RHi
ROXAS HOLDINGS, INC.

Annual Report
2012

Hitting Record Highs

ABOUT THE COVER

Exhibiting youthful exuberance, RHI is likened to a child on a swing, hurling himself forward, reaching greater heights with each succeeding thrust. The momentum from each swing powers the next, much like how RHI will build on its 2012 record achievement in the coming years. The clear sky represents the Group's bright outlook despite fears over the impact of the scheduled tariff reduction from 48% to 5% by 2015, signifying its capacity to pull through any challenge and reach another record high performance.

VISION

To be a **WORLD-CLASS LEADER** in sugar cane-based products and services in the Asia Pacific region.

MISSION

To our Customers:
Provide quality sugar cane-based products and services.
To our Partners:
Be fair and transparent in our dealings.
To our Stockholders:
Enhance shareholder value with reasonable return on equity.
To our Employees:
Provide professional growth, development and recognition.
To our Communities:
Be a responsible corporate citizen.

VALUES

R – RELIABLE AND RELEVANT
Reliable – We fulfil expectations and commitments.
Relevant – We are mindful of the constant challenges and changes affecting the industry, and address them with creative, fresh and competent solutions.
H – HIGH STANDARDS
We constantly set high standards and ethics in our operations and with our products, and strive to exceed them.
I – INTEGRITY
We consider doing business following the time-tested principles of fairness, transparency and honesty.

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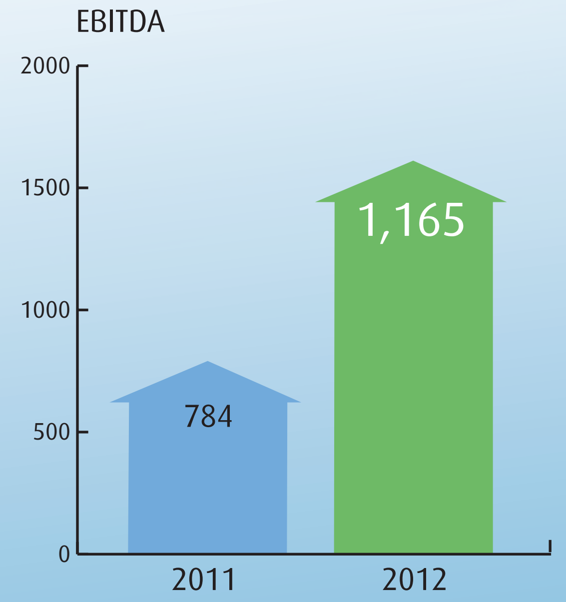
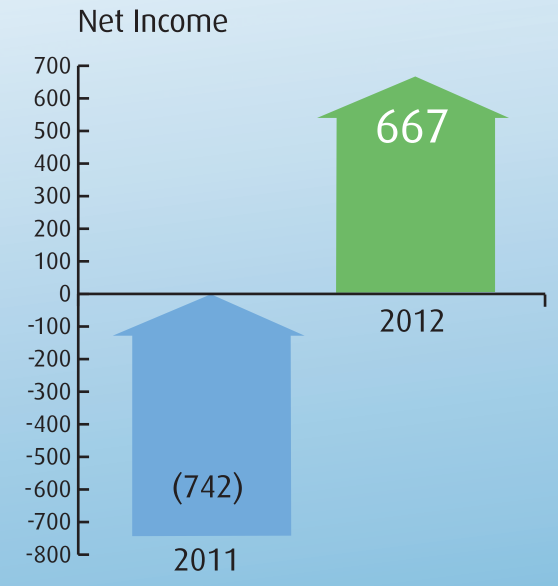
FINANCIAL HIGHLIGHTS

(AMOUNTS IN MILLIONS) except for the last two items	2012	2011
Net Sales	**7,674**	7,910
Income from Operations	**925**	(124)
EBITDA	**1,615**	784
Net Income	**667**	(742)
Total Assets	**14,378**	16,708
Total Equity	**5,414**	5,406
Earnings Per Share	**0.73**	(0.81)
Debt-to-Equity Ratio	**1.66**	2.09





MESSAGE
FROM THE CHAIRMAN

"For eight and a half decades, exceptional quality and unchallenged leadership in the Philippine sugar industry are the hallmarks of the Roxas brand."

Dear Shareholders:

The past fiscal year was a momentous one for Roxas Holdings, Inc. (RHI) as it embarked on a journey that saw it breaking records and rewriting history incisively.

It was a period that sharpened your Company's sense in responding to unexpected challenges, and redefined its views in doing business and preserving its niche in the highly competitive sugar industry.

For eight and a half decades, exceptional quality and unchallenged leadership in the Philippine sugar industry are the hallmarks of the Roxas brand. Imprinted through its sugar mills and refineries, the Roxas brand has become synonymous with an uncompromising standard.

However, like any other business entity, RHI was beset with daunting challenges that caused it to end its fiscal year in June 2011 with P742 million in losses.

The Turnaround

In line with a directive to align our fiscal year with the crop year in the sugar industry, RHI implemented a change that moved the close of the fiscal year to September instead of June.

Factoring in the transition to this new fiscal cycle, RHI's net losses further deepened during the three-month period to P765 million by end-September 2011.

Recovering from the staggering losses recorded in the previous year was not easy but RHI managed to turn around and is now in the black.

The country's first and fully integrated sugar enterprise basks in its new position as it endeavours to create more value for its shareholders and deliver exceptional quality in its products to customers and in its service to the communities where it operates.

For the first time in RHI's history, its net income after tax and those of its subsidiaries hit a record of P667.4 million for fiscal year (FY) ending September 2012, a complete turnaround from the P1.5 billion consolidated net loss previously and its Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) – an approximate measure of the Company's operating cash flow, stood at P1.6 billion, 105% higher than the P784 million in FY 2011 and which surpassed the P1 billion-mark RHI clinched in 2010.

The Upswing

RHI is on a roll with dramatic improvements in three major indicators, namely: capacity utilization, gross profit, and cost reduction.

Although revenues dipped slightly to P7.7 billion from P8 billion in 2011 due to prevailing high prices of sugar at the time, the past fiscal year also ushered in an improvement in capacity utilization at the Group's refinery and milling sites in Batangas and Negros Occidental. CADPI's utilization rate for its refinery for this crop year was at a record-high of 81%, up from 72% for crop year 2010-2011. However, the utilization rate for CADPI's mill dropped to 77% in the past crop year from 85% in the previous year. But for CACI's mill, capacity utilization rate jumped to 51% from 49% previously.

RHI's operating performance is also on an upward trajectory with gross profit at P1.7 billion, which is considered, by far, the most profitable ever for the Company, from only P226 million in 2011.

Costs incurred by the Company dropped significantly during the 12-month period due to cost reduction measures implemented by the new management. Operating expenses for the period in review amounted to P1.1 billion from P769 million in the past 15 months in FY 2010-2011. This significant cost reduction is attributed to the strategic use of the same amounts of bagasse at the mills, but which generated higher levels of steam and electricity.

Labor and labor-related costs also improved, spurred mainly by a redundancy program that was implemented in the past months to bring about a more efficient organization. A drop in the cost of outside services, down by 23% to P164 million from P214 million, also contributed to the savings in operating expenses.

All these factors helped RHI reduce significantly its business costs.

MESSAGE FROM THE CHAIRMAN

New Management Initiatives

A management team, led by President and Chief Executive Officer Renato C. Valencia, was formed in November 2011. The team took over the full responsibilities for the Company in January 2012, and had since then, embarked on a determined course to take RHI to the next level and turn the Company's operations around.

In less than 12 months, the new management team had successfully implemented a clear-cut approach anchored on initiatives which catapulted RHI back in the black at the quickest time.

Margin management and cost reduction were on top of the team's priorities, creating a synergistic balance to stabilize RHI's finances. The new management is also rationalizing RHI's business segments, considering the expansion of the three corporate profit centres, namely: CADPI, CACI and ROXOL to five economic units, to wit: CADPI Sugar Mill, CADPI Refinery, CAC Sugar Mill, ROXOL Alcohol Plant, and Marketing and Trading.

Repairs of equipment and upgrades of other facilities were also put in place in the past few months, resulting in an improved level of capacity utilization across RHI's plants in Batangas and Negros Occidental. The capacity utilization of mills is targeted to reach an average of 85% by 2015.

RHI values its people and regards them as crucial partners in achieving the goals of the organization. As part of its commitment to strike a balance in managing the interests of the employees and the organization, the new team put in place a program to streamline the Group by zeroing in on key roles and offering a redundancy program that a significant number of employees of RHI and its subsidiaries availed of.

The team also upgraded the plants and calibrated their efficiencies to bring about synchronized and improved production levels that would reduce operating costs by half in 2015.

In the same breadth, the team is working on further expanding its suppliers to enable it to respond quickly to erratic changes, especially in the global economy.

Also of paramount importance to the team is the implementation of tighter controls to reduce wastes and losses, which are intertwined. Reducing factory wastes translate to considerable savings for the Company. Proper use and disposal of factory wastes will go a long way in improving the margins of RHI and its subsidiaries.

Facing the Challenges of 2015

Two more years to 2015 and the Philippine sugar industry will have to face the major challenges that come with the reduction of tariff to five percent from 38% in 2011 under the Asean Free Trade Area Common Effective Preferential Tariff (AFTA-CEPT) Scheme.

This will inevitably pave the entry of cheaper imported Thai sugar into the Philippines, which could result to a) idling of marginal sugar lands or shift to other crops, thus, reducing cane supply for mills that are already saddled with over capacity; b) mill viability to be affected by low mill capacity utilization; and c) reduction in planters' trucking allowance.

Given this backdrop, RHI, more than ever, has to step up and become globally competitive in order to retain its legacy for over eight decades, and enlarge its market share – not only in the Philippines and the Asia Pacific region, but in the international space as well.

While the looming tariff reduction may seem a tall order, RHI stands prepared and is confident that this vision will become a reality with its three-year plan, embodied in a seven-pronged strategic program and encapsulated into two major points: cost reduction and margins improvement.

But RHI cannot do it alone although it is considered as among the country's key industry players. It will need the support of its partners and the government to become globally competitive and able to leave imprints in the international arena.

The local sugar industry has no dedicated fund to draw from to enrich research and development, and beef up sugar production. But it is a totally different scenario in Thailand where a seven per cent VAT on sugar is channelled back to the industry in the form of farm mechanization, research and development, and credit supplement.

> "With all these positive expectations, we have every reason to look forward to a bright tomorrow for RHI and the Philippine sugar industry."

Support for the move to create a Sugar Fund is crucial if we are to see the Philippine sugar industry in a different light in the years to come.

Perhaps, with the creation of the Sugar Fund, our sugar planters can soon be at par with those in Thailand who enjoy higher productivity at lower costs. Our planters must step up and try new methods of farming.

One of the proposed methods is block farming. Although restrictions brought about by land reform such as the Comprehensive Agrarian Reform Program (CARP) and Comprehensive Agrarian Reform Program Extension with Reforms (CARPER) temper attempts to accumulate landholdings and achieve economies of scale, it is imperative for the government to have the political backbone to embolden owners of small sugar cane farms to consolidate their landholdings into blocks to increase farm productivity by about 50% from two bags to 2.9 bags of sugar per hectare.

Facilitating the transfer of technology from progressive farmers to conservative farmers is another key to cultivate a globally-competitive environment for the sugar industry, which could improve yields to 70 tonnes cane per hectare (TCH) from the current yield of 60 TCH.

A Bright Tomorrow

With all these positive expectations, we have every reason to look forward to a bright tomorrow for RHI and the Philippine sugar industry.

We all need to take tremendous strides toward the achievement of our goals and vision for the coming years, especially with the dawn of the tariff reduction

scheme for the sugar industry.

Much remains to be done but with your continuing trust and confidence, we can prepare for the future and expect RHI to carve a larger market niche not only within the confines of the Philippines and Asia, but beyond the region's geographic boundaries and into the exceedingly challenging but promising global markets.

We hope that you will continue to support RHI and be with us when the time comes that this dream turns into a reality. It may not be that long for this dream to come to fruition, especially with the glowing investment prospects in our country and how the Philippines – poised to astound other nations with its new status as an emerging economic tiger, is being touted as the sweet investment spot in the region.

PEDRO E. ROXAS
Chairman

MESSAGE
FROM THE PRESIDENT & CEO

> "This year's results can be attributed to better margin management and improved cost containment."

Dear Shareholders:

The global economy slowed down in 2012, as the United States struggles with high unemployment level and lower economic growth, and the Euro Zone addresses high sovereign debts of some members.

Against this backdrop, developing countries, the Philippines included, had to depend less on exports and more on domestic consumption to achieve moderate growth rates and protect themselves from external shocks should global economic conditions worsen.

The Philippine Economy and the Local Sugar Industry

Despite the dark clouds in the horizon, the world began to take notice of the Philippines for its resiliency and strong fundamentals: a healthy remittance flow from its overseas workers, US$84.2 billion in international reserves as of end-December, 2012, a relatively strong currency, low inflation rate, a strong and sound banking system, a robust Business Process Outsourcing (BPO) sector, a young and growing workforce, and a good Gross Domestic Product (GDP) growth rate estimated at 5% to 6% for 2012.

Due to "La Niña" at the start of crop year 2012, the Philippines produced only 2.24 million metric tons (MMT) of sugar, or 6.3% lower than last year's 2.39 MMT which was boosted by unexpected bumper crop.

The Philippines exported more than 200,000 MT to the United States and over 332,000 MT to the rest of the world for the period, while domestic sugar consumption registered a strong growth from 1.7 MMT to more than 2 MMT, indicating less smuggled sugar.

Financial Results

After consecutive net losses of P765 million for three months ending September 30, 2011 (RHI's new fiscal cut-off) and P742 million for 12 months ending June 30, 2011, principally due to trading losses, your RHI Group of companies turned around its operations this year, achieving a record level net income after tax of P667.4 million and a historic high in Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of P1.6 billion.

Revenues reached P7.7 billion, 4% lower than last year's level of P8 billion which enjoyed relatively higher prices. Gross profit, however, stood at P1.7 billion compared to last year's gross profit of P226 million.

This year's results can be attributed to better margin management and improved cost containment. Your Group also enjoyed lower interest burden as interest rates continue to go down, thanks to a liquid banking system.

But much remains to be done if we are to prepare for 2015 when tariff on imported sugar is expected to drop to 5%, allowing the entry of lower-priced imported sugar.

Operations

Spurred by the innovative changes introduced by the new Management Team, the Group's operations recorded improvements across the board during the period.

Your Group milled 3.32 million tons of cane this crop year, up 1.96% from 3.26 million tons in FY 2011. Raw sugar produced stood at 6.3 million Lkg, up 3.3% from 6.1 million Lkg the previous year. Sugar recovery slightly improved to 1.90 Lkg/TC, or 1.06% better than the 1.88 Lkg/TC last year.

RHI's refined sugar production rose to 2.27 million Lkg, or 14.65% higher than last year's 1.98 million Lkg.

Ethanol production increased from 5 million liters last year to 11 million liters this year, still way below rated capacity due to start-up challenges.

MESSAGE FROM THE PRESIDENT & CEO

Marketing & Trading

Despite lower sugar prices this year, RHI generated total revenues of P7.7 billion, principally from sugar and ethanol sales. Of total revenues, 48% came from refined sugar, 39% from raw sugar, and 9% from ethanol.

The Group dramatically turned around its gross profit from -3% the previous year to 22% this year by managing its margins, maximizing swaps of products to reduce shipping and incremental handling costs, and by doing forward sales only to the extent we can ably forecast local sugar prices.

With better knowledge of the market characteristics and seasonality of the sugar business, your Group achieved higher margins through better timing of sales and purchases of sugar and related products.

Strategic Business Units

To separate trading from manufacturing, and for better accountability and benchmarking, your Group is seriously considering the expansion of its business model from three (3) corporate business units namely, CADPI, CACI and RBC to five (5) strategic business units (SBUs): CADP Milling, CADP Refinery, CACI Milling, RBC Alcohol and Marketing & Trading.

Information Technology

To achieve real-time monitoring and management decisions, the Information Technology Department recently launched a unified, cloud-based Financial Management Information System to cover all Sales, Purchasing, and Accounting transactions.

Planters' Information System, Human Resource Information Systems, Electronic Procurement System, and Computerized Maintenance Management System, also cloud-based, shall be in place this year.

All these systems shall be securely accessible on the Internet anywhere, anytime, and any device.

Human Resources

To streamline the organization, the Company put in place a redundancy program, with a significant number of availments.

RHI now requires its employees to disclose, on an annual basis, any "potential and actual conflict of interest" to ensure transparency in all our business dealings.

The new Management also institutionalized a Profit-Sharing Program and is proposing an Employee Stock Option Plan, both of which are considered crucial to the Group's efforts to achieve world-class status.

Audit and Risk Management

To ensure proper accounting of RHI's products, property and equipment, the Audit and Risk Management Team conducted actual physical count of these assets to lay the basis for better inventory and asset management system in the future.

Corporate Social Responsibility

For more effective management of our corporate social responsibility (CSR) projects, your Group designated Roxas Foundation, Inc. (RFI) as its CSR arm. More focused, better connected and with greater reach to the communities around our plant sites, RFI is in a better position to plan and execute the Group's CSR projects.

Last Christmas, RHI contributed an amount to RFI to fund the schooling of underprivileged but deserving students in the communities where the Group operates.

"The next two years will be crucial for the local sugar industry, and how we respond to the challenges will define our Group as it stands on the threshold of a promising future."

Plans and programs

To prepare for the tariff reduction on imported sugar to 5% in 2015, your Group plans to undertake the following:

1. Upgrade our plant facilities and automate our plant Management Information Systems (MIS) in the next three years to bring down unit costs.
2. Broaden the Group's revenue portfolio. We are seriously considering going into pre-mixed sugar production and energy co-generation.
3. To spur higher cane productivity, establish a digital map for sugar cane farms, coupled with a platform for sharing critical information such as market prices, soil analysis, status of cane production, production techniques, etc.
4. Prepare for industry consolidation opportunities as it readies itself for global competition.
5. Search for possible sugar business joint ventures in the region.

