments commencing at the end of the 12th quarter from the initial draw down until October 30, 2012. The loan was used partly to finance capital expenditures on both sugar mill and refinery, construction of support facilities, installation of air pollution - 35 -

abatement facilities, establishment of computerized key business system and for permanent working capital. Interest rate is based on 91-day Treasury bill rate plus 2% spread. In March 2008, CADP, Inc. pre-terminated the remaining balance of the loan amounting to P262.1 million. In accordance with the loan agreement, no pre-termination penalty was paid.

The maturity of long-term borrowings is as follows:

	December 20	June 30,2008
Between one and two years		141,586
Between two and five years	499,856	468,217
Over five years	1,996,981	1,219,925
	P 2,496,837	1,829,728

Total interest expense recognized from short and long-term borrowings amounted to P57.5 million, P61.9 million and P99.8 million in 2008, 2007 and 2006, respectively.

14. Related Party Transactions

In the normal course of business, the Group has transactions with CADPI Retirement Fund, Inc. (CADPIRFI) as follows:

- a. 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 in 2008, 2007 and 2006 amounted to P4.22 million.
- b. In December 2005, the Parent 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 P56,183. Related rent expense charged to operations in 2008, 2007 and 2006 amounted to P0.6 million, P0.6 million and P0.3 million, respectively.

Key management compensation for the years ended June 30 follows:

	2008	2007	2006
Salaries and other benefits	P33,252	P31,126	P39,180
Retirement benefits (income)	(3,057)	6,023	6,886
	P30,195	P37,149	P46,066

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

15. Retirement Benefit Plans

Net Pension Plan Assets

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

The amounts recognized in the consolidated balance sheets at June 30, are determined as follows:

	2008	2007
Present value of obligation	P116,788	P114,778
Fair value of plan assets	(233,370)	(250,828)
Surplus	(116,582)	(136,050)
Unrecognized actuarial gains (losses)	(3,443)	21,610
Amount not recognized as asset, because of limit	-	9,624
Net pension plan assets	(P120,025)	(P104,816)

Plan assets cannot be returned to RHI and CADPGC unless on circumstances discussed in Note 2. The net pension plan assets as of June 30, 2008 and 2007 of P120.0 million and P104.8 million, respectively, will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's 2008 and 2007 retained earnings related to pension plan asset, net of deferred income tax liability, is not available for dividend declaration (see Note 23).

The movement in the defined benefit obligation during the year is as follows:

	2008	2007
Beginning of year	P114,778	P125,466
Interest cost	9,182	13,801
Current service cost	6,181	4,293
Benefits paid	-	(29,246)
Actuarial gain	(13,353)	464
End of year	P116,788	P114,778

The movement in the fair value of plan assets during the year is as follows:

	2008	2007
Beginning of year	P250,828	P265,339
Expected return on plan assets	20,950	23,881
Contributions	-	827
Benefits paid	-	(29,246)

Actuarial loss	(38,408)	(9,973)
End of year	P233,370	P250,828

RHI and CADPGC's plan assets at June 30 consist of:

	2008		2007	
	Percentage	Amount	Percentage	Amount
Stocks and government securities	72%	P167,327	46%	P115,237
Cash and receivables	28%	66,043	54%	135,591
	100%	P233,370	100%	P250,828

RHI and CADPGC have no expected contributions for the fiscal year ending June 30, 2009.

Pension plan assets, which are managed by a trustee, include investments in equity securities of the Parent Company and CADPGC with a fair value amounting to P92.4 million and P1.9 million and P101.8 million and P2.3 million as of June 30, 2008 and 2007, respectively.

Net Pension Benefit Obligation

CACI maintains a funded non-contributory defined benefit plan covering all eligible employees. Under the plan, the normal retirement age is 65 irrespective of years of service. A participant may, at his option, elect to retire or the Company may, at his 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. maintains funded non-contributory defined benefit plan covering all regular employees. Under the plan, the normal retirement age is 65 irrespective of years of service. A participant may opt to retire at age 60 regardless of number of years in service or upon completion of 20 years of continuous service to 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.

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

	2008	2007
Present value of obligations	P364,890	P473,623

Fair value of plan assets	(244,021)	(216,688)
Deficit	120,869	256,935
Unrecognized net transition obligation	(65,255)	(97,882)
Unrecognized actuarial losses (gains)	8,158	(104,206)
Net pension benefit obligation	P63,772	P54,847

The movement in the defined benefit obligation over the year is as follows:

	2008	2007
Beginning of year	P473,623	P380,803
Interest cost	37,890	41,888
Current service cost	24,946	20,797
Benefits paid	(81,904)	(39,789)
Curtailment loss	6,430	-
Actuarial loss (gain)	(96,095)	69,924
End of year	P364,890	P473,623

The movement in the fair value of plan assets during the year is as follows:

	2008	2007
Beginning of year	P216,688	P166,849
Expected return on plan assets	16,012	15,016
Contributions	82,855	73,545
Benefits paid	(81,904)	(39,789)
Actuarial gain	10,370	1,067
End of year	P244,021	P216,688

The subsidiaries' plan assets at June 30 consist of:

		2008		2007	
		Percentage	Amount	Percentage	Amount
Stocks	and	79%	P192,153	70%	P150,781
government securities					
Cash and receivables		21%	51,868	30%	65,907
		100%	P244,021	100%	P216,688

CADP, Inc. and CACI are expected to contribute a total of P98.0 million to the fund for the year ending June 30, 2009. As of June 30, 2008 and 2007, net pension plan obligation, under noncurrent liabilities portion of the balance sheets, amounted to P63.8 million and P54.8 million, respectively.

Pension Cost

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

	2008	2007	2006
Current service cost	₱31,127	₱25,089	22,263
Interest cost	47,072	55,690	52,719
Return on plan assets	(36,962)	(38,897)	(29,962)
Actuarial loss (gain) recognized	5,898	(501)	4,108
Amortization of net transitional liability	32,627	32,627	32,627
Curtailment loss	6,430	-	-
Asset ceiling adjustment	(9,624)	9,624	-
	₱76,568	₱83,632	₱81,755

The actual return on plan assets was ₱8.9 million, ₱29.3 million and ₱89.6 million in 2008, 2007 and 2006, respectively.

The expected return on plan assets were determined based on a reputable fund trustee's yield rate for risk portfolio similar to that of the fund with consideration to the funds' past performance.

The principal actuarial assumptions used in determining retirement benefits and gratuities cost for the Group's plans as of July 1 of each year:

	2007	2006	2005
Discount rate	8%	11%	12%
Expected return on plan assets	9%	9%	9%
Future salary increases	8%	5%	5%

As of June 30, 2008, the following are the assumptions: discount rate per annum of 10.3%, expected return on plan assets of 9% and future annual increase on salary of 8%.

Assumptions regarding future mortality and disability are based on advice from published statistics and experience in the Philippines.

The Group's consolidated amounts for the current and previous years are as follows:

	2008	2007	2006
--	------	------	------

Present value of obligations	P481,678	P588,401	P506,268
Plan assets	477,391	467,516	432,187
Deficit	4,287	120,885	74,081
Experienced adjustments on plan assets-			
loss (gain)	(4,910)	(29,354)	2,500
Experienced adjustments on plan obligation-gain (loss)	(2,654)	51,521	(4,283)

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 follow:

Present value of the obligation at the date of adoption	P333,645
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>P163,135</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 P32.6 million each year.

CACI's Rightsizing Program

CACI implemented a rightsizing program which involved two phases. The first is an early retirement package and the second is the phasing out or abolition of departments, sections and positions which have been identified as redundant or no longer necessary to CACI's core business.