Conclusion

The next two years will be crucial for RHI and the local sugar industry, and how we respond to the challenges will define our Group as it stands on the threshold of a promising future.

With the continuing guidance from our Board of Directors and trust and support from our shareholders and partners, RHI is confident it can rise to the occasion.

RENATO C. VALENCIA
President and Chief Executive Officer

BOARD OF DIRECTORS

ANTONIO J. ROXAS
Chairman Emeritus

PEDRO E. ROXAS
Chairman

RENATO C. VALENCIA
Director/President & CEO

SANTIAGO R. ELIZALDE
Director

RAUL M. LEOPANDO
Director

GERONIMO C. ESTACIO
Director

BEATRIZ OLGADO ROXAS
Director

DAVID L. BALANGUE
Director

SENEN C. BACANI
Director

LORNA PATAJO-KAPUNAN
Corporate Secretary

BOARD OF DIRECTORS' PROFILES

ANTONIO J. ROXAS is 70 years old and is a Filipino. He has been a member of the Board of Directors since year 1982. Mr. Antonio J. Roxas is the Chairman Emeritus of the company. He is also a Director of Roxaco Land Corporation, Roxas & Company, Inc. and Central Azucarera Don Pedro, Inc. Mr. Roxas graduated from the University of Notre Dame in Indiana, USA where he obtained his degree in Bachelor of Science in Commerce and trained at the Standard Chartered Bank of London, the Shell Company in Paris, the Olavarria and Co. and Lowry and Co., Inc. in New York, USA.

PEDRO E. ROXAS is 56 years old and is a Filipino. He has been a member of the Board of Directors since year 1982. Mr. Pedro E. Roxas is the Chairman of the Board of Directors, the Executive Committee and the Nomination, Election & Governance Committee. He is also the Chairman and the President and CEO of Roxas & Co., Inc. and Roxaco Land Corporation and the Chairman of Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., Roxol Bioenergy Corporation, and other subsidiaries of the company. Mr. Roxas is also the Chairman of Hawaiian-Philippine Company, Club Punta Fuego and Fuego Land Corporation; the President of Fundacion Santiago and Philippine Sugar Millers Association, Inc.; the Vice-Chairman of the Asean Sugar Alliance (ASA); a Director of the Philippine Long Distance Telephone Company (PLDT), the Manila Electric Company (Meralco), Banco de Oro (BDO) Private Bank, Brightnote Assets Corporation; and a Trustee of the Philippine Business for Social Progress. Mr Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame in Indiana, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Ms. Regina Tambunting with whom he has three (3) children.

RENATO C. VALENCIA is 70 years old and a Filipino. He has been a member of the Board of Directors for years and was elected Chief Executive Officer of the company on 27 October 2011 and also as President on 01 December 2011. He is a member of the Executive Committee. Mr. Renato C. Valencia is a director of Metropolitan Bank & Trust Company, the Chairman of i-People, Inc., a Director of Anglo-Philippine Holdings Corporation, and Board Adviser of Philippine Veterans Bank. Mr. Valencia obtained his degree in Bachelor of Science in General Engineering from the Philippine Military Academy and his Master in Business Management from the Asian Institute of Management.

SANTIAGO R. ELIZALDE is 48 years old and is a Filipino. He has been a member of the Board of Directors since year 2000. Mr. Santiago R. Elizalde is a member of the Compensation Committee and the Nomination, Election & Governance Committee. He is also the Chairman of 24-Hour Vending Corporation, Chairman of Roxas Foundation, Inc., Vice-Chairman and member of the Executive Committee of ELRO Commercial & Industrial Corporation, Vice-Chairman and member of the Executive Committee of Club Punta Fuego, Inc., President of CGB Condominium Corporation, President of Fuego Hotels and Management Corporation, Senior Vice-President of Roxaco Land Corporation and a Director of Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., ELRO Land Corporation, Punta Fuego Village Homeowners Association, Punta Fuego Village Foundation, and Terrazas de Punta Fuego Village Homeowners Association. Mr. Elizalde obtained his Bachelor of Arts in Economics from Denison University in Ohio, USA.

RAUL M. LEOPANDO is 62 years old and is a Filipino. He has been a member of the Board of Directors since 25 March 2009 and is a member of the Audit & Risk Committee. Mr. Raul M. Leopando is presently a Consultant and a member of the Board of Directors of RCBC Capital Corporation and the Chairman of the Board of Directors of RCBC Securities Inc. He is also a director of Intervest Co., Inc., Bankcard, Inc., Petro Energy Resources Corporation and PetroGreen Energy Resources. Mr. Leopando obtained his degree in Bachelor of Arts in Economics from the University of the Philippines, his degree in BSC Accounting at San Beda College and his Masters in Business Administration at the Ateneo de Manila University.

GERONIMO C. ESTACIO is 67 years old and is a Filipino. He has been a member of the Board of Directors since 25 March 2009 and is the Chairman of the Audit & Risk Committee. He was formerly the Dean of the College of Business Administration of the University of the East, a consultant to the Chairman & CEO and Vice-President for Finance of ABS-CBN Broadcasting Corporation, a Director for Regional Controls for Asia of the Procter & Gamble Company, a member of the Board of Directors of P&G Australia, P&G New Zealand, Max Factor Australia, Max Factor New Zealand, Noxell, Shulton, Australia and Shulton, New Zealand, P&G Philippines, Norwich Philippines and a Trustee of P&G Philippines Pension Plan, among others. Mr. Geronimo C. Estacio was formerly CFO of Procter & Gamble Philippines and Procter & Gamble Australia/New Zealand. He graduated Magna Cum Laude from the University of the East, College of Business Administration and is a Certified Public Accountant. Mr. Estacio is an Independent Director and he has possessed all the qualifications and none of the disqualifications of a director since he was first nominated and elected as an Independent Director of the company.

BEATRIZ OLGADO ROXAS is 58 years old and is Spanish. She has been a member of the Board of Directors since 25 March 2009. Ms. Beatriz O. Roxas is a Director of Roxas & Company, Inc. and a Trustee and the President of Roxas Foundation, Inc.

DAVID L. BALANGUE is 61 years old and is a Filipino. He has been a member of the Board of Directors since 15 February 2012 and is a member of the Audit & Risk Committee. Mr. David L. Balangue was formerly the Chairman & Managing Partner of SyCip Gorres Velayo & Co., CPA's (SGV), a Philippine member firm of Ernst & Young. Mr. Balangue is currently the Chairman of the Makati Commercial Estate Association (MACEA) and the Makati Parking Authority (MAPA). He is a Director of Trans-Asia Oil and Energy Development Corporation, Manufacturer's Life Insurance (Philippines) Co., Inc., Manufacturers Financial Plans Inc. and Unistar Credit & Finance Corporation and a consultant at the Philippine Deposit Insurance Co., Inc. and Ayala Land, Inc., among others. Mr. Balangue obtained his degree in Bachelor of Science, major in Accounting, from the Manuel L. Quezon University and his Master of Management, major in Finance, from the Graduate School of Management, Northwestern University in Evanston, Illinois, USA. Mr. Balangue is an Independent Director and he has possessed all the qualifications and none of the disqualifications of a director since he was first nominated and elected as an Independent Director of the company.

SENEN C. BACANI is 67 years old and is a Filipino. He has been a member of the Board of Directors since 15 February 2012 and is the Chairman of the Compensation Committee. Mr. Senen C. Bacani is currently the President of Ultrex Management & Investments Corp., Chairman & President of La Frutera, Inc., Chairman of Trully Natural Food Corporation, a Director of Swift Foods, Inc., AgriNurture, Inc., Philippine Chamber of Agriculture & Food, Inc., Philippine Chamber of Food Manufacturers, Inc., a member of the Board of Advisors of East-West Seed Philippines, Inc., a Private Sector Representative of APEC Policy Partnership on Food Security, ABAC Philippines, a member of the Board of Trustees of the Philippine Rice Research Institute and Vice-Chairman of the Technical Advisory Committee of the PCARRD (DOST), among others. Mr. Bacani obtained his degree in Bachelor of Science in Commerce from the De La Salle University and his Master of Business Administration at the University of Hawaii.

LORNA PATAJO-KAPUNAN is 60 years old and is a Filipino. Atty. Lorna Kapunan is the Corporate Secretary of the company. Atty. Kapunan is a Senior Partner of the law firm of Kapunan Garcia & Castillo. She obtained her degrees in Bachelor of Arts, major in Political Science, and Bachelor of Laws from the University of the Philippines.

EXECUTIVE COMMITTEE

PEDRO E. ROXAS
Chairman

RENATO C. VALENCIA
President &
Chief Executive Officer

DAVID L. BALANGUE

BOARD OF ADVISORS

VINCENT S. PEREZ

EDUARDO R. AREILZA

BOARD OF ADVISORS' PROFILES

VINCENT S. PEREZ is 54 years old and is a Filipino. He was appointed as member of the Committee of Advisors to the Board of Directors on 25 March 2009. Mr. Vincent S. Perez is presently the CEO of Alternergy Partners, a renewable power company for emerging Asian countries and is Chairman of Merritt Partners, an energy advisory firm. Mr. Perez was Philippine Energy Minister from June 2001 to March 2005. He served briefly in year 2001 as Undersecretary at the Department of Trade and Industry. Mr. Perez founded Next Century Partners in 1997, a private equity firm based in Singapore. In 2000, he founded Asian Conservation Company which acquired El Nido Resort. Mr. Perez is currently an Independent Director of regional companies in the Philippines and Singapore. He is the chairman of WWF-Philippines and a member of WWF International Board. Mr. Perez is on the Advisory Boards of Coca-Cola Phils., Pictet Clean Energy Fund and Yale Center for Business and Environment. He has consulted for ADB and IFC on renewable energy policy and was Vice-Chairman of the National Renewable Energy Board. Mr. Perez obtained his degree in Business Economics from the University of the Philippines and his Masters in Business Administration at the Wharton Business School of the University of Pennsylvania.

EDUARDO R. AREILZA is 36 years old and is Spanish. He was appointed as a member of the Committee of Advisors to the Board of Directors on 25 March 2009. Mr. Eduardo R. Areilza is also a non-voting member of the Audit & Risk Committee and the Compensation Committee of the company. Mr. Areilza obtained his degree in Business Administration in 1999 at the University of CUNEF in Madrid, Spain and his degree in Advance Corporate Finance, Valuation and Mergers & Acquisitions in 2005 at the Instituto de Impresa in Madrid, Spain.

COMMITTEES

AUDIT AND RISK

GERONIMO C. ESTACIO
Chairman

RAUL M. LEOPANDO
Member

DAVID L. BALANGUE
Member

EDUARDO R. AREILZA
Member (Non-voting)

COMPENSATION

SENEN C. BACANI
Chairman

SANTIAGO R. ELIZALDE
Member

GERONIMO C. ESTACIO
Member

EDUARDO R. AREILZA
Member (Non-voting)

NOMINATION, ELECTION AND GOVERNANCE

PEDRO E. ROXAS
Chairman

SANTIAGO R. ELIZALDE
Member

DAVID L. BALANGUE
Member

KEY OFFICERS

PEDRO E. ROXAS
Chairman

RENATO C. VALENCIA
President &
Chief Executive Officer

NILO A. FLORCRUZ
Executive Vice President
for Operations &
Management Services

ARCHIMEDES B. AMARRA
Executive Vice President
for Marketing/Trading,
Corporate Planning &
Corporate Communications

JOSE PACIFICO E. MARCELO
Executive Vice President
& Chief Finance Officer

FLORENCIO M. MAMAUAG, JR.
Vice President for Legal
& Human Resources,
Asst. Corporate Secretary &
Compliance Officer

EDUARDO A. DE LA CRUZ
Vice President, Comptroller,
Risk Management Officer

FRANCISCO S. RONDILLA
Vice President for
Information Technology &
Systems and Methods

THELMA C. RODRIGUEZ
Assistant Vice President,
Internal Audit

RICARDO LEON C. ECHAUS
Vice President, Resident
Manager of Central
Azucarera Don Pedro, Inc.

EDUARDO V. CONCEPCION
Vice President, Resident
Manager of Central
Azucarera de la Carlota, Inc.

KEY OFFICERS' PROFILES

PEDRO E. ROXAS is 56 years old and is a Filipino. He has been a member of the Board of Directors since 1982. Mr. Pedro E. Roxas is the Chairman of the Board of Directors, the Executive Committee and the Nomination, Election & Governance Committee. He is also the Chairman and the President & CEO of Roxas & Co., Inc. and Roxaco Land Corporation and the Chairman of Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., Roxol Bioenergy Corporation, and other subsidiaries of the company. Mr. Roxas is also the Chairman of Hawaiian-Philippine Company, Club Punta Fuego and Fuego Land Corporation; the President of Fundacion Santiago and Philippine Sugar Millers Association, Inc.; the Vice-Chairman of the Asean Sugar Alliance (ASA); a Director of the Philippine Long Distance Telephone Company (PLDT), the Manila Electric Company (Meralco), Banco de Oro (BDO) Private Bank, Brightnote Assets Corporation; and a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame in Indiana, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Ms. Regina Tambunting with whom he has three (3) children.

RENATO C. VALENCIA is 70 years old and is a Filipino. He has been a member of the Board of Directors for years and was elected Chief Executive Officer of the company on 27 October 2011 and also as President on 01 December 2011. He is a member of the Executive Committee. Mr. Renato C. Valencia is a Director of Metropolitan Bank & Trust Company, the Chairman of i-People, Inc., a Director of Anglo-Philippine Holdings Corporation, and Board Adviser of Philippine Veterans Bank. Mr. Valencia obtained his degree in Bachelor of Science in General Engineering from the Philippine Military Academy and his Master in Business Management from the Asian Institute of Management.

NILO A. FLORCRUZ is 65 years old and is a Filipino. He was appointed EVP for Operations & Management Services on 01 December 2011. Mr. Nilo A. FlorCruz is a Director of Hawaiian-Philippine Company and was formerly the Vice-President for Manufacturing of Victorias Milling Co., Inc. and President and Chairman of the Philippine Sugar Technologist, Inc. He has rendered consultancy work in sugar manufacturing for various entities in the Philippines and abroad. Mr. FlorCruz obtained his degree in Bachelor of Science in Agricultural Chemistry from the University of the Philippines in Los Baños.

ARCHIMEDES B. AMARRA is 61 years old and is a Filipino. Mr. Archimedes B. Amarra was appointed EVP for Marketing/Trading, Corporate Planning & Corporate Communications on 01 December 2011. He was formerly a Board Member of the Sugar Regulatory Administration, a member of the Board of Trustees of the Sugar Industry Foundation, Inc., member of the Sugar Advisory Council, the Executive Director of the Philippine Sugar Millers Association, Coordinator of the Philippine Sugar Alliance and Board Member of the Sugar Development Council. He has also rendered consultancy work for various organizations since 1989. Mr. Amarra obtained his degrees in BSC-Agribusiness Management and BSC-Accounting from the University of St. La Salle-Bacolod City.

JOSE P. E. MARCELO is 53 years old and is a Filipino. Mr. Jose P. E. Marcelo was appointed EVP & Chief Finance Officer on March 16, 2012. He was formerly an Executive Vice-President and Head, Investment Banking Group, a member of the Executive Committee and Senior Management Committee, a consultant to the Board of Directors of First Metro Investment Corporation and a director of First Metro Asset Management, Inc. Mr. Marcelo obtained his degree in Bachelor of Science in Economics from the University of the Philippines and his Masters in Business Management from the Asian Institute of Management.

FLORENCIO M. MAMAUAG, Jr. is 52 years old and is a Filipino. Atty. Florencio M. Mamauag, Jr. is the Assistant Corporate Secretary, VP for Legal Affairs, Compliance Officer, Corporate Information Officer (CIO) and VP for Human Resources & Management Services. He is also the Corporate Secretary and VP for Legal Affairs of Central Azucarera Don Pedro, Inc., Central Azucarera de la Carlota, Inc., Roxol Bioenergy Corporation and the other subsidiaries of the company. Atty. Mamauag is a CPA-Lawyer and is a Professor at the College of Law of the San Beda College. He obtained his degrees in Bachelor of Science in Commerce, major in Accounting, and Bachelor of Laws at the San Beda College of Manila.

EDUARDO A. DE LA CRUZ is 50 years old and is a Filipino. Mr. Eduardo A. de la Cruz was appointed as VP-Comptroller and Risk Management Officer on 6 August 2012. He was formerly the Financial Comptroller of Ramcar Batteries International Ltd. and a Director for Asia, Process and Internal Control of CEMEX. Mr. de la Cruz obtained his degree in Bachelor of Science in Accounting from Araullo University.

FRANCISCO S. RONDILLA is 49 years old and is a Filipino. Mr. Francisco S. Rondilla was appointed as VP for Information Technology & Systems and Methods on 16 December 2011. He obtained his BS Mechanical Engineering degree from the Adamson University and is a registered Mechanical Engineer. Mr. Rondilla took up computer programming courses at the National Computer Institute/University of the Philippines and obtained his Masters in Business Administration at the FEU-Makati MBA School.

THELMA C. RODRIGUEZ is 59 years old and is a Filipino. Ms Thelma C. Rodriguez was appointed as AVP for Internal Audit on 16 July 2012. She was formerly a business consultant to entrepreneurs, the Chief Financial Officer of Advanced Contact Solutions, Inc., VP-Finance of ACM Landholdings Inc. and Proprietress of TC Rodriguez Trading, among others. Ms. Rodriguez obtained her degree in Bachelor of Science in Commerce, major in Accounting, from the Ateneo de Davao University and her Master of Business Administration from the Ateneo de Manila University Graduate School of Business.

RICARDO LEON C. ECHAUS is 59 years old and is a Filipino. Mr. Ricardo Leon C. Echaus is the Vice President and Resident Manager of Central Azucarera Don Pedro, Inc. His previous roles included serving as General Manager and Resident Manager, and as Director and Treasurer at First Farmers Holding Corporation in Talisay, Negros Occidental; as Chief Finance Officer of Coscolluella Brothers, Inc., also in Negros Occidental; as Finance Officer of Dacon Corporation in Manila; as Consultant of SEARCA at the Ministry of Agriculture; and as Account Officer of IFC Leasing and Acceptance Corp. Mr. Echaus is currently the President of ELE Management Corp. and a Director of Dos Hermanas Multi-Purpose Cooperative, Inc., both based in Negros Occidental. He was also affiliated with the Philippine Sugar Technologists Association, Inc., PNB Republic Bank, Asian Consumer and Industrial Finance Corp., Rural Bank of Isabela, Inc., Rural Bank of Victorias, Inc., and the Philippine Sugar Millers Association, Inc., among others. He obtained his Masters in Business Administration from the Asian Institute of Management and his Bachelor of Arts degree in Lia-Com and Bachelor of Science in Business Administration from the De La Salle University. He also participated in short courses overseas.

EDUARDO V. CONCEPCION is 59 years old and is a Filipino. Mr. Eduardo V. Concepcion is the Vice President and Resident Manager of Central Azucarera de la Carlota, Inc. He was formerly the Resident Manager of PASSI (Iloilo) Sugar Central, Inc. before he joined CACI. Mr. Concepcion also worked at Ma-ao Sugar Central and is an active member of the Philippine Institute of Chemical Engineers and the Philippine Sugar Technologists Association, Inc. He also served as President for the Rotary Club of Metro Iloilo, APEX Club and Association of APEX Clubs Philippines. Mr. Concepcion obtained his Bachelor of Science degree in Chemical Engineering at the De La Salle University and completed units for Masters in Business Administration at the University of San Agustin.

TEN-YEAR FINANCIAL HIGHLIGHTS

(AMOUNTS IN MILLIONS) except for the last two items	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net Sales	**7,674**	7,910	6,202	5,865	6,078	5,644	5,102	4,521	3,567	2,979
Income From Operations	**925**	(124)	715	364	645	564	527	477	342	397
EBITDA	**1,615**	784	1,010	669	973	994	974	893	697	584
Net Income	**667**	(742)	311	143	455	364	378	264	158	196
Total Assets	**14,378**	16,708	15,685	13,522	9,867	7,853	7,512	7,305	7,079	5,320
Total Equity	**5,414**	5,406	5,986	5,717	5,501	5,364	5,160	4,717	4,229	3,265
Earnings Per Share	**0.73**	(0.81)	0.34	0.20	0.39	0.29	0.30	0.21	0.13	0.22
Debt-to-Equity Ratio	**1.66**	2.09	1.61	1.37	0.79	0.46	0.46	0.55	0.67	0.61

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Roxas Holdings, Inc.
6th Floor, Cacho-Gonzalez Building
101 Aguirre Street, Legaspi Village
Makati City

We have audited the accompanying consolidated financial statements of Roxas Holdings, Inc. (a subsidiary of Roxas and Company, Inc.) and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2012 and 2011 and June 30, 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, based on our audits and the report of the other auditors on 2010 financial statements of HPCo, the consolidated financial statements present fairly, in all material respects, the financial position of Roxas Holdings, Inc. and its subsidiaries as at September 30, 2012 and 2011 and June 30, 2011, and their financial performance and their cash flows for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-2 (Group A),
March 18, 2010, valid until March 17, 2013
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3174828, January 2, 2012, Makati City

CONSOLIDATED BALANCE SHEETS

[Amounts in Thousands]

	September 30 2012	September 30 2011	June 30, 2011
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4 and 27)	P164,408	P318,756	P368,788
Receivables (Notes 5, 15 and 27)	804,345	558,872	662,349
Inventories (Note 6)	779,336	1,639,077	2,637,110
Prepayments and other current assets (Note 7)	427,277	332,093	332,613
Total Current Assets	2,175,366	2,848,798	4,000,860
Noncurrent Assets			
Property, plant and equipment (Notes 9 and 14):			
At cost	8,377,787	8,944,423	9,133,125
At appraised values	2,773,906	2,543,719	2,714,110
Investment property (Note 10)	175,742	170,391	–
Investment in shares of stock of an associate (Note 8)	569,472	685,944	703,926
Net pension plan assets (Note 16)	128,711	127,697	131,098
Deferred income tax assets - net (Note 23)	147,632	–	–
Other noncurrent assets (Note 5)	29,134	24,829	24,761
Total Noncurrent Assets	12,202,384	12,497,003	12,707,020
TOTAL ASSETS	P14,377,750	P15,345,801	P16,707,880
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term borrowings (Notes 11 and 27)	P1,148,000	P2,738,000	P3,220,000
Accounts payable and accrued expenses (Notes 12 and 27)	673,399	594,315	535,150
Customers' deposits (Note 13)	53,691	153,478	114,845
Income tax payable	–	366	358
Dividends payable (Notes 24 and 27)	49,497	16,069	16,069
Current portion of long-term borrowings (Notes 9, 14 and 27)	148,031	827,683	818,527
Noncurrent portion of long-term borrowings presented as current (Notes 9, 14 and 27)	–	5,599,282	5,824,749
Total Current Liabilities	2,072,618	9,929,193	10,529,698
Noncurrent Liabilities			
Long-term borrowings - net of current portion (Notes 9, 14 and 27)	6,010,780	–	–
Net pension benefit obligation (Note 16)	85,738	–	1,158
Deferred income tax liabilities - net (Note 23)	794,654	776,606	771,509
Total Noncurrent Liabilities	6,891,172	776,606	772,667
Total Liabilities	8,963,790	10,705,799	11,302,365

	September 30 2012	September 30 2011	June 30, 2011
Equity (Note 24)			
Attributable to the equity holders of the parent company:			
Share capital	P1,168,976	P1,168,976	P1,168,976
Share premium	554,960	554,960	554,960
Excess of consideration received over carrying amount of net assets of subsidiary transferred to parent company	577,148	577,148	577,148
Effect of change in ownership interests in subsidiaries	44,567	44,567	44,567
Revaluation increment on properties (Note 9)	1,734,341	1,573,210	1,573,210
Share in revaluation increment on land of an associate (Note 8)	207,492	207,492	207,492
Retained earnings	1,860,496	1,248,365	2,010,837
Treasury shares - at cost	(768,860)	(768,860)	(768,860)
	5,379,120	4,605,858	5,368,330
Noncontrolling interests (Note 24)	34,840	34,144	37,185
Total Equity	5,413,960	4,640,002	5,405,515
TOTAL LIABILITIES AND EQUITY	P14,377,750	P15,345,801	P16,707,880

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

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

	September 30 2012 (One Year)	September 30 2011 (Three Months)	June 30 2011 (One Year)	June 30 2010 (One Year)
REVENUE (Note 18)	P7,674,493	P1,402,594	P7,909,898	P6,202,967
COST OF GOODS SOLD (Note 19)	5,956,519	1,843,063	7,683,788	5,302,740
GROSS PROFIT (LOSS)	1,717,974	(440,469)	226,110	900,227
Selling expenses (Note 20)	(74,990)	(9,794)	(30,946)	(24,585)
General and administrative expenses (Note 20)	(830,205)	(157,508)	(570,411)	(595,690)
Equity in net earnings (loss) of an associate (Note 8)	49,115	(17,982)	176,964	132,263
Interest expense (Notes 11 and 14)	(474,245)	(183,120)	(614,543)	(319,480)
Interest income (Note 4)	6,269	915	5,438	5,710
Other income - net (Note 22)	112,636	48,534	68,391	296,651
INCOME (LOSS) BEFORE INCOME TAX	506,554	(759,424)	(738,997)	395,096
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)				
Current	37,794	992	19,903	54,660
Deferred	(198,640)	5,097	(17,143)	28,996
	(160,846)	6,089	2,760	83,656
NET INCOME (LOSS)	P667,400	(P765,513)	(P741,757)	P311,440
Attributable to:				
Equity holders of the parent company	P666,704	(P762,472)	(P738,290)	P307,698
Noncontrolling interests	696	(3,041)	(3,467)	3,742
	P667,400	(P765,513)	(P741,757)	P311,440
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 25)	P0.73	(P0.84)	(P0.81)	P0.34

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[Amounts in Thousands]

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
NET INCOME (LOSS)	**P667,400**	(P765,513)	(P741,757)	P311,440
OTHER COMPREHENSIVE INCOME (LOSS)				
Increase (decrease) in revaluation increment on land (Note 9)	**230,187**	–	229,109	(58,756)
Income tax effect	**(69,056)**	–	(68,733)	17,627
	161,131	–	160,376	(41,129)
TOTAL COMPREHENSIVE INCOME (LOSS)	**P828,531**	(P765,513)	(P581,381)	P270,311
Attributable to:				
Equity holders of the parent company	**P827,835**	(P762,472)	(P577,914)	P275,872
Noncontrolling interests	**696**	(3,041)	(3,467)	(5,561)
	P828,531	(P765,513)	(P581,381)	P270,311

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended September 30, 2012 and June 30, 2011 and 2010
and the three months ended September 30, 2011
[Amounts in Thousands]

	Attributable to the Equity Holders of the Parent Company (Notes 1 and 24)										
	Share Capital	Share Premium	Excess of Consideration Received over Carrying Amount of Net Assets of Subsidiary Transferred to Parent Company	Effect of Change in Ownership Interests in Subsidiaries	Revaluation Increment on Land	Share in Revaluation Increment on Land of an Associate (Note 8)	Retained Earnings	Treasury Shares	Total	Noncontrolling Interests (Notes 1 and 24)	Total
BALANCES AS OF JUNE 30, 2009	**P1,168,976**	**P554,960**	**P577,148**	**P44,567**	**P1,444,660**	**P207,492**	**P2,441,429**	**(P768,860)**	**P5,670,372**	**P46,232**	**P5,716,604**
Net income for the year	–	–	–	–	–	–	307,698	–	307,698	3,742	311,440
Other comprehensive loss	–	–	–	–	(31,826)	–	–	–	(31,826)	(9,303)	(41,129)
Total comprehensive income (loss)	–	–	–	–	(31,826)	–	307,698	–	275,872	(5,561)	270,311
Acquisition of noncontrolling interest in a subsidiary	–	–	–	–	–	–	–	–	–	(10)	(10)
BALANCES AS OF JUNE 30, 2010	**1,168,976**	**554,960**	**577,148**	**44,567**	**1,412,834**	**207,492**	**2,749,127**	**(768,860)**	**5,946,244**	**40,661**	**5,986,905**
Net loss for the year	–	–	–	–	–	–	(738,290)	–	(738,290)	(3,467)	(741,757)
Other comprehensive income	–	–	–	–	160,376	–	–	–	160,376	–	160,376
Total comprehensive loss	–	–	–	–	160,376	–	(738,290)	–	(577,914)	(3,467)	(581,381)
Acquisition of noncontrolling interest in a subsidiary	–	–	–	–	–	–	–	–	–	(9)	(9)
BALANCES AS OF JUNE 30, 2011	**1,168,976**	**554,960**	**577,148**	**44,567**	**1,573,210**	**207,492**	**2,010,837**	**(768,860)**	**5,368,330**	**37,185**	**(5,405,515)**
Net loss for the period	–	–	–	–	–	–	(762,472)	–	(762,472)	(3,041)	(765,513)
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–	(762,472)	–	(762,472)	(3,041)	(765,513)
BALANCES AS OF SEPTEMBER 30, 2011	**1,168,976**	**554,960**	**577,148**	**44,567**	**1,573,210**	**207,492**	**1,248,365**	**(768,860)**	**4,605,858**	**34,144**	**4,640,002**
Net income for the year	–	–	–	–	–	–	666,704	–	666,704	696	667,400
Other comprehensive income					161,131		–	–	161,131	–	161,131
Total comprehensive income	–	–	–	–	161,131	–	666,704	–	827,835	696	828,531
Cash dividend (P0.06 per share)	–	–	–	–	–	–	(54,573)	–	(54,573)	–	(54,573)
BALANCES AS OF SEPTEMBER 30, 2012	**P1,168,976**	**P554,960**	**P577,148**	**P44,567**	**P1,734,341**	**P207,492**	**P1,860,496**	**(P768,860)**	**P5,379,120**	**P34,840**	**P5,413,960**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Amounts in Thousands]

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	**P506,554**	(P759,424)	(P738,997)	P395,096
Adjustments for:				
Depreciation (Note 9)	**689,799**	170,435	546,994	407,025
Loss (gain) on disposal of property and equipment	**(530)**	13,981	7,782	(972)
Recovery from insurance claim (Note 22)	**(20,676)**	(27,650)	–	(141,341)
Equity in net loss (earnings) of an associate (Note 8)	**(49,115)**	17,982	(176,964)	(132,263)
Unrealized fair value adjustment on investment properties (Note 10)	**(5,351)**	–	–	–
Interest income (Note 4)	**(6,269)**	(915)	(5,438)	(5,710)
Interest expense (Notes 11 and 14)	**474,245**	183,120	614,543	319,480
Unrealized foreign exchange gain	**(4,753)**	–	–	–
Movement in net pension plan assets and liabilities (Note 16)	**84,724**	2,243	(30,582)	(31,016)
Operating income (loss) before changes in working capital	**1,668,628**	(400,228)	217,338	810,299
Decrease (increase) in:				
Receivables	**(245,473)**	103,477	170,452	254,388
Inventories	**800,014**	919,239	(1,134,101)	(308,678)
Prepayments and other current assets	**(30,950)**	7,275	(40,976)	(46,104)
Increase (decrease) in:				
Accounts payable and accrued expenses	**172,938**	58,578	(102,413)	(271,133)
Customers' deposits	**(99,787)**	38,633	(8,264)	(62,704)
Provision for inventory losses and obsolescence (Note 6)	**59,727**	78,794	370,128	24,050
Cash generated from (used in) operations	**2,325,097**	805,768	(527,836)	400,118
Interest received	**6,269**	915	5,438	5,710
Income taxes paid, including creditable withholding and final taxes	**(102,394)**	(7,739)	(82,064)	(85,475)
Net cash from (used in) operating activities	**2,228,972**	798,944	(604,462)	320,353
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment (Note 9)	**(P168,957)**	(P38,152)	(P349,667)	P(2,538,628)
Proceeds from sale of property and equipment	**5,523**	12,849	2,949	5,805
Proceeds from recovery from insurance claims (Note 22)	**20,676**	27,650	–	141,341
Dividends received (Note 8)	**165,587**	–	91,360	71,373
Disposal of (additions to) other noncurrent assets	**(4,305)**	(68)	2,581	(521)
Net cash from (used in) investing activities	**18,524**	2,279	(252,777)	(2,320,630)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (payments of) short-term borrowings (Note 11)	**(1,590,000)**	(482,000)	770,096	(487,096)
Proceeds from long-term borrowings (Note 14)	**501,568**	–	925,000	2,671,000
Payments of long-term borrowings (Note 14)	**(769,722)**	(216,311)	(51,724)	–
Interest paid (Notes 11 and 14)	**(522,545)**	(152,944)	(594,163)	(268,447)
Dividends paid (Note 24)	**(21,145)**	–	–	(25,005)
Acquisition of noncontrolling interest in a subsidiary (Note 24)	**–**	–	(9)	(10)
Net cash from (used in) financing activities	**(2,401,844)**	(851,255)	1,049,200	1,890,442
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	**(154,348)**	(50,032)	191,961	(109,835)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**318,756**	368,788	176,827	286,662
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	**P164,408**	P318,756	P368,788	P176,827

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate Information

Roxas Holdings, Inc. (RHI or the "Company"), doing business under the name and style of CADP Group, 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. The Company's corporate life is extended for another 50 years from November 1, 1980.

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

As of September 30, 2012 and 2011, the Company is 65.70% owned by Roxas and Company, Inc. (RCI), its ultimate parent company and a publicly listed company incorporated and domiciled in the Philippines. Prior to the merger effective June 29, 2009 as discussed below, the Company was 65.12% owned by Roxas & Company, Inc., a company incorporated and domiciled in the Philippines. The Company has 2,266, 2,299 and 2,613 equity holders as of September 30, 2012 and 2011 and June 30, 2011, respectively.

On February 2, 2011, the Board of Directors (BOD) of the Company and its subsidiaries (collectively referred to as "the Group") approved the amendment on the Group's By-Laws changing the accounting period from fiscal year ending June 30 to September 30 of each year. The change in accounting period of the Company was approved by the Philippine SEC on March 3, 2011. The change in accounting period of the Company's subsidiaries was approved by the Philippine SEC on various dates in fiscal year 2011.

The Company's corporate office is located at the 6th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City, while the manufacturing plants of its operating subsidiaries (see Note 28) 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.

In 2008, RHI increased its equity ownership in CADPGC from 89.28% to 89.36% when CADPGC re-acquired portion of its shares (see Note 24). On December 16, 2008, RHI acquired CADPGC's sugar-related operating subsidiaries [Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), CADPI Farm Services, Inc. (CFSI), CADPI Consultancy Services, Inc. (CCSI), Jade Orient Management Services, Inc. (JOMSI), Najalin Agri Ventures, Inc. (NAVI)] and associate [Hawaiian-Philippine Company (HPCo)], as well as certain assets and liabilities of CADPGC for a total consideration of P3,838.0 million. On January 23, 2009, RHI sold its investment in CADPGC to Roxas & Company, Inc. for P3,927.3 million (see Note 24d).

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

Status of Operations and Management Action Plans

For the fiscal year ended June 30, 2011, the Group was significantly affected by the volatility of the prices of sugar, molasses and ethanol, impacting the Group's profitability and cash flows. Thus, the Group incurred a consolidated net loss of P741.8 million and a net cash outflow from operating activities of P604.5 million. Consequently, the Group did not meet the minimum debt service coverage ratio (DSCR) required under its long-term loan agreements with certain creditor banks as of June 30, 2011 (see Note 14). Considering that the losses were mainly driven by market reversals and not by the Group's capacity to service its loans, the Group was able to obtain from the creditor banks in September and October 2011 a waiver of breach of covenant on the DSCR covering the fiscal year ended June 30, 2011.

For the interim period ended September 30, 2011 where the Group was expected to record heavy expenses in preparing its mills for the milling operations, the Group incurred a consolidated net loss of P765.5 million. Despite the losses, the Group's net cash inflow from operating activities reached P798.9 million, of which P698.3 million was used to pay off short-term and long-term liabilities. Consequently, the creditor banks issued in December 2011 and January 2012 similar waivers for possible violations of DSCR up to September 2012 (see Note 14).