On July 20, 2007, CACI announced its early retirement program to employees, whereby the retirement benefit is equivalent to 1.2 times of monthly salary for every year of service. Total payments made in 2008 amounted to P43.2 million.

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:

	2008		2007	
	Total volume (In thousand (Lkg*))	Estimated market value (in millions)	Total volume (In thousand (Lkg*))	Estimated market value (in millions)
Raw sugar	1,411	P1,296	930	P920
Refined sugar	1,037	1,409	621	864
	2,448	P2,705	1,551	P1,784

* Equivalent to 50 kilogram bag unit.

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

c. CADP, Inc. entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of June 30, 2008 and 2007, CADP, Inc. has outstanding sales contracts for refined sugar with a total value of P 1,236.3 million and P841.06 million, equivalent to 817,091 LKg and 540,256 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, 2008 and 2007 (see Note 12), which will be applied against future deliveries of sugar and molasses.

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 P3.5 million, P3.7 million and P3.3 million in 2008, 2007 and 2006, respectively.

(ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations in 2008, 2007 and 2006 amounted to P172.3 million, P129.2 million and P116.2 million, respectively.

- e. CADP, Inc. entered into an indemnity and guarantee fee agreement with RHI to continue to be a mortgage trust indenture (MTI) between and among CADP, Inc., RHI and BPI. RHI conveyed unto BPI as mortgage trustee its land located in Nasugbu, Batangas (mortgaged property) (see Note 13). RHI agreed to continue to subject the mortgaged property to the MTI on the following conditions:
- (i) CADP, Inc. shall protect the property and reimburse RHI with all expenses in case the mortgaged property is attached to satisfy the obligations of CADP, Inc. secured by the MTI; and
 - (ii) A guarantee/mortgage fee of P3.0 million shall be paid annually by CADP, Inc. to compensate RHI for the continuance of the mortgage.
- f. There are pending legal cases in the ordinary course of their business as at June 30, 2008, but in the opinion of management and legal counsel, the ultimate outcome of these cases will not have a material impact on the financial position and results of operations of the Group. Consequently, no provision related to these legal cases was made in the 2008, 2007 and 2006 consolidated financial statements.
- g. As of June 30, 2008 and 2007, the Group has unused lines of credit from local banks amounting to P3,165.0 million and P892.0 million, respectively.

17. Revenue

The components of revenue are as follows:

	December 2008	June 2008	2007 (As Restated Note 27)
Refined sugar	P1,139,374	P3,481,489	P3,720,886
Raw sugar	973,806	1,958,135	1,383,411
Tolling fees	116,855	360,687	264,841
Molasses	69,056	268,611	274,597
Others		8,622	2,313

₱ 2,299,092 ₱6,077,554 ₱5,646,048

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

18. Cost of Sales

The components of cost of sales are as follows:

	2008	2007 (As Restated, Note 27)	2006 (As Restated, Note 27)
Purchased sugar	₱2,216,762	₱2,187,141	₱1,463,656
Cost of transporting canes to mill (Note 16)	714,573	546,860	552,527
Net changes in inventories	180,510	(67,283)	(59,422)
Direct labor (Note 20)	384,728	367,674	345,414
Trading cost	31,047	17,968	288,967
Tolling fees	1,313	50,374	15,715
Manufacturing overhead:			
Materials and consumables	403,945	416,860	526,385
Repairs and maintenance	365,696	370,726	338,398
Depreciation (Note 9)	301,858	405,479	422,614
Taxes and licenses	141,487	90,607	69,920
Outside services	64,224	56,343	46,892
Communication, light and water	55,342	56,455	46,047
Rent (Notes 14 and 16)	₱38,723	₱35,532	₱33,798
Provision for sugar inventory losses (Note 6)	15,001	27,180	-
Others	27,364	22,470	22,489
	₱4,942,573	₱4,584,386	₱4,113,400

19. General and Administrative Expenses

The components of general and administrative expenses are as follows:

	2008	2007 (As Restated, Note 27)	2006 (As Restated, Note 27)
Employee benefits (Note 20)	P189,939	P202,550	P186,363
Taxes and licenses	62,531	48,261	32,700
Outside service	52,350	52,538	55,625
Travel and transportation	31,558	12,597	12,217
Depreciation (Note 9)	26,245	24,294	24,796
Rent (Notes 14 and 16)	22,799	14,551	16,314
Insurance	16,043	20,948	18,841
Materials and consumables	14,958	14,198	13,953
Pension costs (Notes 15 and 20)	11,949	24,478	24,769
Repairs and maintenance	9,839	7,985	17,007
Corporate social responsibility	8,984	5,479	4,261
Communication, light and water	8,640	7,180	8,727
Representation and entertainment	3,496	3,770	2,394
Provision for impairment of receivables and creditable withholding taxes (Notes 5 and 7)	698	3,739	20,892
Management fee	-	1,373	1,527
Others	48,635	26,065	11,128
	P508,664	P470,006	P451,514

20. Employee Benefits

The components of employee benefits are as follows:

	2008	2007	2006
Salaries and wages (Notes 18 and 19)	P379,769	P379,661	P378,490

Allowances and other employee benefits (Notes 18 and 19)	130,279	131,409	96,301
Pension costs (Note 15)	76,568	83,632	81,755
	P586,616	P594,702	P556,546

21. Other Income - net

The components of other operating income are as follows:

	2008	2007 (As Restated, Note 27)	2006 (As Restated, Note 27)
Sale of scrap	P43,620	P10,740	P7,733
Sugar and molasses handling fees	9,801	11,321	15,613
Foreign exchange losses - net	(7,245)	(7,418)	(7,456)
Others	6,441	4,125	10,205
	P52,617	P18,768	P26,095

22. Income Taxes

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

2008		2007 (As Restated, Note 27)	
Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
(1)	(2)	(1)	(2)

Deferred income tax assets on:

Allowance for:

Impairment of receivables (Note 5)	₱7,747	₱-	₱7,546	₱-
Sugar inventory losses (Note 6)	911	-	9,513	-
Inventory obsolescence (Note 6)	11,839	-	8,971	-
Pension benefit obligation (Note 15)	21,911	-	18,604	-
Unamortized past service cost	42,243	1,370	33,478	1,858
Unrealized foreign exchange loss	819	12	-	-
NOLCO	-	4,630	9,968	-
Excess MCIT	6,894	411	4,828	-
	92,364	6,423	92,908	1,858
Deferred income tax liabilities				
on:				
Revaluation increment on properties (Note 23)	(2,054)	(680,178)	(2,054)	(520,824)
Unamortized capitalized interest	(29,988)	-	(18,768)	-
Changes in fair value of biological assets (Note 7)	-	(2,079)	-	-
Pension plan assets (Note 15)	-	(42,009)	-	(36,686)
Unamortized debt commitment fees	(13,275)	(4,145)	-	-
	(45,317)	(728,411)	(20,822)	(557,510)
Net deferred income tax assets				
(liabilities)	₱47,047	(₱721,988)	₱72,086	(₱555,652)

(1) Pertain to CADP, Inc. and CACI

(2) Pertain to RHI, CADPGC and NAVI

The gross movement in deferred income tax assets and liabilities during the year is as follows:

	July 1, 2008 (As restated)	Charged to Consolidated Statement of Income	Charged to Consolidated Statement of Equity	June 30, 2008
Net deferred income tax assets	₱72,086	(₱25,039)	₱-	₱47,047

Net deferred income					
tax liabilities	(555,652)	(6,983)	(159,353)	(721,988)	
Net deferred income					
tax liabilities	(P483,566)	(P32,022)	(P159,353)	(P674,941)	

Restatements have been made for 2007 and 2006 to recognize the effect of changes in future tax rates on deferred income tax assets and liabilities for which the corresponding temporary differences will only be reversed in the subsequent periods.