When the new management took over in December 2011, the Group started to implement new business strategies and action plans to improve its operations and ensure long-term viability of its business.

The Group is currently reviewing its existing operating units in order to more clearly define accountabilities, tighten internal monitoring and decentralize management decisions.

Management directed all cost and profit centers to implement cost efficiency measures which resulted in a reduction in certain overhead expenses by at least 10% from last year and an increase in margins for this fiscal year 2012 (see Notes 16 and 17). Management also directed the plants to achieve operating efficiencies which also contributed to the increase in margins this fiscal year.

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Management also negotiated with its creditor banks which resulted in the change of the interest rate from a fixed rate to a floating rate and additional three-year grace period on principal payments (see Note 14).

As a result of these strategies, the Group recorded a consolidated net income of P667.4 million for the fiscal year ended September 30, 2012, a turnaround from a consolidated net loss of P741.8 million for the year ended June 30, 2011 and P765.5 million for the three months ended September 30, 2011. Moreover, the Group has met the required DSCR and has been compliant with its loan covenants as of September 30, 2012 (see Note 14).

Approval of the Consolidated Financial Statements
The consolidated financial statements as at September 30, 2012 and 2011 and June 30, 2011 and for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011 have been approved and authorized for issue by the Company's BOD on December 12, 2012.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation and Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

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

The Group prepared short-period consolidated financial statements as of and for the three months ended September 30, 2011 pursuant to the Group's change in reporting year-end from June 30 to September 30 (see Note 1). The amounts reflected in the September 30, 2011 consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related notes are for three months, and accordingly, are not entirely comparable with amounts for September 30, 2012 and June 30, 2011 and 2010 which pertain to an entire year.

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of previous financial year except for the early adoption of Amendments to Philippine Accounting Standards (PAS) 12, *Income Taxes - Deferred Tax: Recovery of Underlying Asset,* which was adopted beginning October 1, 2011. The amendments to this standard clarify the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, Investment Property, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

The Group has both investment properties at fair value and land properties accounted for under the revaluation model. These assets are all classified as ordinary assets for income tax purposes. As the jurisdiction in which the Group operates does not have a different tax charge for 'sale' or 'use' basis of assets classified as ordinary assets for income tax purposes, the amendment has no impact on the consolidated financial statements of the Group.

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to September 30, 2012
The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new changes in PFRS to have a significant impact on the consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective. Effective years are on a fiscal year basis.

Effective 2013
- Amendments to PAS 1, *Financial Statement Presentation,* improve how we present components of other comprehensive income. The new requirements are effective for annual periods beginning on or after July 1, 2012.

Effective 2014
- PFRS 10, *Consolidated Financial Statements*, replaces the portion of PAS 27, *Consolidated and Separate Financial Statements,* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities.* PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Group is currently assessing the impact that this standard will have on the financial position and performance.

- PFRS 11, *Joint Arrangements,* replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers.* PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture to equity accounting for this investment. The Group expects that this standard will have no impact on the consolidated financial position and performance.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities,* require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and will have no impact on the Group's financial position or performance.

- PFRS 12, *Disclosure of Interests with Other Entities,* includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group is currently assessing the impact that this standard will have on the disclosures in the consolidated financial statements.

- PFRS 13, *Fair Value Measurement,* establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine,* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation will not impact the Group's financial position and performance.

- Amendments to PAS 19, *Employee Benefits,* range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

  The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group will obtain the services of an external actuary to compute the impact to the financial statements upon adoption of the standard.

- PAS 27, *Separate Financial Statements (as revised in 2011).* As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities,* what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This interpretation will not impact the Group's financial position and performance.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011).* As a consequence of the new PFRS 11, *Joint Arrangements,* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures,* and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the impact that this standard will have on the financial position and performance.

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Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after October 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information,* clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment,* clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments,* clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes.* The Group expects that the adoption of this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities,* clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects interim financial reporting disclosures only and has no impact on the Group's financial position or performance.

Effective in 2015

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities,* clarifies the meaning of "currently has a legally enforceable right to set-off" and also the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

  The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2016

- PFRS 9, *Financial Instruments - Classification and Measurement,* as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement.* Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

  The Group has made an evaluation of the impact of the adoption of this standard. The Group decided not to early adopt PFRS 9 for its 2012 reporting ahead of its effectivity date on January 1, 2015 (October 1, 2015 for the Group) and therefore the consolidated financial statements as of September 30, 2012 and 2011 and June 30, 2011 do not reflect the impact of the said standard. Based on this evaluation, loans and receivables and other financial liabilities, both carried at amortized cost, will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at amortized cost, thus, has no impact to the Group's financial position and performance.

  The Group shall conduct another impact assessment at the end of the 2013 reporting period using the consolidated financial statements as of and for the year ended September 30, 2012. Given the amendments on PFRS 9, the Group at present, does not plan to early adopt in 2013 financial reporting. It plans to reassess its current position once the phases of PFRS 9 on impairment and hedge accounting become effective.

  The Group's decision whether to early adopt PFRS 9 for its 2013 financial reporting will be disclosed in the consolidated financial statements as of and for the year ending September 30, 2013.

Effectivity date to be determined

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate,* covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts,* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related contracts receivables, deferred income tax assets and retained earnings accounts. The adoption of this Philippine Interpretation will be accounted for retrospectively, and will result in restatement of prior period financial statements. The Group is in the process of quantifying the impact of the adoption of this Philippine Interpretation on the Group's financial position and performance.

<u>Consolidation</u>

The consolidated financial statements include the financial statements of the Company and the following subsidiaries (all incorporated in the Philippines) as of September 30, 2012 and 2011 and June 30, 2011:

	Effective Percentage of Ownership
CADPI[1]	100.00
CACI	100.00
CADP Insurance Agency, Inc. (CIAI)[2]	100.00
CCSI	100.00
CFSI	100.00
JOMSI	100.00
NAVI	77.38
Roxol Bioenergy Corporation (RBC)[1]	100.00
CADP Port Services, Inc. (CPSI)[3]	100.00
Roxas Power Corporation (RPC)[3]	50.00

(1) On August 31, 2012, RHI assigned 238,417,831 RBC shares in favor of CADPI out of its 300 million RBC shares. As a result, RHI's direct ownership interest in RBC was reduced from 100% to 20.53% while CADPI acquired 79.47% ownership interest in RBC, thus, making RBC a subsidiary of CADPI.

(2) CIAI was incorporated on May 8, 1997 and has not yet started commercial operations.

(3) CPSI was incorporated on July 17, 2008 while RPC was incorporated on July 16, 2008. Both companies have not yet started commercial operations. The Company has control on RPC since it has the power to cast the majority of votes at the BOD's meetings and the power to govern the financial and reporting policies of RPC.

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

Noncontrolling 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 the equity section of the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity. Total comprehensive income is attributed to the portion held by the Group and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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

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 noncontrolling interest or partial disposal of interest over a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

<u>Business Combinations</u>

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

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

In cases where the business combination has no substance, the Company shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is transferred in a common control transaction, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction. As discussed in Note 1, the Group recorded the difference as excess of consideration received over carrying amounts of net assets of subsidiary transferred to parent company and presented as a separate component of equity in the consolidated balance sheet.

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

<u>Investment in Shares of Stock of an Associate</u>
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. The financial statements of the associate are prepared for the same reporting period of the Company. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The Group determines at the end of each reporting period whether there is any evidence that the investments in shares of stock are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments in shares of stock and their recoverable amount.

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

For purposes of management reporting, the Group's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment.

<u>Cash and Cash Equivalents</u>
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.

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

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

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

Financial assets are classified into the following categories:
a. Financial assets at fair value through profit or loss
b. Loans and receivables
c. Held-to-maturity investments
d. Available-for-sale financial assets

Financial liabilities, on the other hand, are classified into the following categories:
a. Financial liabilities at fair value through profit or loss
b. Other financial liabilities

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

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

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

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

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

The Group has not designated any financial asset or financial liability as at fair value through profit or loss as at September 30, 2012 and 2011 and June 30, 2011.

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

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

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

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

As of September 30, 2012 and 2011 and June 30, 2011, the Group has embedded derivatives on its long-term borrowings, the value of which is immaterial.

b. Loans and receivables

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

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

Classified as loans and receivables are the Group's cash in banks and cash equivalents, trade receivables, due from related parties, due from employees and other receivables as of September 30, 2012 and 2011 and June 30, 2011 (see Note 27).

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c. Held-to-maturity investments

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

The Group has not designated any financial asset as held-to-maturity as of September 30, 2012 and 2011 and June 30, 2011.

d. Available-for-sale financial assets

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

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

The Group has not designated any financial assets as available-for-sale as of September 30, 2012 and 2011 and June 30, 2011.

e. Other financial liabilities

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

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

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

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

b. Financial liabilities

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

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

Impairment of Financial Assets

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

a. Financial assets carried at amortized cost

If there is 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, or the increasing probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

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

b. Financial assets carried at cost

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

c. Available-for-sale financial assets

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

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

Determination of fair values

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

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

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

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

Materials and supplies inventories are valued at the lower of cost and NRV, cost being determined using the moving average method. NRV is the estimated selling price in the ordinary course of business less variable selling expense.

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

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

Property, Plant and Equipment
Property, plant and equipment are carried at historical cost less accumulated depreciation and amortization and any impairment in value, 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 in the period incurred.

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

The net appraisal increment resulting from the revaluation of land is presented under "Revaluation increment on properties", net of related deferred income tax effect, in the consolidated balance sheet and consolidated statement of changes in equity. The 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", net of related deferred income tax effect, in the consolidated balance sheet and consolidated statement of changes in equity. Increases in the carrying amount arising on revaluation of properties are recognized in the consolidated statement of comprehensive income and credited to revaluation increment in the consolidated statement of changes in equity, net of related deferred income tax effect. Any resulting decrease is directly charged against the related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to the consolidated statement of income. Valuations are performed frequently enough to ensure that the fair value of properties does not differ significantly from its carrying amount.

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

The Group used the carrying amount of CADPI's depreciable assets as of July 1, 2004, which is the revalued amount less accumulated depreciation from the Group's perspective, as their deemed costs at that date when the Group adopted PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. The asset revaluation reserve was fully transferred to retained earnings as of June 30, 2010.

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	18 to 30
Machineries and equipment:	
Factory machinery and installations	17 to 25
Safety equipment	5
Service vehicles	3 to 6
Transportation equipment	3 to 6
Office furniture, fixtures and equipment	3 to 5

Depreciation and amortization commence when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease 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 Asset 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 these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

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

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

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

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

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

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

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

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statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

Treasury Shares
Where any member of the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity 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 transactions costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

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

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

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

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

Sale of molasses
Sale of molasses is recognized upon transfer of molasses warehouse receipts which represents ownership title over the molasses inventories.

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

Rental income
Rental income from operating leases is recognized on a straight-line basis over the lease term.

Farm income
Farm income is recognized when the related service is rendered.

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

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

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

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

Employee Benefits
The Company and its subsidiaries have individual and separate defined benefit 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 end of reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In cases when the amount determined results in a surplus (being the excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Group measures the resulting asset at: (a) the lower of the excess of the fair value of plan assets over the present value of the defined benefit obligation at the end of reporting period together with adjustments for unrecognized actuarial gains or losses and past service costs; and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Plan assets represent assets that: (a) are held by an entity (a fund) that is legally separate from the Group; (b) are available to be used only to pay or fund employees benefits; and (c) are not available to the Group's own creditors, and cannot be returned to the Group unless: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the Group; or (ii) the assets are returned to the Group to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

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

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

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

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

Contingent rent is recognized as income or expense in the 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 can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

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

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

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

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

Foreign Currency-Denominated Transactions and Translations
Items included in the financial statements of each of the Group's entities are measured using the functional currency.

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

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

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

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

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

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

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

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

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

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

Earnings (Loss) per Share
Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary or common shares purchased by the Company and held as treasury shares. Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all the dilutive potential ordinary shares into ordinary shares. The Company has no dilutive potential ordinary shares.

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

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

Determination of operating segments
Determination of operating segments is based on the information about components of the Company that management uses to make decisions about operating matters. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker, which is defined to be the Company's Executive Committee, in order to allocate resources to the segment and assess its performance. The Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 percent or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10 percent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10 percent or more of the combined assets of all operating segments.

The Company determined that its operating segments are organized and managed separately on a per company basis, with each company representing an operating segment. Reportable operating segments as of September 30, 2012 and 2011 and June 30, 2011 and for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011 are RHI, CADPI, CACI and RBC (see Note 28).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The classifications of the various financial assets and financial liabilities of the Group are disclosed in Note 27.

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

Classification of property held for lease
Management determines the classification of a property depending on its use. The Group classifies its owner-occupied properties as property, plant and equipment. Properties held to earn rentals or for capital appreciation are classified as investment property. The change of use of properties will trigger a change in classification and accounting of these properties.

The Group classified and accounted an agricultural property amounting to P170.4 million as investment property as of September 30, 2011 due to the change in use from owner-occupied property previously used in farm operations by NAVI to farm land rental (see Note 10).

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

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

As of September 30, 2012 and 2011 and June 30, 2011, the Group's receivables amounted to P804.3 million, P558.9 million and P662.3 million, respectively, net of allowance for impairment of receivables of P121.6 million as of September 30, 2012 and P21.2 million as of September 30, 2011 and June 30, 2011 (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 reporting period to the extent that such events confirm conditions existing at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As of September 30, 2012 and 2011 and June 30, 2011, the Group's inventories carried at NRV amounted to P510.5 million, P1,570.0 million and P2,376.4 million, respectively (see Note 6).

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

Portion of molasses inventory amounting to P10.5 million, P28.9 million and P47.0 million as of September 30, 2012 and 2011 and June 30, 2011, respectively, pertains to allocated cost from the total production costs of milled raw and refined sugar.

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

As of September 30, 2012 and 2011 and June 30, 2011, the Group's creditable withholding taxes amounted to P217.8 million, P153.5 million and P146.8 million, net of allowance for losses amounting to P12.2 million, P12.4 million, and P10.2 million, respectively (see Note 7).

Valuation of land under revaluation basis
The Group's land is carried at revalued amount, which approximate, its fair value at the date of the revaluation, less any accumulated impairment losses. The valuation of land is performed by professionally qualified independent appraisers. The fair value was arrived at using the Market Data Approach for land based on the gathered available market evidences. Revaluations are made on a regular basis to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of reporting period. Land carried at revalued amounts as of September 30, 2012 and 2011 and June 30, 2011 amounted to P2,773.9 million, P2,543.7 million and P2,714.1 million, respectively (see Note 9).

The resulting increase in the valuation of these assets based on the valuations made by an independent appraiser is presented under "Revaluation increment on properties", net of the related deferred income tax effect and "Share in revaluation increment on land of an associate", net of the related deferred income tax effect 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.

In 2012, the Group reassessed and changed the estimated useful lives of certain machineries and equipment which resulted to additional depreciation expense amounting to P14.7 million (see Note 9). Impact on the Group's future depreciation expense until 2016 amounted to P34.0 million. There was no change in the useful lives of the property, plant and equipment for the periods ended September 30, 2011 and June 30, 2011.

The total carrying value of the Group's depreciable property, plant and equipment as of September 30, 2012 and 2011 and June 30, 2011 amounted to P8,377.8 million, P8,944.4 million and P9,133.1 million, respectively (see Note 9).

Determination of fair value of investment property
The fair value of the investment property was determined by professionally qualified independent appraisers using generally acceptable valuation techniques and methods and estimates based on local market conditions existing at the end of the reporting period. The fair value was based on market value. In arriving at the market value, it is assumed that any transaction shall be based on cash or its equivalent consideration.

Investment property stated at fair value amounted to P175.7 million and P170.4 million as of September 30, 2012 and 2011, respectively (see Note 10).

Assessment of impairment of nonfinancial assets and estimation of recoverable amount
The Group assesses at the end of each reporting period whether there is any indication that the nonfinancial assets listed below 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. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required 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.

Determining the recoverable amounts of the nonfinancial assets listed below, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes under PFRS.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	September 30		June 30,
	2012	2011	2011
		(In Thousands)	
Property, plant and equipment (Note 9)	**P11,151,693**	P11,488,142	P11,847,235
Investment property (Note 10)	**175,742**	170,391	–
Investment in shares of stock of an associates (Note 8)	**P569,472**	P685,944	P703,926

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011, the Group has not recognized any impairment loss.

Estimation of retirement benefits
The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts. Those assumptions are described in Note 16 and include, among others, discount rates, expected rates of return on plan assets and rates 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 September 30, 2012 and 2011 and June 30, 2011 amounted to P128.7 million, P127.7 million and P131.1 million, respectively. On the other hand, net pension benefit obligation amounted to P85.7 million and P1.2 million as of September 30, 2012 and June 30, 2011, respectively. There is no net pension obligation as of September 30, 2011. Pension costs amounted to P135.5 million, P51.7 million and P75.9 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and P12.9 million for the three months ended September 30, 2011 (see Note 16).

Estimation of provisions and contingencies
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of reporting period, net of any estimated amount that may be reimbursed to the Group. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

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 certain tax assessments, the Group recorded provisions amounting to P85.0 million, P36.6 million of which was paid as of September 30, 2012 (see Notes 17 and 20). No provision is deemed necessary as of September 30, 2011 and June 30, 2011.

Recognition of deferred income tax assets
The Group reviews the carrying amounts at the end of each reporting period and reduces the amount of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The Group has recognized deferred income tax assets on a portion of deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to P288.7 million, P101.0 million and P110.4 million as of September 30, 2012 and 2011 and June 30, 2011, respectively (see Note 23). No deferred income tax assets were recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to P24.4 million, P408.2 million and P211.0 million as of September 30, 2012 and 2011 and June 30, 2011, respectively, as management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred income tax assets can be utilized.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Cash on hand and in banks	**P121,628**	P318,756	P238,788
Short-term placements	**42,780**	–	130,000
	P164,408	P318,756	P368,788

Short-term placements earn interest per annum of 1.0%, 1.3% and 1.3% for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and 1.3% for the three months ended September 30, 2011. The average maturity of these placements is one day to 60 days. Interest income earned on cash in banks and short-term placements amounted to P2.4 million, P5.4 million and P5.7 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and P0.9 million for the three months ended September 30, 2011.

5. Receivables

Receivables consist of:

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Trade	**P626,367**	P334,571	P518,518
Due from:			
Related parties (Note 15)	**112,928**	38,763	44,160
Employees	**58,865**	26,281	34,305
Planters and cane haulers	**40,979**	85,151	26,497
Advances for raw sugar purchases	**9,942**	–	9,942
Others	**76,832**	95,355	50,174
	925,913	580,121	683,596
Less allowance for impairment	**121,568**	21,249	21,247
	P804,345	P558,872	P662,349

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

b. Other receivables include deposits to suppliers and contractors, other employee housing loans and other nontrade receivables. Other employee housing loans pertain to outstanding receivable from the 2002 sale of a portion of the Company's land in Barrio Bilaran, Nasugbu, Batangas to its employees. Due to the Reorganization Program discussed in Note 1, the employees were transferred to CADPI, whereas the receivable remained with the Company. These loans bear annual interest of 12% and are payable over 10 years until 2012. As of September 30, 2012 and 2011 and June 30, 2011, current portion of these receivables amounted to P2.6 million, P1.8 million and P2.6 million, net of unearned interest income amounting to P0.3 million, P0.5 million and P0.7 million, respectively.

c. Details and movement of allowance for impairment of receivables, determined using specific assessment, follow:

	June 30, 2010	Provision (Note 20)	June 30, 2011	Provision (Note 20)	**September 30, 2011**	**Provision (Note 20)**	**September 30, 2012**
			(In Thousands)				
Trade	P2,915	P537	P3,452	P–	**P3,452**	**P95,426**	**P98,878**
Due from planters and cane haulers	8,035	–	8,035	–	**8,035**	**3,847**	**11,882**
Due from employees	1,276	66	1,342	–	**1,342**	**–**	**1,342**
Others	8,418	–	8,418	2	**8,420**	**1,046**	**9,466**
	P20,644	**P603**	**P21,247**	**P2**	**P21,249**	**P100,319**	**P121,568**

6. Inventories

Inventories consist of:

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
At cost:			
Refined sugar	**P247,477**	P55,825	P251,804
Materials in transit	**21,348**	13,280	8,910
At NRV:			
Raw sugar	**25,003**	1,037,443	1,797,287
Molasses	**168,281**	48,984	129,838
Alcohol	**34,816**	149,911	85,438
Materials and supplies	**282,411**	333,634	363,833
	P779,336	P1,639,077	P2,637,110

Details and movements of allowances for product inventory losses and obsolescence of materials and supplies as of September 30 follow:

	June 30, 2010	Provisions	Reversal/ Write Offs	June 30, 2011	Provisions	Reversal/ Write Offs	**September 30, 2011**	**Provisions**	**Reversal/ Write Offs**	**September 30, 2012**
					(In Thousands)					
Raw sugar, alcohol and molasses	P–	P364,556	P–	P364,556	P49,813	(P325,624)	**P88,745**	**P47,529**	**(P130,545)**	**P5,729**
Materials and supplies	29,116	5,572	(5,427)	29,261	28,981	(1,070)	**57,172**	**12,198**	**(27,602)**	**41,768**
	P29,116	P370,128	(P5,427)	P393,817	P78,794	(P326,694)	**P145,917**	**P59,727**	**(P158,147)**	**P47,497**

In 2012, the Group wrote-off certain inventories amounting to P158.1 million based on physical losses. These inventories were previously provided with an allowance. Reversal of the allowance for three months ended September 30, 2011 and the year ended June 30, 2011 amounting to P326.7 million and P5.4 million, respectively, was due to the sale and disposal of these inventories during the said periods.

Cost of inventories recognized as expense and included in "Cost of goods sold" amounted to P3,674.7 million, P4,923.3 million and P3,071.3 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and P1,292.6 million for the three months ended September 30, 2011 (see Note 19).

7. Prepayments and Other Current Assets

Prepayments and other current assets consist of:

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Input VAT and other prepaid taxes	**P167,580**	P137,155	P129,244
Creditable withholding taxes - net	**217,776**	153,542	146,787
Others	**41,921**	41,396	56,582
	P427,277	P332,093	P332,613

a. Provision for impairment on creditable withholding taxes amounted to P1.2 million for the year ended September 30, 2012 and P2.2 million for the three months ended September 30, 2011.

b. Allowance for impairment on creditable withholding taxes amounted to P12.2 million, P12.4 million and P10.2 million as of September 30, 2012 and 2011 and June 30, 2011, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

c. Input VAT arises from purchases of equipment and services relating to the Expansion Project and RBC Ethanol Plant construction (see Note 9).

d. Other current assets consist of deposit to suppliers for purchase of fuel for the Group's ethanol production as of September 30, 2012 and 2011 and June 30, 2011.

8. Investment in Shares of Stock of an Associate

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

	September 30 2012	2011	June 30, 2011
	(In Thousands)		
Acquisition cost	**P127,933**	P127,933	P127,933
Accumulated equity in net earnings:			
Beginning of the period	**350,519**	368,501	282,897
Equity in net earnings (loss) for the period	**49,115**	(17,982)	176,964
	399,634	350,519	459,861
Less dividends received	**P165,587**	P–	P91,360
End of the period	**234,047**	350,519	368,501
Share in revaluation increment	**207,492**	207,492	207,492
	P569,472	P685,944	P703,926

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

The summarized financial information of HPCo are as follows:

	September 30 2012	2011	June 30, 2011
	(In Thousands)		
As of September 30, 2012, 2011 and June 30, 2011			
Current assets	**P381,285**	P490,319	P644,003
Noncurrent assets	**976,893**	949,780	934,455
Current liabilities	**389,675**	204,798	341,961
Noncurrent liabilities	**117,523**	125,800	130,500
Net assets	**850,980**	1,109,501	1,105,997

(Forward)

	September 30 2012	2011	June 30, 2011
	(In Thousands)		
For the years ended September 30, 2012 and June 30, 2011 and the three months ended September 30, 2011			
Revenue	**P1,237,535**	P447,949	P1,730,207
Net income (loss)	**108,927**	(39,882)	392,469
Other comprehensive income	**–**	–	–
Total comprehensive income	**108,927**	(39,882)	392,469

9. Property, Plant and Equipment

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

September 30, 2012

	Buildings and Improvements	**Machineries and Equipment**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction in Progress**	**Total**
	(In Thousands)					
Cost						
Beginning balances	**P2,752,532**	**P11,838,124**	**P32,935**	**P67,309**	**P51,280**	**P14,742,180**
Additions	**5,547**	**43,072**	**–**	**450**	**79,087**	**128,156**
Retirement/disposals	**–**	**(18,686)**	**(185)**	**(281)**	**–**	**(19,152)**
Ending balances	**2,758,079**	**11,862,510**	**32,750**	**67,478**	**130,367**	**14,851,184**
Accumulated Depreciation						
Beginning balances	**P852,670**	**P4,875,487**	**P17,433**	**P52,167**	**P–**	**P5,797,757**
Depreciation	**113,427**	**565,347**	**5,134**	**5,891**	**–**	**689,799**
Retirement/disposals	**–**	**(13,850)**	**(108)**	**(201)**	**–**	**(14,159)**
Ending balances	**966,097**	**5,426,984**	**22,459**	**57,857**	**–**	**6,473,397**
Net Book Value	**P1,791,982**	**P6,435,526**	**P10,291**	**P9,621**	**P130,367**	**P8,377,787**

September 30, 2011

	Buildings and Improvements	Machineries and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
	(In Thousands)					
Cost						
Beginning balances	P2,536,461	P10,978,436	P32,935	P76,852	P1,243,966	P14,868,650
Additions	3	–	–	–	8,560	8,563
Retirement/disposals	(5,837)	(114,401)	–	(14,795)	–	(135,033)
Reclassification	221,905	974,089	–	5,252	(1,201,246)	–
Ending balances	2,752,532	11,838,124	32,935	67,309	51,280	14,742,180
(Forward)						
Accumulated Depreciation						
Beginning balances	827,215	4,832,257	16,146	59,907	–	5,735,525
Depreciation	28,598	136,822	1,287	3,728	–	170,435
Retirement/disposals	(3,143)	(93,592)	–	(11,468)	–	(108,203)
Ending balances	852,670	4,875,487	17,433	52,167	–	5,797,757
Net Book Value	P1,899,862	P6,962,637	P15,502	P15,142	P51,280	P8,944,423

June 30, 2011

	Buildings and Improvements	Machineries and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
	(In Thousands)					
Cost						
Beginning balances	P2,041,095	P8,808,688	P32,935	P68,670	P3,547,117	P14,498,505
Additions	15,730	42,554	–	3,004	332,325	393,613
Disposals	–	(21,617)	–	(1,851)	–	(23,468)
Reclassification	479,636	2,148,811	–	7,029	(2,635,476)	–
Ending balances	2,536,461	10,978,436	32,935	76,852	1,243,966	14,868,650
Accumulated Depreciation						
Beginning balances	736,361	4,399,554	11,000	54,353	–	5,201,268
Depreciation	90,854	443,589	5,146	7,405	–	546,994
Disposals	–	(10,886)	–	(1,851)	–	(12,737)
Ending balances	827,215	4,832,257	16,146	59,907	–	5,735,525
Net Book Value	P1,709,246	P6,146,179	P16,789	P16,945	P1,243,966	P9,133,125

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

	September 30 2012	2011	June 30, 2011
	(In Thousands)		
Beginning balance at appraisal values	**P2,543,719**	P2,714,110	P2,485,001
Revaluation increase	**230,187**	–	229,109
Transfer to investment property (Note 10)	**–**	(170,391)	–
Ending balance at appraisal values	**P2,773,906**	P2,543,719	P2,714,110
At cost	**P48,847**	P48,847	P58,715

a. Construction in progress

Uncompleted projects as of September 30, 2012 and 2011 pertain mainly to regular plant improvements and capital expenditures. Construction in progress as of June 30, 2011 pertains mainly to the construction of bioethanol plant.

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

The Group obtained short and long-term borrowings from various local banks to finance the Expansion Project, which was completed in fiscal year 2011 (see Notes 11 and 14).

RBC Plant Construction Project
On June 27, 2008, in line with the Expansion Project, RBC entered into an agreement to construct its bioethanol plant in La Carlota City, Negros Occidental for a total contracted amount of US$20.8 million. As of June 30, 2011, the balance in the construction in progress relating to RBC plant amounted to P1,173.6 million. RBC has started operating the plant during the three months ended September 30, 2011, thus has reclassified its construction in progress amounting to P1,173.9 million in 2011.

b. Capitalization of borrowing costs

Interests from short and long-term borrowings amounting to P43.8 million and P174.6 million for the years ended June 30, 2011 and 2010, respectively, incurred to finance the Expansion Project were capitalized to property, plant and equipment. No capitalization of interest was made for the year ended September 30, 2012 and the three months ended September 30, 2011. The Group amortizes such capitalized interest over the useful life of the qualifying asset to which it relates. Unamortized capitalized interest as of September 30, 2012 and 2011 and June 30, 2011 amounted to P434.1 million, P477.0 million and P487.7 million with corresponding deferred income tax liability of P130.2 million, P143.1 million and P146.3 million, respectively (see Note 23). The rates used to determine the amount of borrowing costs eligible for capitalization were 7.1% and 8.8% for the years ended

June 30, 2011 and 2010, respectively, which are the average effective interest rates of the borrowings.

c. Noncash additions to property, plant and equipment

The Group has outstanding liabilities for regular capital expenditures, purchase of equipment relating to the Expansion Project and RBC Plant construction amounting to P28.2 million, P69.0 million and P98.6 million as of September 30, 2012 and 2011 and June 30, 2011, respectively.

d. Depreciation

Depreciation charged to operations follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One year)	2010 (One Year)
	(In Thousands)			
Cost of goods sold (Note 19)	**P648,704**	P157,538	P525,964	P381,961
General and administrative expenses (Note 20)	**41,095**	12,897	21,030	25,064
	P689,799	P170,435	P546,994	P407,025

As of September 30, 2012 and 2011 and June 30, 2011, fully depreciated property, plant and equipment with an aggregate cost of P2,182.6 million, P1,722.8 million and P1,691.3 million, respectively, are still being used in operations.

e. 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 14).

10. Investment Property

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

As of September 30, 2012 and 2011, the fair value of the investment property amounting to P175.7 million and P170.4 million, respectively, is based on the appraised value of the property using a market comparison approach, as determined by a professionally qualified independent appraiser. There was no significant movement in fair value of the investment property for the three months ended September 30, 2011.

11. Short-term Borrowings

At various dates in the years ended September 30, 2012 and June 30, 2011 and the three months ended September 30, 2011, CACI, CADPI and RBC obtained unsecured short-term loans from various local banks to meet their working capital requirements. The loans, which are payable in lump sum on various dates, are subject to annual interest rates ranging from 8.5% to 4.5%, 4.5% to 6.0% and 4.0% to 6.5% and have terms ranging from 28 days to 32 days, 29 to 90 days and 29 to 32 days for the years ended September 30, 2012 and June 30, 2011 and for the three months ended September 30, 2011.

As of September 30, 2012 and 2011 and June 30, 2011, the balance of the short-term loans amounted to P1,148.0 million, P2,738.0 million and P3,220.0 million, respectively.

Total interest expense recognized from short-term borrowings amounted to P122.6 million, P123.4 million and P159.3 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and P69.8 million for the three months ended September 30, 2011 (see Note 9).

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Trade suppliers	**P90,564**	P84,003	P47,139
Accrued expenses:			
Interest (Notes 11 and 14)	**47,563**	95,863	65,687
Contractors	**4,055**	4,055	5,428
Outside services	**837**	1,515	1,447
Payroll and other benefits	**46,749**	37,404	14,468
Purchases and others	**126,852**	89,704	87,078
(Forward)			

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Retention payable	–	45,357	91,147
Due to planters	**58,191**	13,633	15,242
Payable to government agencies for taxes and contributions	**121,216**	82,101	50,934
Provision for loss (Note 17)	**48,838**	–	–
Others	**128,534**	140,680	156,580
	P673,399	P594,315	P535,150

Retention payable pertains to payable to the contractor of Ethanol Project, which will be paid when the construction of the plant is completed. For the periods ended September 30, 2012 and 2011, payment of retention payable to contractor amounted to P45.8 million and P45.4 million, respectively.

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).

13. 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, alcohol and molasses which are expected to be completed in the next 12 months. Customers' deposits amounted to P53.7 million, P153.5 million and P114.8 million as of September 30, 2012 and 2011 and June 30, 2011, respectively (see Note 17).

14. Long-term Borrowings

Long-term borrowings consist of:

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Banco de Oro Unibank, Inc (BDO)	**P4,313,983**	P4,530,413	P4,695,000
Syndicated Loan Agreement:			
Bank of the Philippine Islands (BPI)	**896,552**	931,035	965,517
Rizal Commercial Banking Corporation (RCBC)	**448,276**	465,517	482,759
BPI - Asset Management and Trust Group (AMTG)	–	500,000	500,000
(Forward)			

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
BPI	**500,000**	–	–
	6,158,811	6,426,965	6,643,276
Current portion	**(148,031)**	(827,683)	(818,527)
Noncurrent portion presented as current	–	(5,599,282)	(5,824,749)
Noncurrent portion	**P6,010,780**	P–	P–

On February 8, 2008, RHI signed the long-term and short-term loan facility with BDO for an aggregate amount of P6,189.0 million. The principal amount of debt accommodation is shared by RHI and CADPI/CACI amounting to P1,570.0 million and P4,619.0 million, respectively. In addition, on February 14, 2008, CADPI and CACI entered into a Syndicated Loan Agreement with BPI and RCBC (with BPI as the lead bank) for a total credit line of P1,500.0 million. On the same date, CADPI also signed a loan facility with BPI-AMTG amounting to P500.0 million. On March 12, 2008, CADPI and CACI signed an amendment to the Syndicated Loan Agreement and loan facility with BPI-AMTG clarifying certain provisions of the original agreements.

RHI

On May 5, 2008, RHI availed loans from BDO amounting to P143.3 million to finance its Shares Buy Back Program. The principal of the loan is payable quarterly starting on the 4th year of the 10-year term.

Short-term loans availed from BDO on May 5, 2008 and October 29, 2008 amounting to P400.0 million and P175.0 million, respectively, were replaced by long-term borrowings. As such, the principal of the loan will be payable quarterly starting on the 4th year of the original 10-year term.

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

On March 20, 2012, RHI, CADPI and CACI entered into an amendment to facility agreement with BDO for the modification of the Group's interest rate option and principal repayment schedule. The amendment became effective on May 5, 2012 and provides for an interest rate per annum equivalent to the higher of: (a) the sum of three-month PDST-F rate plus 1.50% spread plus Gross Receipts Tax (GRT), or; (b) the sum of the *Bangko Sentral ng Pilipinas* (BSP) reverse repurchase overnight rate (RRP rate) plus 1.50% spread plus GRT.

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The amendment also provides for an option to convert the relevant interest rate to fixed interest rate per annum, equivalent to the higher of: (a) the sum of seven-year PDST-F rate plus 1.50% spread plus GRT, or; (b) the sum of BSP RRP overnight rate plus 1.50% spread plus GRT.

The amendment also revised the repayment schedule of the BDO loans. The outstanding balance of the loan shall be paid by RHI, CADPI and CACI over a seven-year amortization period on an equal quarterly basis, commencing on November 5, 2014.

In February 2012, RHI availed a three-year loan amounting to P1.6 million. The principal and interest of the loan is payable in equal monthly installments starting on February 22, 2012.

In various dates in 2012 and August 2011, RHI paid loans from BDO amounting to P42.0 million and P31.4 million, respectively.

CADPI

On February 14, 2008, CADPI entered into a loan agreement with BPI-AMTG to avail loans in two tranches with an aggregate principal amount of P500.0 million. Tranche "A" of the loan amounting to P300.0 million bears fixed annual interest of 7.97% and payable on the 5th anniversary date of the borrowing. On the other hand, Tranche "B" of the loan amounting to P200.0 million bears fixed annual interest of 8.36% and payable on an installment basis, P2.0 million on the 5th and 6th anniversary date of the borrowing and the balance on the 7th anniversary date of the borrowing.