Deferred income tax liability on revalued land is determined using an income tax rate of 30%. Other deferred tax assets and liabilities are determined using an income tax rate of 35%.

- b. Details of NOLCO benefits and corresponding analysis of deferred income tax asset as of June 30 follow:

Incurring	Amount	Applied	Expired	Balances as of June 30	Tax Effect	Available Until
2005	P77,104	(P69,358)	(P7,746)	P-	P-	2008
2007	13,504	-	-	13,504	4,051	2010
2008	11,178	-	-	11,178	3,353	2011
	P101,786	(P69,358)	(P7,746)	P24,682	P7,404	

Deferred income tax asset on NOLCO amounting to P7.4 million and P21.8 million as of June 30, 2008 and 2007, respectively, was not recognized as management believes that it is not probable that future taxable profit will be available against which the NOLCO can be utilized.

- c. The Parent Company and subsidiaries are subject to MCIT of 2% based on its gross income as defined under the tax code, if normal income tax is less than the computed MCIT. The excess of MCIT over the normal income tax shall be carried forward on an annual basis and credited against the normal income tax for three immediately succeeding taxable years. Any balance of MCIT which has not been applied against the normal income tax for the three-year period will be closed to provision for income tax for financial reporting purposes.

- d. Details of unused MCIT as at June 30 in the consolidated balance sheets follow:

Incurring in	Amount	Applied	Expired	Balances as of June 30	Available Until
2005	P4,871	P-	P4,871	P-	2008
2006	6,588	-	-	6,588	2009
2007	4,856	-	-	4,856	2010
2008	6,998	-	-	6,998	2011
	P23,313	P-	P4,871	P18,442	

MCIT of CACI and NAVI amounting to P11.5 million and P6.7 million as of 2008 and 2007, respectively, were not recognized as management believes that it is not probable that future taxable profit will be available against which MCIT can be utilized.

- e. Details of other temporary differences for which no deferred income tax assets are recognized as at June 30 follow:

	2008	2007
Allowance for impairment of receivables	P1,404	P1,283
Pension benefit obligation	4,017	1,517
	5,421	2,800
Deferred income tax liabilities at 35%	P1,897	P980

- f. The reconciliation between the provision for income tax computed at the applicable statutory tax rate and provision for income tax presented in the consolidated statement of income for the years ended June 30 follows:

	2008	2007 (As Restated, Note 27)	2006 (As Restated, Note 27)
Provision for income tax at statutory rate	P233,084	P200,416	P178,550
Adjustments resulting from:			
Application of temporary differences and NOLCO for which no deferred income tax asset was previously recognized	(14,373)	-	(33,256)
Expiration (application) of	4,827		

excess		-	(575)
MCIT credits			
Unrecognized deferred			
income			
tax assets arising from	4,682		
temporary differences		1,346	4,095
and			
NOLCO			
Effect of change in income			
tax rates applied on			
deferred			
income tax assets and	(3,277)		(2,069)
liabilities		-	
Tax effects of:			
Equity in net earnings of			
an associate	(24,408)	(19,509)	(17,600)
Interest and dividend			
income	(1,556)	(3,711)	(9,581)
subjected to final tax			
Depreciation on appraisal			
increase	6,666	6,666	6,476
Nondeductible expenses	3,731	9,605	3,010
Unallowable interest	1,411	773	3,315
expense			
Others	7	(6,078)	(3,305)
Provision for income tax	P210,794	P189,508	P129,060

g. On May 24, 2005, Republic Act (RA) 9337 (the "Act"), otherwise known as "Expanded Value Added Tax (EVAT) of 2005" amending certain sections of the National Internal Revenue Code of 1997 (NIRC), was passed into law and became effective on November 1, 2005. The following are the more salient provisions of the new act that are relevant to the Company:

- Imposition of 70% cap on the input tax credit which a taxpayer could claim against output tax in the event that total input tax credits are higher than output tax. In such case, the taxpayer is required to remit a minimum of 30% of the total output tax due;
- Input tax on capital goods shall be claimed on a staggered basis over 60 months or if the useful life of the related assets, whichever is shorter; and,
- Increase of VAT rate from 10% to 12% effective February 1, 2006.

The same Act changed the normal corporate income tax from 32% to 35% effective November 1, 2005 and 35% to 30% effective January 1, 2009.

On November 21, 2006, under RA 9361, the NIRC was amended anew with the deletion of the provision imposing the 70% cap on input tax that may be credited in every taxable quarter.

- d. The President signed into law on June 17, 2008 RA 9504 amending provisions of the 1997 Tax Code. RA 9504 became effective on July 7, 2008, fifteen (15) days after its publication last June 22, 2008 in major newspapers of general circulation. The new law shall be effective starting taxable year 2008. The new law includes provisions relating to the availment of optional standard deductions (OSD). Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in the return its intention to avail the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made.

On September 24, 2008, the Bureau of Internal Revenue issued Revenue Regulation No. 10-2008 for the implementing guidelines of this law .

23. Equity

- a. Share capital and treasury shares

Details of share capital and treasury shares at June 30 follow:

	2008		2007		2006	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized common shares "Capital A" at P1 par value each	1,500,000	P 1,500,000	1,500,000	P 1,500,000	1,500,000	P 1,500,000

Issued common shares "Class A"	1,168,978	₱ 1,168,978	₱ 1,168,978	₱ 1,168,978
Treasury shares	(251,330)	(739,707)	(55,007)	(63,767)
Issued and outstanding	917,648	₱429,271	1,113,971	₱ 1,118,704
			1,105,211	1,117,426

Reacquisitions of shares by the Parent Company on its Share Buy Back Program in fiscal years 2008, 2007 and 2006 follow:

Year Reacquired	Number of Shares	Cost
2008	196,323	₱675,940
2007	4,733	12,215
2006	17,774	21,705

b. Share premium and revaluation increment

As discussed in Note 1, in 2002, the Group has undertaken major activities relating to the Reorganization Program. The sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADP, Inc (see Note 1). The assets and liabilities, excluding land in Nasugbu, were transferred by the Parent 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 Parent 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 Parent 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 Parent 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.

In 2008, the Parent Company restated retroactively its investment in shares of stock by P150.6 million to adjust the investment to its historical cost. Furthermore, the revaluation increment, unrestricted retained earnings and deferred income tax liability amounting to P7.2 million and P128.4 million and P15.0 million, respectively, were also restated to reflect the remaining balance of the revaluation increment, the amount of revaluation increment absorbed through depreciation for the past years and the related deferred income tax liability.

c. Retained earnings

Restricted retained earnings

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

	2008	2007 (Restated, Note 27)	2006
Treasury shares	739,707	63,767	51,552
Pension plan asset - net of deferred income tax liability (Note 15)	63,377	53,143	56,067
	P803,084	P116,910	P107,619

The Company restated the 2007 financial statements to reflect restriction of retained earnings on the treasury shares of the Company. The restriction resulted to a decrease in unrestricted retained earnings and an increase in restricted retained earnings as of July 1, 2007 amounting to P63.8 million.

Further, unrestricted retained earnings includes P1,131.2 million, P846.6 million and P615.5 million as of June 30, 2008, 2007 and 2006, respectively, which represents accumulated earnings of consolidated subsidiaries and unconsolidated associate which are not available for distribution to the Parent Company's shareholders unless received as cash dividends from investees.