On May 5, 2008, CADPI availed loans from BDO, BPI and RCBC amounting to P365.9 million, P167.2 million and P83.6 million, respectively, which bear fixed annual interest rates subject to quarterly repricing. Loans availed are with 10-year terms and will all mature on May 5, 2018.

On October 29, 2008, additional loans were availed by CADPI from BDO, BPI and RCBC amounting to P459.0 million, P143.6 million and P71.4 million, respectively, with interest rates subject to quarterly repricing as agreed by the parties.

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

On February 12, 2010, CADPI availed additional loans from the undrawn portion of the total credit facility from BDO, BPI and RCBC amounting to P1,050.5 million, P329.3 million and P166.2 million, respectively. Loans availed from BDO carry fixed interest rate of 8.84% and are payable in 28 monthly installments beginning August 5, 2011. Loans availed from BPI and RCBC with fixed interest rates of 8.70% and 8.84%, respectively, are payable in 29 equal quarterly installments beginning May 2011.

On January 31, 2011, RHI, CADPI and CACI entered into an agreement with BDO for the interest rate reduction on long-term loans to 6.5% and for the modification of the Group's interest rate option and principal repayment schedule on March 31, 2012.

On February 6, 2012, CADPI and CACI entered into a Second Amendment with BPI and RCBC for the modification of the interest rate and principal repayment schedule. The amendment became effective on February 5, 2012. The amendment provides for a floating interest rate with a one-time option to convert the relevant interest rate to a fixed interest rate per annum. The floating interest rate in this second amendment is similar to the interest rate in the March 20, 2012 amendment in the BDO loans. The one-time option to convert the interest rate to a fixed interest rate per annum provides for a fixed interest rate equivalent to: (a) benchmark rate plus one and 36/100 percent for BPI loans, and; (b) benchmark rate plus 1.50% for RCBC loans. For purposes of the amendment, the benchmark rate is similar to that used for the March 20, 2012 amendment to the BDO loans.

On June 14, 2012, CADPI availed additional loans from BPI amounting to P500.0 million, the proceeds of which are used pay off CADPI's long-term loan with BPI-AMTG. The loan carries interest rate per annum equivalent to the higher of: (a) the sum of the base rate plus one-and-a-half percent (1.50%), or; (b) the BSP RRP overnight rate plus one-and-a-half percent (1.50%). GRT shall be for the account of CADPI. The loan is payable in 15 equal consecutive quarterly installments on each repayment date, with the first installment commencing on no later than November 5, 2014.

In various dates in 2012, CADPI paid loans from BDO, BPI and RCBC amounting to P107.8 million, P22.1 million and P11.1 million, respectively. In August 2011, CADPI paid loans from BDO, BPI and RCBC amounting to P81.7 million, P22.1 million and P11.1 million, respectively. In May 2011, CADPI paid loans from BPI and RCBC amounting to P22.1 million and P11.1 million, respectively.

CACI

On May 5, 2008, CACI availed loans from BDO, BPI and RCBC amounting to P395.3 million, P129.8 million and P64.9 million, respectively, with interest rates subject to quarterly repricing. Loans availed are with 10-year terms and payable in 29 and 28 quarterly installments beginning May 2011 for BPI and RCBC and August 2011 for BDO, respectively.

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

On August 12, 2009, CACI availed additional loans from BPI and RCBC amounting to P230.2 million and P113.9 million, respectively. On August 10, 2009, CACI also obtained additional loan from BDO amounting to P781.0 million. Loans availed from BPI and RCBC with fixed interest rates of 8.74% and 8.88%, respectively, are payable in 29 equal quarterly installments beginning May 2011. Loans availed from BDO, on the other hand, carry fixed interest rate of 8.94% and are payable in 28 quarterly installments beginning August 5, 2011.

As discussed, on January 31, 2011, RHI, CADPI and CACI entered into an agreement with BDO for the interest rate reduction on long-term loans to 6.5% and for the modification of the Group's interest rate option and principal repayment schedule on March 31, 2012. On February 6, 2012, CADPI and CACI entered into a Second Amendment with BPI and RCBC for the modification of the interest rate and principal repayment schedule.

In various dates in 2012, CACI paid the loans from BDO, BPI and RCBC amounting to P68.2 million, P12.4 million and P6.1 million, respectively. In August 2011, CACI paid loans from BDO, BPI and RCBC amounting to P51.5 million, P12.4 million and P6.1 million, respectively. In May 2011, CACI paid loans from BPI and RCBC amounting to P12.4 million and P6.1 million, respectively.

RBC

On June 17, 2011, RBC availed a long-term loan from BDO amounting to P925.0 million to finance working capital requirements. Loan availed carries quarterly repricing interest rate and is payable quarterly starting on the 3rd year of the 10-year term from drawdown date.

Debt arrangement fees

As part of the Syndicated Loan Agreement with BPI/RCBC, the Group incurred debt arrangement fees amounting to P59.4 million in 2008. Amortization of debt arrangement fees included under interest expense amounted to P35.7 million for the year-ended June 30, 2011. Debt arrangement fees were fully amortized as of June 30, 2011.

Borrowing costs

Interests from long-term borrowings recognized as expense amounted to P351.6 million, P491.1 million and P160.2 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and P113.3 million for the three months ended September 30, 2011, respectively, net of capitalized amounts of P136.6 million for the year ended June 30, 2010.

Suretyship agreement, mortgage trust indenture and debt covenants

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

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

Further in 2009, the Company, CADPI and CACI executed a Mortgage Trust Indenture (MTI) to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in: (a) Nasugbu, Batangas which consist mainly of the Company's land and CADPI's properties with an aggregate carrying value of P2.2 billion, P2.1 billion and P2.1 billion and P3.8 billion, P4.1 billion and P4.2 billion, respectively, as of September 30, 2012 and 2011 and June 30, 2011 and (b) CACI's properties in La Carlota, Negros Occidental with an aggregate carrying value of P4.0 billion as of September 30, 2012 and 2011 and June 30, 2011.

In 2011, RBC executed an MTI to secure the loans obtained from BDO. The MTI covers RBC's properties in La Carlota, Negros Occidental with an aggregate carrying value of P1.5 billion as of September 30, 2012.

Loan covenants

The above loan agreements are subject to certain covenants such as but not limited to:

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

As a result of the significant drop in sugar prices in the last quarter of fiscal year 2011, among other factors, as discussed in Note 1, the Group incurred losses on the disposal of sugar inventories. In fiscal year ended June 30, 2011 and three months ended September 30, 2011, the Group did not meet the minimum DSCR required under the long-term loan agreements with certain creditor banks, which constitutes an event of default on such loans. In view of this, the noncurrent portion of long-term debt amounting to P5.6 billion and P5.8 billion is presented as a current liability as of September 30, 2011 and June 30, 2011, respectively.

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As discussed in Notes 1 and 3, in September and October 2011, the Group obtained from the creditor banks a waiver of breach of covenant on the DSCR covering fiscal year ended June 30, 2011 and interim period ended September 30, 2011. In December 2011 and January 2012, a similar waiver was obtained by the Group from these creditor banks covering the period October 2011 to September 2012. The Group presented the noncurrent portion of long-term debt amounting to P5.6 billion as current as of September 30, 2011 since the Group does not have an unconditional right to defer settlement for at least 12 months from September 30, 2011.

As a result of the renegotiation made with the banks as discussed above and positive results of operations achieved in 2012, the Group has complied with its loan covenants as of September 30, 2012, thus, has reclassified the noncurrent portion of the long-term debt to noncurrent liability as of September 30, 2012.

The maturities of the long-term borrowings are as follows:

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Less than one year	**P148,031**	P6,426,965	P6,643,276
Between one and two years	**232,850**	–	–
Between two and five years	**3,699,718**	–	–
Over five years	**2,078,212**	–	–
	P6,158,811	P6,426,965	P6,643,276

15. Related Party Transactions

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

Transaction with Parent Company

As of September 30, 2012 and 2011 and June 30, 2011, the Group's outstanding receivable from RCI amounted to P52.0 million, P51.6 million and P50.4 million, respectively. RHI granted the advances to RCI in 2009 which were used to defray cost and expenses relating to the restructuring activities undertaken by the Group during the year.

Transactions with CADP Retirement Fund, Inc. (CADPRFI)

a. As of September 30, 2012 and 2011 and June 30, 2011, the Group has outstanding receivables from CADPRFI amounting to P61.0 million, P12.8 million and P6.3 million, respectively, which represents advance payment made by CADPI and redundated employees.

b. As of September 30, 2012 and 2011 and June 30, 2011, the Group, as a lessee, has a one-year lease agreement with CADP Retirement Fund, Inc. (CADPRFI), which is renewable annually at the option of CADPRFI under such terms and conditions mutually acceptable to all parties. Related rent expense charged to operations amounted P4.0 million and P0.2 million for the years ended September 30, 2012 and June 30, 2011 and P1.0 million for the three months ended September 30, 2011.

Transactions and Balances with Related Parties Eliminated During Consolidation

Intercompany transactions and balances of the Company with its subsidiaries

The Company's outstanding receivables from and payables to its subsidiaries are as follows:

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Due from related parties:			
CADPI	**P–**	P–	P12,890,700
RBC	**–**	200,962,717	202,106,529
NAVI	**14,749,657**	14,749,582	14,749,582
CFSI	**14,925,662**	13,935,112	13,935,112
CIAI	**599,155**	493,462	493,362
RPC	**446,325**	312,440	303,398
CPSI	**352,885**	220,868	220,768
JOMSI	**156,800**	151,725	151,725
CCSI	**273,787**	–	–
	P31,504,271	P230,825,906	P244,851,176
Other receivables:			
CADPI	**P148,490,000**	P30,000,000	P30,240,000
CACI	**107,958,971**	101,790,000	69,320,000
RBC	**89,457**	–	–
	P256,538,428	P131,790,000	P99,560,000
Due from related parties:			
CADPI	**P101,761,635**	P24,904,030	P–
CACI	**291,556,869**	307,559,069	307,548,375
CCSI	**–**	236,523	1,736,523
	P393,318,504	P332,699,622	P309,284,898
Other payables - CADPI	**P59,599**	P–	P–

Following are the specific terms and conditions of the transactions with the above mentioned subsidiaries:

a. Transactions with CADPI

i. Consultancy agreement with CADPI effective July 1, 2005 whereby the Company (as consultant) will provide the following:

- services, assistance and/or advice in CADPI's various management systems;
- technical services and/or assistance in the purchase of equipment and raw materials;
- representation and marketing services, through the Company's network of contacts and representatives; and,
- management consultancy services and technical assistance as may be requested by CADPI from time to time.

The consultancy agreements are effective for one year, unless earlier terminated by both parties, and are renewable annually at the option of both parties under such terms and conditions mutually acceptable to both parties. Such agreement is still in force and effect as of September 30, 2012.

ii. Contract of lease with CADPI for the rental of the Company's parcel of land located in Barrio Lumbangan, Nasugbu, Batangas where the sugar manufacturing plant and residential staff houses of CADPI are located. Original term of the lease is for 10 crop years commencing on December 1, 2002. In January 2010, the lease agreement was terminated and replaced by a one year lease agreement under such terms and conditions mutually acceptable to both parties. Such agreement is still in force and effect as of September 30, 2012.

iii CADPI assigns to the Company its P238.4 million receivables from RBC in consideration of the Company's assignment to CADPI of 238.4 million RBC shares which is equivalent to 79.47% of the total outstanding shares of RBC.

b. The Company also entered into a consultancy agreement with CACI with terms and conditions similar to that of CADPI's as discussed in letter a.

c. Due from RBC in 2011 was used to finance the construction of RBC's bioethanol plant and is non-interest bearing and payable on demand. The Company paid the remaining P225.0 million unpaid subscriptions to RBC using the Company's advances to RBC as of August 31, 2012 in the amount of P193.7 million plus a portion of the advances that CADPI has assigned to the Company to the extent of P31.3 million.

d. Receivables extended to other subsidiaries were used to support the operating requirements of these subsidiaries. These receivables are non-interest bearing and payable on demand.

Intercompany transactions and balances among subsidiaries

Outstanding due to and from related parties are as follows:

		September 30		June 30,
		2012	2011	2011
		(In Thousands)		
Due to:	Due from:			
CADPI	CACI*	**P450,857**	P611,874	P562,602
CADPI	RBC*	**30,500**	814,246	718,597
CADPI	CFSI*	**102,160**	106,317	99,768
CADPI	CCSI**	**4,013**	3,013	3,010
CADPI	NAVI**	**15,972**	15,792	15,792
CADPI	JOMSI**	**2,444**	2,443	2,443
CACI	CFSI*	**6,725**	6,715	3,714
CACI	CCSI**	**73**	73	33
CACI	JOMSI**	**28,683**	28,538	28,538
CACI	NAVI**	**10,385**	9,928	9,928
NAVI	CACI**	**5,643**	–	–
RBC	CACI**	**18,737**	90,766	76,889
RBC	CFSI*	**5,000**	5,153	5,069
NAVI	JOMSI**	**1,423**	1,423	1,423
		P682,615	P1,696,281	P1,527,806

** Short-term receivables bearing average interest rate of 6.5% and 6.8% for the years ended September 30, 2012 and June 30, 2011, respectively, and 6.5% for three months ended September 30, 2011.*

*** Short-term non-interest bearing advances.*

a. CADPI's outstanding due from CACI pertains to receivables on sale of raw sugar and tolling services by CADPI which is settled through deliveries of raw sugar and payment of services by CACI, respectively. Due from CACI as of September 30, 2012 and 2011 and June 30, 2011 also include amounts to finance CACI's plant expansion project and balance on sale of equipment recognized in the year ended June 30, 2011.

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b. In 2005, CADPI entered into a service agreement whereby CACI shall provide CADPI with the following:

- services, assistance and/or advice in the procurement of raw sugar for its refinery operations;
- a steady supply of bagasse for its use in its milling operations;
- assist in the export sales of sugar by providing opportunities for sugar swapping;
- provide various farm technology on cane development; and
- other services and technical assistance as may be requested by the Company from time to time.

The agreements are effective for one year, unless earlier terminated by the parties, and are renewable annually at the option of the parties under such terms and conditions mutually acceptable to the parties. Such agreement is still in force and effect as of September 30, 2012.

c. CADPI's outstanding due from RBC pertain mainly to loan extension of CADPI to finance RBC's plant construction and start up operation. It also includes receivable arising from CADI's sale of raw and refined molasses to RBC.

d. CADPI and CACI also entered into management agreement with CCSI with terms and conditions similar to that of services provided by the Company as discussed in letter a.i.

e. CADPI has a contract of lease with CFSI for the rental of farm tractors and implements starting January 1, 2010. The lease is renewable annually at the option of the Company under such terms and conditions mutually acceptable by the parties.

f. CACI's outstanding due from NAVI and JOMSI represent cash advance to support their operations which are settled through deliveries of raw sugar to CACI.

g. Effective July 1, 2012, CACI leases a portion of land from NAVI at 20 Lkg (equivalent to 50 kilogram bag per unit) of sugar at the prevailing market/bidding composite sugar price at the time of payment but in no case shall the price be less than P800/Lkg. The lease period commenced on September 1, 2008 and shall have a life of ten (10) years or until August 31, 2018. Prior to such lease arrangement, NAVI's sugar canes are milled with CACI based on a sharing arrangement of 65% and 35% for the NAVI and CACI, respectively, of the resulting sugar and molasses produced.

h. CACI's due to RBC represents interest-bearing cash advance which are settled through deliveries of molasses by CACI.

i. CACI's outstanding due from CFSI and CCSI are for materials and cash advances for working capital.

j. NAVI's outstanding due from JOMSI are noninterest-bearing and will be liquidated through deliveries of raw sugar and molasses.

Key Management Compensation

Key management compensation for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011 follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	(In Thousands)			
Salaries and wages	**P43,510**	P8,254	P35,802	P32,128
Employee and other benefits	**2,779**	2,063	9,558	8,230
	P46,289	P10,317	P45,360	P40,358

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

16. Retirement Benefit Plans

Net Pension Plan Assets

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

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

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Present value of obligation	**P36,557**	P155,425	P187,874
Fair value of plan assets	**93,150**	231,694	238,896
Surplus	**56,593**	76,269	51,022
Unrecognized actuarial loss	**72,118**	51,428	80,076
Net pension plan assets	**P128,711**	P127,697	P131,098

Plan assets cannot be returned to RHI unless on circumstances discussed in Note 2. The net pension plan assets as of September 30, 2012 and 2011 and June 30, 2011 amounting to P128.7 million, P127.7 million and P131.1 million, respectively, will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's retained earnings related to pension plan asset, net of deferred income tax effect, is not available for dividend declaration (see Note 24).

The movements in the defined benefit obligation follow:

	September 30		June 30,
	2012 (One Year)	2011 (Three Months)	2011 (One Year)
	(In Thousands)		
Beginning of the period	**P155,425**	P187,874	P169,899
Current service cost	**9,722**	2,431	9,165
Interest cost	**11,968**	3,617	14,951
Benefits paid	**(156,546)**	(38,497)	(21,252)
Transferred liability to CADPI and CACI	**(7,043)**	–	–
Curtailment loss (see Note 1)	**36,310**	–	–
Actuarial loss (gain)	**(13,279)**	–	15,111
End of the period	**P36,557**	P155,425	P187,874

The movements in the fair value of plan assets are as follows:

	September 30		June 30,
	2012 (One Year)	2011 (Three Months)	2011 (One Year)
	(In Thousands)		
Beginning of the period	**P231,694**	P238,896	P248,544
Expected return on plan assets	**13,902**	3,583	17,398
Benefits paid	**(156,546)**	(38,497)	(21,252)
Contributions	**50,188**	–	–
Actuarial gain (loss)	**(46,088)**	27,712	(5,794)
End of the period	**P93,150**	P231,694	P238,896

The Company's plan assets consist of:

	September 30, 2012		September 30, 2011		June 30, 2011	
	Percentage	**Amount *(In Thousands)***	Percentage	Amount *(In Thousands)*	Percentage	Amount *(In Thousands)*
Stocks and other securities	**122%**	**P112,845**	60%	P139,079	56%	P134,178
Government securities	**3%**	**3,000**	20%	45,637	24%	56,622
Cash and cash equivalents	**8%**	**7,613**	20%	45,687	19%	45,634
Receivables	**1%**	**1,377**	0%	1,291	1%	2,462
Payable and accrued liabilities	**(34%)**	**(31,685)**	–	–	–	–
	100%	**P93,150**	100%	P231,694	100%	P238,896

The Company has no expected contributions for the fiscal year ending September 30, 2013.