Dividend declaration

Cash dividends declared by the Parent Company from retained earnings during the years ended June 30, 2008, 2007 and 2006 follow:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Date Paid/Issued
June 25, 2008	P0.06	P55,058	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	67,124	October 12, 2006	November 10, 2006
June 29, 2006	0.06	67,158	July 14, 2006	July 26, 2006

d. Share Prices

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

Quarter	High	Low
July 2007 through June 2008		
First	P3.10	P2.06
Second	2.95	2.48
Third	3.60	2.60
Fourth	3.60	2.20
July 2006 through June 2007		
First	P3.65	P3.60
Second	4.05	1.32
Third	2.48	2.42
Fourth	2.75	2.70
July 2005 through June 2006		
First	1.10	1.10
Second	1.32	1.28
Third	2.55	2.46
Fourth	2.70	2.60

e. Share Buy Back Program

In 2008, CADPGC re-acquired portion of its shares amounting to P2.9 million (1,506,000 shares). As a result, the Parent Company's effective ownership interest has increased from 89.28% to 89.36%. The difference between the re-acquisition cost and the book value of shares acquired by the Parent Company (through CADPGC) from the minority interest amounted to P1.4 million and was recognized in equity under "Effect of change in ownership interest" account.

24. Earnings Per Share

Earnings per share (EPS) for the years ended June 30 is computed as follows:

	2008	2007 (As Restated Note 27)	2006 (As Restated Note 27)
Net income for the year attributable to the equity holders of the Parent Company	P410,015	P344,203	P340,594
Weighted average number of common shares outstanding		1,117,263	1,118,702
Basic/diluted earnings per share	P0.3	P0.3	P0.3

There are no potential dilutive common shares as at June 30, 2008, 2007 and 2006.

25. 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 2008.

Management considers the total 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 as of June 30, 2008:

	2008	2007 (As Restated, Note 27)
Total liabilities	₱4,366,289	₱2,359,797
Total equity	5,500,895	5,481,109
Total liabilities and equity	₱9,867,184	₱7,840,906
Debt ratio	0.44:1.00	0.30:1.00
Debt-to-equity ratio	0.79:1.00	0.43:1.00

26. Financial Instruments

Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group also monitors the market price risk arising from all financial instruments. Risk management is carried out by the President and Senior Vice President for Finance and Treasurer under the direction of the BOD of the Parent Company.

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available.

The table below summarizes the maturity profile of the Group's financial liabilities at

June 30, 2008 based on contractual undiscounted payments:

	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5	Total
Accounts payable and accrued expenses	₱ 459,693	₱ 16,646	₱-	₱-	₱-	₱-	₱ 476,339
Dividends payable	-	81,205	-	-	-	-	81,205
Short-term borrowings	225,000	485,000	-	-	-	-	710,000
Current portion of long-term borrowings	-	13,333	-	-	-	-	13,333
Long-term borrowings - net of current portion	-	39,009	45,723	161,344	169,993	1,904,759	2,320,828
Other liabilities	106,204	25,657	-	-	-	-	131,861
	₱ 790,897	₱ 660,850	₱ 45,723	₱ 161,344	₱ 169,993	₱ 1,904,759	₱ 3,733,566

Credit risk

Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Cash in bank and time deposits*	P								P
	348,843	P-	P-	P-	P-	P-	P-	P-	348,843
Trade receivables	147,130	221,528	16,677	16,059	5,167	4,092	17,884		428,537
Advances to employees	16,345	50,098	-	-	-	-	660		67,103
Advances to related party	-	198	-	-	-	-	-		198
Other receivables	17	12,349	3,039	1,342	262	2,881	3,754		23,644
	P	P							P
Total	512,335	284,173	P19,716	P17,401	P5,429	P6,973	P22,298		868,325

* Excludes cash on hand amounting to P1.4 million as of June 30, 2008.

Impairment assessment

The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is not yet objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectibility.

The Group has recognized an impairment loss on its financial assets in 2008 amounting to P8.9 million.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

The Group's cash flow interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow

interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group has long-term borrowings with interest being repriced on a quarterly basis. Such borrowings are susceptible to cash flow interest rate risk. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's statement of income.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the net income for one year, based on the floating rate non-trading financial assets and financial liabilities held at June 30, 2008.

Change in interest rates (in %)	Effect in income before income tax
For more than a year:	
+17%	P20,925
- 17%	(20,925)
For less than a year:	
+10%	P6,711
-10%	(6,711)

There is no other impact on the Group's equity other than those already affecting the profit and loss.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign currency risk relates to its US\$-denominated cash and cash equivalents. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. The Group currently does not enter into derivative transactions to hedge its currency exposure.

The Group's foreign currency denominated asset consist of cash in banks in US\$ amounting to US\$0.8 million, US\$0.8 million and US\$1.9 million in 2008, 2007 and 2006, respectively. As of June 30, 2008, 2007 and 2006, the exchange rates were P44.90, P46.24 and P53.11 per US\$1.00, respectively.

Net foreign exchange gains or losses recognized in the consolidated statements of income amounted to P7.2 million loss, P7.4 million loss and P7.5 million loss in 2008, 2007 and 2006, respectively.

Shown below is the impact on the Group's income before income tax of reasonably possible changes in exchange rate of the US\$ against the Philippine peso as of June 30, 2008.

Movement in US\$- Philippine peso exchange rates	Net effect in income before income tax
+3.65%	(P3,114)
-3.65%	P3,114

There is no other impact on the Group's equity other than those already affecting the profit and loss.

Fair Values

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of June 30:

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
<i>Cash on hand</i>	P1,430	P1,430	P16,070	P16,070
<i>Loans and receivables:</i>				
Cash in banks and time deposits	348,843	348,843	527,097	527,097
Trade receivables	410,653	410,653	624,798	624,798
Advances to employees	67,103	69,481	60,649	62,259
Advances to related parties	198	198	5,057	5,057
Other receivables	19,890	19,890	7,431	7,431
	P848,117	P850,495	P1,241,102	P1,242,712
Financial liabilities:				
<i>Other financial liabilities:</i>				
Accounts payable and accrued expenses:				
Trade payables	P215,703	P215,703	P95,281	P95,281
Accrued and other liabilities	194,397	194,397	162,897	162,897

Due to planters	66,239	66,239	123,101	123,101
Other liabilities	131,772	131,772	36,056	36,056
Dividends payable	81,205	81,205	105,629	105,629
Short-term borrowings	702,552	702,552	313,000	313,000
Current portion of long-term borrowings	13,333	13,333	131,839	131,839
Long-term borrowings - net of current portion	1,829,728	1,825,173	461,609	461,609
	P3,234,929	P3,230,374	P1,429,412	P1,429,412

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade receivables, advances to planters and cane haulers, employees and related parties, other receivables, accounts payable and accrued expenses, dividends payable, short-term borrowings, and current portion of long-term borrowings. The carrying amounts of these instruments approximate fair values due to their short-term maturities.

Long-term borrowings-fixed interest bearing loans. The fair values are based on the expected cash flows on the instruments, discounted using the prevailing interest rate of 7% at June 30, 2008, for comparable instruments in the market. The rate was obtained from *Bangko Sentral ng Pilipinas*, representing bank average lending rates in 2008 and 2007.

Long-term borrowings-variable interest bearing loans. The carrying value of the financial instrument approximates the fair value at June 30, 2008 due to repricing of interest rate.