As of September 30, 2012 and 2011 and June 30, 2011, pension plan assets, which are managed by a trustee, include investments in equity securities of RHI with a fair value amounting to P88.0 million, P96.2 million and P86.6 million, respectively.

Net Pension Benefit Obligation

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

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

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

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Present value of obligations	**P455,337**	P421,509	P445,524
Fair value of plan assets	**(352,673)**	(356,957)	(387,704)
Deficit	**102,664**	64,552	57,820
Unrecognized actuarial loss	**(16,926)**	(64,552)	(56,662)
Net pension benefit obligation	**P85,738**	P–	P1,158

The movements in the present value of the defined benefit obligation are as follows:

	September 30		June 30,
	2012 (One Year)	2011 (Three Months)	2011 (One Year)
	(In Thousands)		
Beginning of the period	**P421,509**	P445,524	P423,920
Current service cost	**22,614**	5,785	22,248
Interest cost	**33,838**	9,055	38,890
Benefits paid	**(193,429)**	(43,156)	(59,413)
Curtailment loss (see Note 1)	**52,126**	–	2,199
Transferred liability from RHI	**7,043**	–	–
Actuarial loss	**111,636**	4,301	17,680
End of the period	**P455,337**	P421,509	P445,524

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The movements in the fair value of plan assets are as follows:

	September 30 2012 (One Year)	2011 (Three Months)	June 30, 2011 (One Year)
	(In Thousands)		
Beginning of the period	**P356,957**	P387,704	P334,273
Expected return on plan assets	**22,165**	5,953	20,915
Contributions	**40,783**	10,699	82,277
Benefits paid	**(193,429)**	(43,156)	(59,413)
Actuarial gain (loss)	**126,197**	(4,243)	9,652
End of the period	**P352,673**	P356,957	P387,704

The subsidiaries' plan assets consist of:

	September 30, 2012 Percentage	Amount *(In Thousands)*	September 30, 2011 Percentage	Amount *(In Thousands)*	June 30, 2011 Percentage	Amount *(In Thousands)*
Debt instruments and other securities	**59%**	**P208,041**	52%	P188,500	45%	P175,533
Government securities	**2%**	**7,320**	4%	12,638	3%	12,598
Investment property	**17%**	**58,653**	15%	52,479	14%	52,479
Cash and cash equivalents	**20%**	**70,220**	9%	32,428	11%	43,396
Receivables	**6%**	**19,615**	20%	71,105	27%	103,872
Payable and accrued liabilities	**(4%)**	**(11,176)**	–	(193)	–	(174)
	100%	**P352,673**	100%	P356,957	100%	P387,704

CADPI and CACI are expected to contribute a total of P27.0 million to their respective fund for the year ending September 30, 2013.

Pension Costs
The consolidated pension costs recognized follow:

	September 30 2012 (One Year)	2011 (Three Months)	June 30 2011 (One Year)	2010 (One Year)
	(In Thousands)			
Current service cost	**P32,336**	P8,216	P31,413	P24,986
Interest cost	**45,806**	12,672	53,841	50,793
Expected return on plan assets	**(36,067)**	(9,536)	(38,313)	(32,047)
Actuarial loss (gain) recognized	**4,942**	1,591	2,556	(499)
Amortization of net transitional liability	**–**	–	–	32,627
Curtailment loss (see Note 1)	**88,436**	–	2,199	–
	P135,453	P12,943	P51,696	P75,860

The actual return on plan assets was P116.18 million and P7.9 million for the year ended September 30, 2012 and the three months ended September 30, 2011, 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 the beginning of each period follows:

	September 30, 2011	June 30 2011	2010	2009
Discount rate	7.7% to 8.2%	7.7% to 8.2%	8.8% to 9.2%	8.5% to 10.7%
Expected return on plan assets	5% to 7%	5% to 7%	5% to 7%	5% to 7%
Future salary increases	5%	5%	5%	5%

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

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

	September 30 2012	2011	June 30 2011	2010	2009
			(In Thousands)		
Present value of obligations	**P491,894**	P576,934	P633,398	P593,819	P485,679
Plan assets	**445,823**	588,651	626,600	582,817	514,225
Surplus (deficit)	**(46,071)**	11,717	(6,798)	(11,002)	28,546
Experience adjustments on plan assets loss (gain)	**–**	–	(12,585)	–	23,005
Experience adjustments on plan obligation gain (loss)	**–**	4,301	(23,617)	(25,025)	–

Redundancy Program
In December 2011, the Group implemented a redundancy and right-sizing program to reduce the Group's operating costs and expenses (see Note 1). As of September 30, 2012, the Group has paid P351.0 million to all redundated employees.

17. Commitments and Contingencies

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

b. The Group has in its custody the following sugar owned by quedan holders:

	September 30, 2012 Total volume (In thousands) (Lkg*)	Estimated market value *(In Millions)*	September 30, 2011 Total volume (In thousands) (Lkg*)	Estimated market value *(In Millions)*	June 30, 2011 Total volume (In thousands) (Lkg*)	Estimated market value *(In Millions)*
Raw sugar	**273**	**P372**	550	P744	1,548	P2,135
Refined sugar	**218**	**390**	309	675	612	1,481
	491	**P762**	859	P1,419	2,160	P3,616

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 trusteed sugar or their sales proceeds.

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c. CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of September 30, 2012 and 2011 and June 30, 2011, CADPI has outstanding sales contracts for refined sugar with a total value of P149.3 million, P1,478.6 million and P2,035.1 million, equivalent to 66,497 LKg, 571,635 LKg and 784,673 LKg, respectively.

CADPI received cash deposits from customers for the above transactions as of September 30, 2012 and 2011 and June 30, 2011, which will be applied against future deliveries of sugar and molasses. These deposits are classified as current liabilities (see Note 13).

d. CADPI entered into agreements as follows:

(i) Lease of offsite warehouse for a period of one year renewable at the option of CADPI as lessee through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to P0.4 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and P0.1 million for the three months ended September 30, 2011, respectively.

(ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations amounted to P123.7 million, P126.6 million and P105.5 million for the years ended September 30, 2012 and June 30, 2011 and 2010.

e. On January 14, 2009, RBC and World Bank signed a $3.2 million Emission Reduction Purchase Agreement (ERPA) for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year and has a crediting period of 10 years starting 2010.

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

As of December 12, 2012, the Group has not recorded any carbon emission credits.

f. There are no other pending labor and legal cases claims in the ordinary course of the Group's business as at September 30, 2012 and 201 and in the opinion of management and legal counsel, the ultimate outcome of all but one of these cases will not have a material effect on the financial position and performance of the Group. Consequently, no provision related to these legal cases was made in the consolidated financial statements except for the disputed claims which amounted to P85.0 million, P36.6 million of which was paid as of September 30, 2012 (see Note 20).

g. As of September 30, 2012 and 2011 and June 30, 2011, the Group has unused lines of credit from local banks amounting to P892.0 million, P862.0 million and P745.0 million, respectively (see Notes 11 and 14).

18. Revenue

The components of revenue are as follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
		(In Thousands)		
Refined sugar	**P3,648,085**	P762,580	P3,770,277	P3,716,206
Raw sugar	**3,008,261**	549,454	3,533,816	1,853,949
Alcohol	**672,166**	63,400	39,096	–
Molasses	**196,267**	3,753	315,569	318,235
Tolling fees	**125,927**	22,767	218,276	290,268
Others	**23,787**	640	32,864	24,309
	P7,674,493	P1,402,594	P7,909,898	P6,202,967

19. Cost of Goods Sold

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
		(In Thousands)		
Purchased sugar (Note 6)	**P2,758,851**	P404,781	P4,813,283	P2,776,875
Cost of transporting canes to mill (Notes 6 and 17)	**888,670**	13,740	1,124,367	641,979
Direct labor (Note 21)	**399,912**	84,731	355,642	373,027
Net changes in inventories (Note 6)	**27,155**	874,050	(1,014,375)	(347,547)
Tolling fees	**–**	–	3,796	12,086
Manufacturing overhead:				
Depreciation (Note 9)	**648,704**	157,538	525,964	381,961
Materials and consumables	**276,778**	32,805	238,264	266,560
Fuel and oil	**250,690**	29,190	423,573	408,900
Repairs and maintenance	**244,355**	78,138	376,137	372,401
Taxes and licenses	**150,942**	29,533	146,879	120,566
Outside services	**89,016**	24,607	129,120	113,089
Communication, light and water	**72,364**	22,560	71,840	58,461
Rent (Notes 15 and 17)	**51,224**	4,762	72,182	73,748
Others	**38,131**	7,834	46,988	38,185
Provision for inventory losses and obsolescence (Note 6)	**59,727**	78,794	370,128	12,449
	P5,956,519	P1,843,063	P7,683,788	P5,302,740

Other manufacturing overhead pertains mainly to insurance expense.

20. Operating Expenses

Selling Expenses

Selling expenses mainly pertain to delivery charges and other fees.

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
		(In Thousands)		
Salaries, wages and other employee benefits (Note 21)	**P294,921**	P65,247	P243,321	P237,514
Provision for impairment of receivables and creditable withholding taxes (Notes 5 and 7)	**101,506**	2,243	603	5,945
Provision for loss (Note 17)	**P85,003**	P–	P–	P–
Outside services	**75,581**	16,069	43,710	41,261
(Forward)				

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
		(In Thousands)		
Taxes and licenses	**63,423**	12,409	60,249	69,673
Depreciation (Note 9)	**41,095**	12,897	21,030	25,064
Insurance	**29,505**	12,069	36,487	25,302
Rent (Notes 15 and 17)	**22,919**	5,313	25,091	18,404
Materials and consumables	**21,367**	7,140	38,992	38,484
Travel and transportation	**19,367**	3,490	17,223	20,131
Repairs and maintenance	**11,357**	1,643	13,235	14,546
Communication, light and water	**9,817**	2,254	9,241	8,259
Corporate social responsibility	**2,354**	741	5,777	7,334
Representation and entertainment	**1,390**	220	1,129	1,744
Others	**50,600**	15,773	54,323	82,029
	P830,205	P157,508	P570,411	P595,690

Others pertain to professional fees, training and development, transfer cost and bank charges.

21. Personnel Costs

The components of employee benefits are as follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
		(In Thousands)		
Salaries and wages (Notes 19 and 20)	**P404,550**	P84,731	P355,642	P373,027
Allowances and other employee benefits (Notes 19 and 20)	**154,830**	52,304	191,625	161,654
Pension costs (Note 16)	**135,453**	12,943	51,696	75,860
	P694,833	P149,978	P598,963	P610,541

22. Other Income - Net

The components of other income are as follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
		(In Thousands)		
Recovery from insurance claims	**P20,676**	P27,650	P–	P141,341
Sugar and molasses handling fees	**11,335**	1,640	3,261	20,481
Sale of scrap	**10,393**	1,201	37,769	58,013
Gain (loss) on disposal of property and equipment	**530**	(13,981)	(7,782)	972
Foreign exchange gains (losses) - net	**(7,767)**	4,769	(5,070)	2,824
Others	**77,469**	27,255	40,213	73,020
	P112,636	P48,534	P68,391	P296,651

Recovery from insurance claims pertains to the amount collected from the insurer which represents recovery from loss of an irreparable equipment. Others pertain mainly to replenishment fees.

23. Income Taxes

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

	September 30			June 30,
	2012		2011	2011
	Net Deferred Income Tax Assets[1]	**Net Deferred Income Tax Liabilities[2]**	Net Deferred Income Tax Liabilities	Net Deferred Income Tax Liabilities
		(In Thousands)		
Deferred income tax assets on:				
Allowance for:				
Impairment of receivables (Note 5)	**P34,721**	**P–**	P5,772	P5,772
Sugar inventory losses (Note 6)	**766**	**–**	–	5,475
Inventory obsolescence (Note 6)	**11,747**	**–**	12,603	7,128
Allowance for unrealized CWT	**3,663**	**–**	–	–
Various accruals	**15,033**	**–**	–	–
Pension benefit obligation (Note 16)	**25,721**	**–**	–	–
Unamortized past service cost	**53,918**	**819**	56,371	59,139
Unrealized foreign exchange loss	**1,426**	**–**	–	–
NOLCO	**89,357**	**675**	7,364	13,430
Unrealized gross profit on inventory	**–**	**–**	14,657	14,657
Excess MCIT	**46,511**	**4,363**	4,254	4,762
	282,863	**5,857**	101,021	110,363

(Forward)

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	September 30 2012 Net Deferred Income Tax Assets[1]	September 30 2012 Net Deferred Income Tax Liabilities[2]	September 30 2011 Net Deferred Income Tax Liabilities	June 30, 2011 Net Deferred Income Tax Liabilities
	(In Thousands)			
Deferred income tax liabilities on:				
Revaluation increment on properties (Note 24)	**(4,995)**	**(761,898)**	(696,231)	(696,231)
Unamortized capitalized interest (Note 9)	**(130,236)**	**–**	(143,087)	(146,300)
Pension plan assets (Note 16)	**–**	**(38,613)**	(38,309)	(39,329)
Unrealized foreign exchange gain	**–**	**–**	–	(12)
	(135,231)	**(800,511)**	(877,627)	(881,872)
Net deferred income tax assets (liabilities)	**P147,632**	**(P794,654)**	(P776,606)	(P771,509)

[1] *The recognized net deferred income tax assets pertain to CADPI and CACI*

[2] *The recognized net deferred income tax liabilities pertain to RHI, RBC and NAVI.*

b. Details of benefits arising from NOLCO and MCIT and the corresponding analysis of deferred income tax assets are as follows:

NOLCO

Incurred for the Period Ended	Balances as of the Beginning of the Period	Applied	Expired	Balances as of the End of the Period	Tax Effect	Available Until
			(In Thousands)			
June 30, 2010	P44,285	P5,586	P38,699	P–	P–	September 30, 2012
June 30, 2011	337,221	313,026	–	24,195	7,259	September 30, 2013
September 30, 2011	883,628	577,333	–	306,295	91,889	September 30, 2014
September 30, 2012	13,001	–	–	13,001	3,900	September 30, 2015
	P1,278,135	P895,945	P38,699	P343,491	P103,048	

MCIT

Incurred for the Period Ended	Balances as of the Beginning of the Period	Applied	Expired	Balances as of the End of the Period	Available Until
	(In Thousands)				
June 30, 2010	P1,479	P1,468	P11	P–	September 30, 2012
June 30, 2011	9,018	–	–	9,018	September 30, 2013
September 30, 2011	753	–	–	753	September 30, 2014
September 30, 2012	49,049	–	–	49,049	September 30, 2015
	P60,299	P1,468	P11	P58,820	

c. Details of NOLCO, excess MCIT and other deductible temporary differences for which no deferred income tax assets were recognized are as follows:

	September 30 2012	September 30 2011	June 30, 2011
		(In Thousands)	
NOLCO	**P43,384**	P1,230,676	P322,776
Excess MCIT	**7,946**	7,248	7,629
Provision for sugar losses	**3,176**	88,745	346,306
Provision for inventory obsolescence	**2,611**	15,162	5,500
Allowance for impairment of receivables	**5,831**	2,009	2,008
Pension benefit obligation	**–**	–	1,158

Deferred income tax assets pertaining to NOLCO, MCIT and other deductible temporary differences amounting to P24.4 million, P408.2 million and P211.0 million as of September 30, 2012 and 2011 and June 30, 2011, respectively, were not recognized as management believes that it may not be probable that sufficient future taxable profits will be available against which the NOLCO, excess MCIT and other deductible temporary differences can be utilized.

d. The reconciliation between the provision for income tax computed at the applicable statutory tax rate and provision for income tax presented in the consolidated statements of income follows:

	September 30 2012 (One Year)	September 30 2011 (Three Months)	June 30 2011 (One Year)	June 30 2010 (One Year)
		(In Thousands)		
Provision for (benefit from) income tax at statutory rate	**P151,966**	(P227,827)	(P221,700)	P118,529
Adjustments resulting from:				
Application of temporary differences and NOLCO for which no deferred income tax asset was previously recognized	**(379,925)**	(52,128)	–	(1,359)
Expiration of excess MCIT credits	**14**	1,256	411	–
Unrecognized deferred income tax assets arising from temporary differences and NOLCO	**48,352**	279,450	272,178	7,352
Realization of revaluation increment		–	–	–
Tax effects of:				
Equity in net loss (earnings) of an associate (Note 8)	**(14,734)**	5,395	(53,089)	(39,679)
Interest and dividend income subjected to final tax	**(249)**	(92)	(102)	(381)
Depreciation on appraisal increase	**–**	–	–	952
Unallowable interest expense	**191**	35	85	323
Deficiency taxes	**25,501**			
Others	**8,038**	–	4,977	(2,081)
Provision for (benefit from) income tax	**(P160,846)**	P6,089	P2,760	P83,656

24. Equity

a. Share capital and treasury shares

Details of share capital and treasury shares follow:

	September 30, 2012		September 30, 2012		June 30, 2011	
	Number of shares	**Amount *(In Thousands)***	Number of shares	Amount *(In Thousands)*	Number of shares	Amount *(In Thousands)*
Authorized common shares "Capital A" at P1 par value each	**1,500,000,000**	**P1,500,000,000**	1,500,000,000	P1,500,000	1,500,000,000	P1,500,000
Issued common shares "Class A"`	**1,168,976,425**	**P1,168,976**	1,168,976,425	P1,168,976	1,168,976,425	P1,168,976
Treasury shares	**(259,424,189)**	**(768,860)**	(259,424,189)	(768,860)	(259,424,189)	(768,860)
Issued and outstanding	**909,552,236**	**P400,116**	909,552,236	P400,116	909,552,236	P400,116

As of June 30, 2009, reacquired shares of the Parent Company under its Share Buy Back Program totaled to 259,424,189 shares at cost of P768.9 million. There was no reacquisition of shares for the years ended September 30, 2012 and June 30, 2011 and for the three months ended September 30, 2011.

b. Track record of registration

On March 16, 1994, the Company registered with the SEC one billion shares consisting of 600 million Class "A" shares and 400 million Class "B" shares with a par value of One Peso (Php1.00) per share equivalent to One Billion Pesos (P1,000,000,000) representing the entire capital stock of the Company. Moreover, the SEC licensed the sale or offer for sale the Company's 477,750,000 shares (inclusive of its present subscribed capital stock of 382,200,000 shares) out of which 95,550,000 shall be sold for P3.00 per share.