27. Prior Period Adjustments

The 2007 and 2006 consolidated financial statements were restated to retroactively reflect the following adjustments:

- a. In 2008, the Group recognized receivables from CADP, Inc. employees for the sale of a portion of its land in Barrio Lumbangan, Nasugbu, Batangas made in prior years. The said loan bears annual interest of 12% and are payable for 10 years from 2002. The Parent Company restated its opening balances to recognize the following impact to the Parent Company's accounts: increase in receivables by P21.3 million, decrease in accounts

payable by P8.1 million, and increase in retained earnings to P29.4 million as of July 1, 2005.

- b. The Group recognized the changes in the fair value of the standing cane and the amortization of the cane replantation cost in accordance with PAS 41, *Agriculture*, thereby increasing retained earnings and biological assets (see Note 7) by P2.3 million as of July 1, 2007. Adjustments relating to the recognition of this asset in 2006 and 2005 and are deemed immaterial and were not adjusted in the beginning balances as of July 1, 2006 and 2005.
- c. The Group restated its equity to account for the transactions relating to the Reorganization Program as discussed in Notes 1 and 23, resulting in an increase in deferred income tax liability by P56.0 million, increase in revaluation increment on transferred properties to a subsidiary amounting to P38.0 million and decrease in retained earnings by P18.0 million as of June 30, 2007.
- d. In 2008, the Group reversed the overaccrual of interest expense recorded in 2007, resulting in an increase in retained earnings by P14.4 million as of July 1, 2007.

28. Segment Reporting

Business Segments

Financial information about business segments as of and for the years ended June 30 follow:

	2008				
	Raw sugar and molasses	Refined sugar	Tolling service	Other Unallocat segments ed/ Eliminatio n	Total
REVENUE					
External sales (Note 17)	P 2,226,746	P 3,481,489	P360,687	P8,390 P232	P 6,077,544

Inter-segment sales	153,564	-	31,020	89,943	(274,527)	-
	P	P			(P	P
Total revenue	2,380,310	3,481,489	P391,707	P98,333	274,295)	6,077,544
SEGMENT RESULT	(P47,778)	P663,646	(P98,778)	P86,130	(P 262,944)	P340,276
Equity in net earnings of an associate	69,739	-	-	-	-	69,739
Consolidated segment results	P21,961	P663,646	(P98,778)	P86,130	(P 262,944)	P410,015

OTHER INFORMATION

Segment assets	2,514,047	4,491,658	P-	P213,630	P 2,101,461	P 9,320,796
Investment in an associate (Note 8)	546,388	-	-	-	-	546,388
Consolidated segment assets	P3,060,435	P4,491,658	P-	P213,630	P 2,101,461	P 9,867,184

	Raw sugar and molasses		Refined sugar		2008 Tolling service		Other Unallocated segments d/		Elimination		Total
Segment liabilities	P304,572	P769,746			P-	P475,645	P2,816,326			P4,366,288	
Additions to property, plant and equipment	611,510	1,575,836			-	1,263	5,129			2,193,738	
Depreciation	157,936	169,293			-	346	528			328,103	
Non-cash expenses other than depreciation	5,426	-			-	36	15,236			20,698	

2007

	Raw sugar and molasses		Refined sugar		2007 Tolling service		Other Unallocated segments d/		Elimination		Total
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	molasses			n		
REVENUE						
External sales (Note 17)	P 1,658,008	P 3,720,886	P P264,841	P-	P-	P 5,643,735
Inter-segment sales	183,835	53,943	30,913	138,557	(407,248)	-
Total revenue	P 1,841,843	P 3,774,829	P P295,754	P P138,557	(P (P407,248)	P 5,643,735
SEGMENT RESULT	(P 317,377)	P 1,024,183	(P 212,443)	P P243,300	(P 410,292)	P P327,371
Equity in net earnings of an associate	55,739	-	-	-	-	55,739
Consolidated segment results	(P261,638)	1,024,183	(P212,443)	P243,300	(P410,292)	P383,110
OTHER INFORMATION						
Segment assets	P 2,333,275	P 3,502,788	P-	P 7,685,541	(P 6,226,152)	P 7,295,452
Investment in an associate (Note 8)	545,454	-	-	-	-	545,454
Consolidated segment assets	P 2,878,729	P 3,502,788	P-	P 7,685,541	(P 6,226,152)	P 7,840,906
Segment liabilities	P142,579	P734,651	P-	P433,587	P 1,091,070	P 2,401,887
Additions to property, plant and equipment	125,555	124,315	-	583	-	250,453
Depreciation	204,447	224,522	-	804	-	429,773
Non-cash expenses other than depreciation	29,717	1,202	-	-	-	30,919
2006						
	Raw sugar and molasses	Refined sugar	Tolling service	Other segments	Unallocat ed/ Eliminatio n	Total

REVENUE

External sales (Note 17)	P 1,308,654	P 3,434,918	P P358,005	P479	P-	P 5,102,056
Inter-segment sales	113,848	221,617	61,776	218,987	(616,228)	-
Total revenue	P 1,422,502	P 3,656,535	P419,781	P219,466	(P 616,228)	P 5,102,056

SEGMENT RESULT	(P421,944)	P966,540	(P88,417)	P215,628	(P342,489)	P329,318
Equity in net earnings of an associate	51,766	-	-	-	-	51,766
Consolidated segment results	(P370,178)	P966,540	(P88,417)	P215,628	(P342,489)	P381,084

**OTHER
INFORMATION**

Segment assets	P 2,279,605	P 3,116,176	P-	P 7,346,128	(P 5,779,228)	P 6,962,681
Investment in an associate (Note 8)	541,104	-	-	-	-	541,104
Consolidated segment assets	P 2,820,709	P 3,116,176	P-	P 7,346,128	(P 5,779,228)	P 7,503,785
Segment liabilities	P335,263	P849,067	P-	P679,971	P495,496	P 2,359,797
Additions to property, plant and equipment	74,994	115,361	-	2,843	-	193,198
Depreciation	242,940	204,125	-	345	-	447,410
Non-cash expenses other than depreciation	16,530	3,540	-	-	-	20,070

Geographical Segments

Sales revenue from external customers by geographical market (regardless of where the goods were produced or service has been rendered) for the years ended June 30 follow:

	2008	2007	2006
Nasugbu, Batangas	₱4,065,592	₱3,985,727	₱3,793,389
La Carlota City, Negros Occidental	1,985,845	1,658,008	1,308,654
	₱6,051,437	₱5,643,735	₱5,102,043

The details of the carrying amounts of segment assets at June 30 and additions to property, plant and equipment by geographical area in which those assets are located for the years ended June 30 follow:

	Carrying amounts of segment assets			Additions to property, plant and equipment		
	2008	2007	2006	2008	2007	2006
Nasugbu, Batangas	₱4,486,463	₱3,291,189	₱3,055,414	₱1,575,836	₱124,898	₱115,476
La Carlota City, Negros Occidental	2,793,976	2,383,001	2,311,716	611,969	125,555	74,994
	₱7,280,439	₱5,674,190	₱5,367,130	₱2,187,805	₱250,453	₱190,470

29. Events After the Balance Sheet Date

a. Increase in authorized capital stock of Roxol

On July 11, 2008, the BOD of Roxol approved the increase in its authorized capital stock from 1 million shares at ₱1 par value or ₱1.0 million to 1.2 billion shares at ₱1 par value or ₱1.2 billion. The Parent Company has paid up a total of ₱75.0 million for its subscription of Roxol's capital stock. Roxol's application for the increase in authorized capital stock is still pending Philippine SEC's approval.

b. New business ventures of the Group

Port Services

In line with the Group's plan to enter in the highly-competitive port services business, a newly-organized company, CADP Port Services Inc. (CADP Port), with an initial authorized capital stock of ₱2.0 million, has already applied for its business registration with the Philippine SEC last July 17, 2008. Its primary purpose is to engage in the general business of providing port ancillary

services such as port cargo handling, arrastre and stevedoring, shoring, cleaning, rebundling, rebagging and other related services on board vessels. Out of the ₱2.0 million capitalization, ₱0.5 million has been subscribed and ₱0.1 million has been paid for by the Parent Company. On October 3, 2008, the Parent Company's BOD approved the proposal to engage in the business of providing port services at the Port of Nasugbu.

Power Company

The Group incorporated Roxas Power Corporation (Roxas Power), an energy company to engage in "selling" CADP, Inc.'s excess electricity capacity. Roxas Power has an initial authorized capital stock of ₱16.0 million and has already applied for its business registration with the Philippine SEC last July 16, 2008. Out of the ₱16.0 million capitalization, ₱4.0 million has been subscribed and ₱1.9 million has been paid for by the Parent Company.

c. Dividend declaration

On October 3, 2008, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱0.06 per share payable to shareholders of record as of October 17, 2008, payable on or before October 30, 2008.

ANNEX B

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Roxas Holdings, Inc. (RHI) reorganized in July 2004 its subsidiary, CADP Group Corporation (CADPGC) into an investment and management company pursuant to its consolidation plan. The plan integrated all of the sugar and sugar related businesses under CADPGC.

Based on Phase 2 of the approved sugar consolidation plan, CADPGC's Negros sugar operation was spun-off to a wholly owned subsidiary, Central Azucarera de La Carlota (CACI). The structure placed the organization with specific strategic focus to invest in and manage sugar operations and set the stage for the Group's expansion and growth. It has the mandate and responsibility of overseeing the sugar business and of exploring avenues for investment and diversification within the sugar industry.

RHI owned 89.28% of CADPGC, a public company. Roxas and Company, Inc. (RCI) is RHI's and CADPGC's ultimate parent company (collectively known as the Roxas Group).

On June 25, 2008, the Corporate Reorganization (Reorganization) of the Roxas Group was presented to and approved by the Board of Directors (BOD) and the same was ratified by the stockholders at their duly constituted meeting held on November 26, 2008.

Under the current corporate structure, RHI and CADPGC (both listed with the Philippine Stock Exchange), are the holding companies for the sugar and sugar related businesses of the Roxas Group. The Reorganization, including the merger of RCI and CADPGC are being undertaken in order to create a corporate structure that will ultimately separate the sugar and real estate businesses of the Roxas Group. The reorganization will also reduce redundancies, improve operational efficiency, and provide long-term cost reduction benefits.

The steps leading to CADPGC being the listed holding company for the real estate business and RHI being the sole listed holding company for the sugar-related businesses of the Roxas Group are as follows:

Step 1 CADPGC will sell and RHI will buy, all the sugar-related operating subsidiaries and associate (namely, Central Azucarera Don Pedro, Inc., Central Azucarera de La Carlota, Inc., Hawaiian-Philippine Company, Jade Orient Management Services, Inc., Najalin Agri-Ventures, Inc., CADP Consultancy, Inc., and CADP Farms Services, Inc.) as well as certain assets and liabilities, for a total consideration of P3,837,972,401.00.

Step 2 With no more sugar-related subsidiary company, CADPGC will be sold by RHI to RCI for P3,927,339,439.

Step 3 After the purchase by RCI of CADPGC, the two will merge with CADPGC as the surviving entity. The share swap ratio for the plan of merger is computed at 11.71 CADPGC shares for every RCI share. The share swap ratio was arrived at in consultation with third party financial advisors and a fairness opinion was issued by an independent accounting firm.

On December 16, 2008, step 1 of the Roxas Group corporate restructuring took effect, wherein CADPGC sold all of its sugar related operating subsidiaries and associate, as well as certain assets and liabilities to RHI. A promissory note was issued for the total consideration of P3,837,972,401.00.

For step 2, RHI sold all its investment in CADPGC to RCI on January 20, 2009. Total consideration for this sale amounted to P3,927,339,439.

The Sugar Group's consolidated subsidiaries are Central Azucarera Don Pedro, Inc. (CADPI) which is based in Nasugbu, Batangas and Central Azucarera de La Carlota, Inc. (CACI) whose operations are located in La Carlota City, Negros Occidental, Jade Orient Management Services, Inc., Najalin Agri-Ventures, Inc., CADP Consultancy Services, CADP Insurance Services, Inc. and Roxol Bioenergy Corporation.

CADPI owns and operates a 10,000-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% - 65% production sharing agreement. The companies get 35% of the raw sugar produced and 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. bag per day (Lkg.) 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 consolidated subsidiaries.

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

- Increasing production capacity:

Mills

CACI - from 12,000 tons/day to 17,000 tons/day

CADPI - from 11,000 tons/day to 18,000 tons/day

Refinery

CADPI - from 18,000 Lkg/day to 22,500 Lkg/day

- 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

Financial Condition

Roxas Holdings, Inc. and its subsidiaries (the "Group") continued to have a healthy balance sheet. Total assets stood at P12.21 billion in December 31, 2008, compared to P9.87 billion at the close of the crop year before. Current assets increased from P2.45 billion to P3.39 billion this period. Current liabilities also moved up to P3.62 billion from P1.75 billion in June 2008. Due to on-going strategic projects of the Group, current ratio and leverage position fell at 0.94:1.00 and 1.30:1.00, respectively from last crop year's 1.40:1.00 and 0.79:1.00.

The Group has unused working capital lines as of December 31, 2008 and June 30, 2008 from local banks amounting to P3.005 billion and P3.165 billion, respectively. Book value per share increased to 5.82 versus P5.17 in June 2008.

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 increase in the Group's total assets is attributable to the increased capital expenditures relative to the strategic projects. On-going expansion of milling and refining facilities and construction of ethanol plant bring the property, plant and equipment account to P8 billion from P6.65 billion in June 2008. Likewise, consolidated liabilities surged to P6.91 billion from P4.37 billion in June. The Group obtained from various local banks a loan facility to complete the capital it needs to fund its capacity expansion. Total loans at the close of this quarter amounted to P5.03 billion from P2.55 billion at the end of previous crop year.

Current assets increased to P3.39 billion from P2.45 billion the year before on the back of higher materials inventory and deferred manufacturing costs. In particular, materials and supplies inventory went up to P699 million from P378 million and deferred manufacturing cost reached P383 million.

Stockholders' equity slightly decreased from P5.50 billion to P5.30 billion, primarily due to incurred loss this period. Cash dividends paid during the period was P110.8 million.

Results of Operations

Consolidated net sales decreased 4% to P2.30 billion from the P2.39 billion in December 2007 due to lower refined sugar sales despite increase in selling price.

Gross margin dipped 12% this quarter from 17% same period year ago, thus, cost of sales for December 2008 reached 88% of sales compared to last period of P83%. This is due to higher trading cost brought about by higher cost of repairs and maintenance and higher uncreditable input tax coming from purchases relative to expansion amounting to P78 million this period.

Operating expenses went up to P346 million from 272 million in 2007 in view of increased retirement contribution, renewal of computer software licenses, outside services, communication and travel expenses.

The increased manufacturing costs and operating expenses resulted to operating loss in the current year amounting to P90 million compared to income generated from operations in prior year of P161 million.

Earnings before interests, taxes, depreciation and amortization (EBITDA) went down from P356 million to P104 million.

Equity in net earnings amounted to P30 million this year, a decrease from P38 million in 2007.

Consolidated net loss this year amounted to P90 million from previous period's net income of P113 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 - is a measure of raw sugar production yield compared to unit of input and is computed as the fraction of raw sugar produced (in LKG bags) from each ton of sugar cane milled (LKG/TC).
- Earnings before interest, taxes, depreciation and allowances (EBITDA) - the measure for cash income from operation and computed as the difference between revenues and cost of sales and operating and other expenses, but

excluding finance charges from loans, income taxes and adding back allowances for depreciation and other cash amortizations.

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

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

Performance Indicator	2008	2007	2006
Raw sugar production	9.168 M bags	8.433 M bags	8.133 M bags
Refined sugar production	3.659 M bags	3.883 M bags	4.683 M bags
Milling recovery	1.83 LKg/TC	1.99 LKg/TC	1.95 LKg/TC
EBITDA	P946 million	P998 million	P974 million
Return on EQUITY	10%	9%	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 P1.4 billion for expansion project and P462 million for capital expenditures in 2007-08, broken down into P274 million for the CADPI integrated mill and refinery manufacturing operations and P188 million for CACI. The major CAPEX for this operating period are as follow:

CADPI

Manufacturing Division

- (a) The Refinery Department received budget allocation of P19 million for the acquisition and installation of 1 unit IER Column including Filter Nozzles and Initial Resin fill;
- (b) The Boiling House Department received budget allocation of P5.7 million for the acquisition of 1 new unit Auto Pan Auto Grain System, construction of intermediate secondary mixed juice tank, acquisition of mechanical tube cleaners (Phase 1) and provision of water flow meter for 10 units IG Centrifugal;
- (c) The Sugar and Molasses Section received budget allocation of P124 million for the construction of new refined sugar warehouse, asphaltting and relocation of cane trucks holding area Phase 1 and Phase 2 of conveying system;

Engineering Division

- (d) The Mills Department received budget allocation of P9 million for the purchase of 1 unit reduction gear, 4 units Pressure feeder and upgrade and conversion of the MCC conveying chain for 8" pitch roller to 9" pitch roller less type;
- (e) The Boilers Department received budget allocation of P30 million for the construction of bagasse shed, installation of Winch for lifting materials, widening of excess belt conveyor, installation of Desuperheater for Skoda, conversion of boiler 3 submerged ash conveyor;
- (f) The Electrical Department received budget allocation of P16 million for the acquisition of replacement vacuum circuit breaker, modification for centrifugal machines compo conversion of 2 units FCB D412, 215 KW DC drives to 230KW Variable Frequency Inverter Drive tandem operation, conversion from 2 speed motor starter to VFD for WSC 5 and 6;

- (g) The Engineering Department received budget allocation of P9 million for the acquisition of additional 1 unit Lathe machine, widening of raw belt conveyor 1, acquisition of Lump Breaker 2 units, SKF monitoring machine.

Field Services Division

- (h) The Field Services Division received budget allocation of P42 million for the construction of bunk houses in 4 sites, including water and toilet facilities, farm tractors and implements – 7 units 120 HP, 3 units 90 HP, 7 units moldboard plow, 7 units trailing harrow, 7 units mechanical planter, 5 units cultivator, asphaltting of road from hi way to RORO, relocation of Marketing-Batangas, legal dept and Cashier to the ground floor. Replacement of unserviceable Farm Services Isuzu KB pick up, acquisition 1 unit Japan surplus Isuzu/Fuso Truck Tractor as a replacement of 2 units existing truck tractors RPM 001 and RPM 002 that are economical to operate and maintain;

VPRM

- (i) The VPRM received budget allocation of P1.5 million for the purchase of service car;

Environmental Management & Safety Department

- (j) The Environmental Management Section received budget allocation of P4.3 million for the installation of CHB wall perimeter fence at the west end of WTP to isolate facultative lagoons, modification of existing fire hydrant system and installation,
- (k) The Quality Control Department received budget allocation of P1.5 million for the purchase of 1 unit Spectrophotometer, sediment tester set with circulating pump, vacuum filtration assembly, analytical balance, and moisture analyzer for bagasse analysis.

Information Technology Group

- (l) The ITG received budget allocation of P6 million for the acquisition of blade server, upgrading of 15 units desktops, 5 units of laptops, software for PASTA Projects;

Human Resource Division

- (m) The HRD received budget allocation of P3 million for the repair and renovation of SAMAKABA building to house the HR office , Training rooms and Library;
- (n) The Inventory and Materials Warehouse received budget allocation of P2.8 million for the construction of storage area for materials;

CACI

The Negros Operations received the following budget allocation:

- (o) Construction of new sugar warehouse – P52 million;
- (p) Construction of truck tipper 2 – P6.7 million;
- (q) Purchase of 2 units perforated rollers – P 5 million;
- (r) Purchase of 50 ton pressure reducing valve with desuperheater – P5.5 million;
- (s) Upgrading of turbo drive and GE turbines – P5 million;
- (t) Stainless steel lining DCRS Equipment – P24.7 million;
- (u) 1 unit Rotary Mud Vacuum filter – P10 million;
- (v) Acquisition of ERP System – P1.5 million;
- (w) Network connection for new truck scale and TRC – P3.4 million;
- (x) Installation of magnetic separator at mill 1 – P3 million;
- (y) 2 units pusher rolls – P3 million;
- (z) Modification of top caps – P3.7 million;
- (aa) Replacement of Farrell main cane carrier chain – P3.4 million;
- (bb) 1 unit induced draft fan for jta boiler – P4.5 million;
- (cc) Retrofitting controls of 2 units FCB D412 Centrifugals – P4.8 million;
- (dd) 1 unit 125 HP IR air compressor – P4.5 million;
- (ee) Automation of molasses and C seed proportion for CVP – P3 million;
- (ff) The balance of CAPEX budget was allocated for various minor projects of the subsidiaries amounting to P45 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.

Roxol Bioenergy Corporation (RBC)

RBC is currently in the construction phase of its ethanol plant. Total cost – P1.453 billion.

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

Aging of Accounts Receivable - Trade

As of December 31, 2008

Customers	Amount	Current	1-month	2-3 months	Over 4 months	Past due Accounts
A J E SUGAR TRADING	76,803	-	-	-	-	-
Alaska Milk	12,822,895	12,040,000	-	-	782,895	-
All Asian Countertrade	62,514,491	18,507,857	43,822,200	-	184,434	-
ALLIED SUGAR CONSOLIDATED CO	957,179	-	-	-	957,179	-
AMEROP PHILIPPINES, INC.	40,801	-	-	-	40,801	-
B-BROS MARKETING AND SALES	14,777	-	-	-	-	-
Big E Food	7,416,556	2,852,500	4,564,000	-	56	-
Bristol -Myers Squibb	18,102,726	1,574,000	-	16,525,426	3,300	-
Central Azucarera Don Pedro, Inc	-	-	-	-	-	-
Century Canning Corporation	-	-	-	-	-	-
CHARLIE ONG WORLD COMODITIE	-	-	-	-	-	-
Coca cola Bottlers	396,762	-	-	227,700	169,062	-
Confites Inc.	2,370,000	-	-	-	2,370,000	-
DAC GEN MERCHANDISING, INC.	4,995,008	4,995,008	-	-	-	-
Del Monte Phils. Inc.	72,487	-	-	-	72,487	-
Delfi Foods	16,965	-	-	-	16,965	-
DELMAX TRADING CORPORATION	33,825	-	-	-	33,825	-
DYNAMIC TRIPLE C MARKETING	25,140	-	-	-	25,140	-
E D & F MAN PHILIPPINES, INC.	9,613,424	7,847,086	-	-	1,766,338	-
EDISON LEE MARKETING	2,385,261	2,370,000	-	15,261	-	-
Edward Keller Phils	15,534,334	1,550,000	8,523,450	5,425,000	35,884	-
ES MARKETING	9,551,219	9,501,250	-	-	49,969	-
Foodsphere Inc.	10,316,483	1,118,250	6,430,450	2,767,600	183	-
Gardenia Bakeries	11,327,620	2,480,000	7,584,000	1,262,420	1,200	-
Genosi	-	-	-	-	-	-
GOLD EMPIRE TRADING	82,518	-	-	-	82,518	-
HEINZ UFC PHILS., INC.	44,285	-	-	-	44,285	-
HERMANO OIL MANUFACTURING	463,421	-	-	-	463,421	-
ICE SKATING MARKETING	14,035,682	13,988,220	-	-	-	-
Isaac Three Food	811,105	-	776,880	-	34,225	-
Kraft Foods Phils. Inc.	832,808	-	-	827,000	-	-
LCMDMPCI	647,824	-	-	-	647,824	-
Liwayway Marketing Corp.	996	-	-	-	996	-
Lucky fourteen	-	-	-	-	-	-
M. MOLINA GEN. MERCHANDISE	1,937	-	-	-	-	-
Mead Johnson Phils.	-	-	-	-	-	-
MICRO AGRO MARINE RESOURCES	486,201	-	-	-	486,201	-
Mix Plant Inc.	-	-	-	-	-	-
MONDE DENMARK-NISSIN BISCUIT	7,500	-	-	-	-	-
NEGROS COFA	55,694	-	-	-	-	-

Customers	Amount	Current	1-month	2-3 months	Over 4 months	Past due Accounts
Nestle Phils. Inc.	96,912,012	50,610,020	43,259,305	2,852,368	190,319	
New RBW Marketing Inc.	-	-	-	-	-	
NEW SEASON PRODUCTS	11,300	-	-	-	-	
Oleo Fats	-	-	-	-	-	
ORO ALLADO COMMODITIES	13,002	-	-	-	-	
Pascual Laboratories	584,500	-	584,500	-	-	
Peotraco Industries	-	-	-	-	-	
R-5 TRADING AND MARKETING	7,870	-	-	-	-	
Ram foods	1,665,000	-	830,000	835,000	-	
RDS COMMODITIES	41,518	-	-	-	41,518	
RFM Corp.	1,210,000	-	-	-	1,210,000	
Sarimanok Feed Co.	1,638,000	546,000	546,000	546,000	-	
Second Consolidated	952	-	-	-	385	
SOUTHEAST ASIA FOODS, INC.	12,750,000	410,000	1,886,240	7,381,760	2,560,000	
T & E SUGAR AND MOLASSES TRADI	1,297,350	-	-	-	-	
The Purefoods Hormel	-	-	-	-	-	
TRI-MAXI TRADING	41,346	-	-	-	41,346	
UFC PHILIPPINES, INC.	18,863,687	2,668,075	10,660,625	5,018,332	516,655	
Unilab-Phil. Health Food	777,500	-	388,750	-	388,750	
Unilever RFM Foods	4,651,549	2,325,000	2,325,000	-	1,549	
Unilever Foods	-	-	-	-	-	
Unilever Phils	19,536,500	-	19,536,500	-	-	
United Laboratories Inc.	8,676,655	2,295,000	765,000	5,615,100	1,555	
United Laboratories Inc. AAI	120,870	-	-	120,870	-	
UNITRADE INDUSTRIAL MANUFACT	6,588,321	6,588,321	-	-	-	
Zenith Foods	-	-	-	-	-	
Various customers	2,073,602	44,053	710,436	-	957,084	
TOTAL	363,516,256	144,310,641	153,193,336	49,419,837	14,178,345	-
Less: Allowance for impairment	6,696,908				6,696,908	
NET TRADE RECEIVABLES	356,819,348	144,310,641	153,193,336	49,419,837	7,481,437	-

ROXAS HOLDINGS, INC. AND SUBSIDIARIES

Combined Aging of Accounts Receivable

As of December 31, 2008

1. Aging of Accounts Receivable

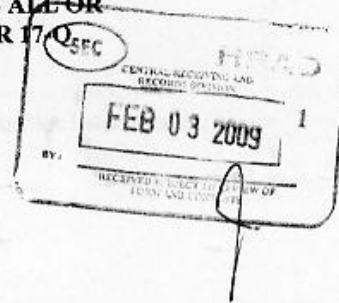
Description	Amount	Current	1-month	2-3 months	Over 4 months	Past due Accounts
Non-Trade						
Planters and Planters Association	135,587,752	8,601,324	4,913,021	20,259,466	100,396,765	1,417,177
Officers and Employees	44,748,173	15,344,649	18,632,316	1,752,337	3,651,556	5,367,314
Contractors	22,028,340	1,097,105	1,044,118	17,836,028	1,615,213	435,876
C A C I	-	-	-	-	-	-
ROXOL	-	-	-	-	-	-
Pegasus	-	-	-	-	-	-
Truckers	-	-	-	-	-	-
Others	25,140,848	3,170,472	2,502,375	1,777,663	8,701,527	8,988,810
Total	227,505,113	28,213,551	27,091,830	41,625,494	114,365,061	16,209,177
Less: Allowance for impairment	16,843,320	-	-	-	5,373,908	11,469,413
Net non-trade receivable	210,661,793	28,213,551.00	27,091,829.69	41,625,494.37	108,991,153.49	4,739,764.45
Add: Net trade receivable	356,819,348	144,310,641	153,193,336	49,419,837	8,837,691	1,057,843
Net Receivable	567,481,141	172,524,192	180,285,165	91,045,332	117,828,845	5,797,607

2. Accounts Receivable Description

Type of Receivable	Nature and Description	Collection Period
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) Others		
Government entities	SSS benefits advanced by the company.	30 days
Various accounts		

3. Normal Operating Cycle: One Crop Year

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-L
NOTIFICATION OF INABILITY TO FILE ALL OR
ANY PORTION OF SEC FORM 17-A OR 17-Q



Check One:

Form 17-A [] Form 17-Q [x]

Period-Ended/Date of required filing: 31 December 2008

Date of this report: 03 February 2009

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates: N/A

1. SEC Identification Number: 15-A 2. BIR Tax Identification No.: 000-290-538
3. ROXAS HOLDINGS, INC.
Exact name of issuer as specified in its charter
4. Philippines
Province, country or other jurisdiction of incorporation
5. Industry Classification: _____ (SEC Use Only)
6. 6/F CG Bldg., 101 Aguirre St. Legaspi Village, Makati City 1229
Address of principal office Postal Code
7. PLDT: (632) 810-8901
Issuer's telephone number, including area code

8.....
Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Securities registered with the Philippine Stock Exchange:

Securities registered:	No. of shares
Common shares	1,168,976,598

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense.

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date ; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth (5th) day following the prescribed due date.

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable.

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed.)

The company requests an additional time of five (5) working days from 14 February 2009, which is the due date of submission of its Quarterly Report (17-Q) or until 19 February 2009, within which to submit the report. The company may not be able to submit the report on February 14, 2009 due to volume of work, various deadlines and other office work which also require immediate attention.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification:

Atty. Florencio M. Mamauag, Jr.
Assistant Corporate Secretary
VP – Legal and Compliance Officer
6F Cacho-Gonzales Bldg.
101 Aguirre Street, Legaspi Village
Makati City, Metro Manila
810-8901 / 750-2167

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes No Reports:

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes No

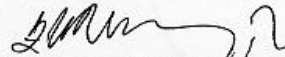
If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ROXAS HOLDINGS, INC.

By:



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

03 February 2009