On September 4, 1995, the SEC licensed the sale or offer for sale of 174,400,000 shares in an initial public offering at an offer price between P5.00 to P8.00 per share. The aforesaid shares consist of 100 million shares from the Company's registered but unlicensed and unissued capital stock for primary offering and 74,400,000 shares owned by selling shareholders for secondary offering.

On January 28, 1997, the Company declared stock dividends at the rate of thirty percent (30%) payable to stockholders of record as of February 28, 1997.

On November 24, 1999 and December 15, 1999, the Company declared stock dividends at the rate of thirty percent (30%) consisting of 225,322,500 common shares at P1.00 per share payable to stockholders of record as of February 15, 2000.

On January 30, 2003, the SEC approved the Company's increase of authorized capital stock ("ACS") from P1,000,000,000 to P1,500,000,000 divided into 1,500,000,000 shares of common stock with a par value of P1.00 per share. Of the P1,500,000,000 ACS up to 192,779,459 common shares with a total par value of P192,779,459 have been subscribed and fully paid through a declaration of stock dividends at the rate of twenty percent (20%) to stockholders of record as of February 28, 2003.

On April 3, 2003, the Philippine Stock Exchange ("PSE") approved the listing of additional 192,779,459 common shares, with a par value of P281.00 per share, representing the above mentioned 20% stock dividend declaration. Moreover, the Company's listed shares were reduced by 188 common shares representing fractional shares arising from the 30% stock dividend declared in 1997 and 30% stock dividends declared in 2000, which were paid for in cash.

c. Share premium and revaluation increment on properties

In 2002, the Group undertook major activities relating to the Reorganization Program. As part of this, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI (see Note 1). The assets and liabilities, excluding land in Nasugbu, were transferred by the Company as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to P150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI.

On December 1, 2002, the Company exchanged its shareholdings in CADPI, CCSI and CFSI for P1.3 billion of CADPGC's common shares with a par value of P1.0 per share for P2.0 billion, the cost of investments in the Company's books immediately before the transfer. CADPGC recorded a premium of P596.8 million and set-up share in revaluation increment in properties of subsidiary amounting to P150.6 million. Consequently, the Company's ownership interest in CADPGC increased and CADPI, 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 P1.4 billion in exchange for CACI's 200 million common shares at P1 per share. The basis of valuation of the CACI shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised value.

d. Excess of consideration received over carrying amount of net assets of subsidiary transferred to parent company and effect of change in ownership interests in subsidiaries.

As discussed in Note 1, the Group has undertaken a corporate restructuring. On December 16, 2008, RHI acquired the sugar-related operating subsidiaries and an associate from CADPGC for a total consideration of P3,838.0 million, which represents the cost of CADPGC's investments in shares of stock in subsidiaries and an associate amounting to P4,101.0 million reduced by the net liabilities transferred by CADPGC amounting to P263.0 million. As a result, RHI increased its effective ownership interest in the sugar-related operating subsidiaries and recognized the effect of the change in ownership interest in subsidiaries and an associate as a result of reduction of noncontrolling interests in subsidiaries of P44.5 million and presented as a separate component of the Group's total consolidated equity.

On January 23, 2009, following the acquisition of the sugar-related operating subsidiaries and an associate from CADPGC, RHI sold its investment in CADPGC to RCI on account for a total consideration of P3,927.3 million. The excess of consideration received from RCI over the carrying amounts of net assets of CADPGC transferred to the Company amounted to P577.1 million.

Upon merger of CADPGC and RCI effective June 29, 2009, the note receivable from RCI amounting to P3,927.3 million was set off to the extent of the P3,838.0 million note payable from CADPGC and P35.8 million share of RCI in the dividends declared by the Company (see Note 1).

e. Retained earnings

Restricted retained earnings
The following amounts of retained earnings are not available for dividend declaration:

	September 30		June 30,
	2012	2011	2011
		(In Thousands)	
Treasury shares	**P768,860**	P768,860	P768,860
Pension plan asset - net of deferred income tax effect (Note 16)	**90,098**	89,388	91,769
	P858,958	P858,248	P860,629

Further, unrestricted retained earnings include accumulated earnings of consolidated subsidiaries and unconsolidated associate amounting to P350.4 million, P11.6 million and P110.1 million as of September 30, 2012 and 2011 and June 30, 2012, respectively, which are not available for distribution to the Company's stockholders unless received as cash dividends from investees.

Dividend declaration
Cash dividends declared by the Company from retained earnings follow:

Date Approved	Per Share	Total Amount *(In Thousands)*	Stockholders of Record Date	Date Paid/Issued
September 17, 2012	P0.06	P54,573	October 1, 2012	October 12, 2012

There was no dividend declaration by the Company for the three months ended September 30, 2011 and years ended June 30, 2011 and 2010.

f. Share prices

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

Quarter	High	Low
October 2011 through September 2012		
First	P2.34	P2.34
Second	3.85	3.40
Third	2.50	2.50
Fourth	2.60	2.60
July 2011 through September 2011	3.49	2.39
July 2010 through June 2011		
First	3.10	2.60
Second	4.50	2.70
Third	3.20	2.40
Fourth	3.38	2.40
July 2009 through June 2010		
First	3.00	2.80
Second	3.50	2.80
Third	3.50	2.55
Fourth	2.70	2.55

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25. Earnings (Loss) Per Share

Earnings (loss) per share (ELPS) is computed as follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	(In Thousands, except ELPS)			
Net income (loss) for the period attributable to the equity holders of the parent company	**P666,704**	(P762,472)	(P738,290)	P307,698
Divided by weighted average number of common shares outstanding	**P909,552**	P909,552	P909,552	P909,552
Basic/diluted ELPS	**P0.73**	(P0.84)	(P0.81)	P0.34

There are no potential dilutive common shares as at September 30, 2012 and 2011 and June 30, 2011 and 2010.

26. Capital Management

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

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended September 30, 2012 and June 30, 2011 and 2010 and the three months ended September 30, 2011.

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

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

	September 30		June 30,
	2012	2011	2011
	(In Thousands, except ratio)		
Total liabilities	**P8,963,790**	P10,705,799	P11,302,365
Total equity	**5,413,960**	4,640,002	5,405,515
Total liabilities and equity	**P14,377,750**	P15,345,801	P16,707,880
Debt-to-equity ratio	**1.66:1.00**	2.31:1.00	2.09:1.00

27. Financial Instruments

Financial Risk Management Objectives and Policies

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

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

Liquidity risk

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

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Note 17).

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management.

	September 30, 2012						
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
	(In Thousands)						
Short-term borrowings*	P103,258	P1,048,000	P–	P–	P–	P–	P1,151,258
Accounts payable and accrued expenses**	552,183	–	–	–	–	–	552,183
Dividends payable	49,497	–	–	–	–	–	49,497
Current portion of long-term borrowings	148,031	–	–	–	–	–	148,031
Long-term borrowings, net of current portion*	–	–	536,111	2,974,329	1,358,316	2,178,624	7,047,380
	P852,969	P1,048,000	P536,111	P2,974,329	P1,358,316	P2,178,624	P8,948,349
Cash in banks and cash equivalents	P157,708	P–	P–	P–	P–	P–	P157,708
Trade receivables	56,435	439,445	31,609	–	–	–	527,489
Due from related parties	–	112,928		–	–	–	112,928
Due from employees	4,835	44,450	8,238	–	–	–	57,523
Other receivables	74,059	352	–	–	–	–	74,411
	P293,037	P597,175	P39,847	P–	P–	P–	P930,059

* *Includes expected interest payments for short-term and long term borrowings amounting to P3.3 million and P1,036.6 million, respectively.*
** *Excludes payable to government agencies amounting to P121.2 million.*

	September 30, 2011						
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
	(In Thousands)						
Short-term borrowings*	P–	P2,741,986	P–	P–	P–	P–	P2,741,986
Accounts payable and accrued expenses**	271,318	240,896	–	–	–	–	512,214
Dividends payable	16,069	–	–	–	–	–	16,069
Current portion of long-term borrowings	827,683	–	–	–	–	–	827,683
Noncurrent portion of long-term borrowings presented as current	5,599,282	–	–	–	–	–	5,599,282
	P6,714,352	P2,982,882	P–	P–	P–	P–	P9,697,234
Cash in banks and cash equivalents	P316,873	P–	P–	P–	P–	P–	P316,873
Trade receivables	26,244	304,875	–	–	–	–	331,119
Due from related parties	38,763	–	–	–	–	–	38,763
Due from employees	–	20,952	3,987	–	–	–	24,939
Other receivables	76,641	352	–	–	–	–	76,993
	P458,521	P326,179	P3,987	P–	P–	P–	P788,687

* *Includes expected interest payments for short-term of P4.0 million.*
** *Excludes payable to government agencies amounting to P82.1 million.*

	June 30, 2011						
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
	(In Thousands)						
Accounts payable and accrued expenses*	P447,031	P37,185	P–	P–	P–	P–	P484,216
Dividends payable	16,069	–	–	–	–	–	16,069
Short-term borrowings**	–	3,226,481	–	–	–	–	3,226,481
Current portion of long-term borrowings	818,527	–	–	–	–	–	818,527
Noncurrent portion of long-term borrowings presented as current	5,824,749	–	–	–	–	–	5,824,749
	P7,106,376	P3,263,666	P–	P–	P–	P–	P10,370,042
Cash in banks and cash equivalents	P367,000	P–	P–	P–	P–	P–	P367,000
Trade receivables	69,300	445,766	–	–	–	–	515,066
Advances to related parties	44,160			–	–	–	44,160
Advances to employees***	–	28,964	3,999	–	–	–	32,963
Other receivables	–	36,113	–	–	–	–	36,113
	P480,460	P510,843	P3,999	P–	P–	P–	P995,302

* *Excludes payable to government agencies amounting to P50.9 million*
** *Includes expected interest payments for short-term P6.5 million.*
*** *Includes noncurrent portion of advances to employees amounting to P4.0 million and excludes nonfinancial assets amounting to P9.7 million.*

Credit risk

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

Concentration of credit risk with respect to trade receivables 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.

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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 qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
The table below shows the maximum exposure to credit risk for the components of the consolidated balance sheet. The maximum exposure is shown gross before the effect of mitigation through the use of master netting and collateral agreements.

	September 30		June 30,
	2012	2011	2011
	(In Thousands)		
Cash in banks and time deposits, excluding cash on hand	**P157,708**	P316,873	P367,000
Trade receivables	**527,489**	331,119	515,066
Due from related parties	**112,928**	38,763	44,160
Due from employees	**57,523**	24,939	32,963
Other receivables	**74,411**	76,993	36,113
	P930,059	P788,687	P995,302

Collaterals and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. As of September 30, 2012 and 2011 and June 30, 2011 the Group did not hold collateral from any counterparty.

Credit quality per class of financial assets
The credit quality of receivables is managed by the Group through its Marketing Department. High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts.

	September 30, 2012							
	Neither past due nor impaired			Past due but not impaired			Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Financial Assets	Total
				(In Thousands)				
Cash in bank and time deposits*	P157,708	P–	P–	P–	P–	P–	P–	P157,708
Trade receivables	272,078	37,710	–	88,637	39,398	89,666	98,878	626,367
Due from related parties	112,928	–	–	–	–	–	–	112,928
Due from employees	29,193	27,024	–	–	–	1,306	1,342	58,865
Other receivables***	67,147	6,465	–	–	–	799	9,466	83,877
Total	P639,054	P71,199	P–	P88,637	P39,398	P91,771	P109,686	P1,039,745

* Excludes cash on hand amounting to P6.7million.
** Excludes deposits for raw sugar purchases amounting to P9.9 million.

	September 30, 2011							
	Neither past due nor impaired			Past due but not impaired			Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Financial Assets	Total
				(In Thousands)				
Cash in bank and time deposits*	P316,873	P–	P–	P–	P–	P–	P–	P316,873
Trade receivables	241,962	1,432	–	1,909	37,495	48,321	3,452	334,571
Due from related parties	38,763	–	–	–	–	–	–	38,763
Due from employees	2,510	22,245	–	3	4	177	1,342	26,281
Other receivables***	4,133	70,286	–	59	374	2,141	8,420	85,413
Total	P604,241	P93,963	P–	P1,971	P37,873	P50,639	P13,214	P801,901

* Excludes cash on hand amounting to P1.9 million.
** Excludes deposits for raw sugar purchases amounting to P9.9 million.

	June 30, 2011							
				Past due but not impaired			Impaired	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Financial Assets	Total
				(In Thousands)				
Cash in bank and time deposits*	P367,000	P–	P–	P–	P–	P–	P–	P367,000
Trade receivables	247,103	69,300	–	132,419	39,914	26,330	3,452	518,518
Advances to related parties	44,160	–	–	–	–	–	–	44,160
Advances to employees**	3,252	29,777	–	–	–	–	1,276	34,305
Other receivables	–	35,258	–	–	–	789	8,418	44,465
Total	P661,515	P134,335	P–	P132,419	P39,914	P27,119	P13,146	P1,008,448

* Excludes cash on hand amounting to P1.8 million.
** Excludes advances to employees subject to liquidation amounting to P1.7 million.

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

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

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectibility.

The Group has recognized an impairment loss on its financial assets using specific assessment amounting to P100.3 million, P0.6 million and P2.0 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and P2,171 for the three months ended September 30, 2011.

Commodity price risk
The Group is exposed to commodity price risk from conventional physical sales and purchase of sugar managed through volume, timing and relationship strategies. The Group does not enter into commodity derivatives.

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The Group's sales commitments are contracted at fixed prices, and thus have no impact on the consolidated cash flows in the next 12 months.

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

Fair value interest rate risk
As of September 30, 2011 and June 30, 2011, the Group is exposed to fair value interest rate risk arising from its fixed-rate long-term borrowings, which were originally issued at variable rates (see Note 14). Borrowings issued at fixed rate expose the Group to fair value interest rate risk.

Cash flow interest rate risk
As of September 30, 2012, the Group is also exposed to cash flow interest rate risk arising from its variable-rate long-term borrowings, which were originally issued at fixed rates (see Note 14). The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the consolidated income before income tax for one year, based on the floating rate on non-trading financial liabilities held at September 30, 2012 with other variables held constant:

	Change in interest rates (in percentage)	Effect in income before income tax
		(In Thousands)
For more than a year	+1.00%	(P61,588)
	-1.00%	61,588

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$0.2 million, US$2.4 million and US$0.1 million as of September 30, 2012 and 2011 and June 30, 2011, respectively. As of September 30, 2012 and 2011 and June 30, 2011, the exchange rates were P41.8, P43.72 and P43.33 per US$1.00, respectively.

Net foreign exchange gains or losses recognized in the consolidated statements of income amounted to P7.8 million gain, P5.1 million loss and P2.8 million gain for the years ended September 30, 2012, June 30, 2011 and 2010, respectively, and P4.8 million gain for the three months ended September 30, 2011.

Reasonably possible changes in the US$ to Philippine peso exchange rates were determined by the Group from historical volatility from January to September of 2012 and 2011. Shown below is the impact on the Group's income (loss) before income tax of reasonably possible changes in exchange rate of the US$ against the Philippine peso with other variables held constant:

	Movement in US$-Philippine peso exchange rates	Net effect in income (loss) before income tax
		(In Thousands)
September 30, 2012	**+5.00%**	**(P6,825)**
	-5.00%	**6,825**
September 30, 2011	+4.45%	(5,946)
	-4.45%	5,946
June 30, 2011	+3.75%	(4,008)
	-3.75%	4,008

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:

	September 30				June 30, 2011	
	2012		2011			
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
			(In Thousands)			
Financial Assets:						
Cash on hand	**P6,700**	**P6,700**	P1,883	P1,883	P1,788	P1,788
Loans and receivables:						
Cash in banks and time deposits	**157,708**	**157,708**	316,873	316,873	367,000	367,000
Trade receivables	**527,489**	**527,489**	331,119	331,119	515,066	515,066
Due from related parties	**112,928**	**112,928**	38,763	38,763	44,160	44,160
Due from employees	**57,523**	**57,523**	24,939	24,939	32,963	32,963
Other receivables	**74,411**	**74,411**	76,993	76,993	36,113	36,113
	P936,759	**P936,759**	P790,570	P790,570	P997,090	P997,090

(Forward)

	September 30				June 30, 2011	
	2012		2011			
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
			(In Thousands)			
Financial Liabilities:						
Other financial liabilities:						
Accounts payable and accrued expenses	**P552,163**	**P552,163**	P512,214	P512,214	P484,216	P484,216
Advances from related parties	–	–	–	–	–	–
Due to planters	–	–	–	–	–	–
Dividends payable	**49,497**	**49,497**	16,069	16,069	16,069	16,069
Short-term borrowings	**1,148,000**	**1,148,000**	2,738,000	2,738,000	3,220,000	3,220,000
Current portion of long-term borrowings	**148,031**	**148,031**	827,683	827,683	818,527	818,527
Noncurrent portion of long-term borrowings presented as current	–	–	5,599,282	5,599,282	5,824,749	5,824,749
Long-term borrowings - net of current portion	**6,010,780**	**6,010,780**	–	–	–	–
	P7,908,471	**P7,908,471**	P9,693,248	P9,693,248	P10,363,561	P10,363,561

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

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

Long-term borrowings - The rate was obtained from *Bangko Sentral ng Pilipinas,* representing bank average lending rates. As of September 30, 2012, as a result of the loan modification for fixed interest bearing to variable interest rate, the carrying value approximates the fair value in view of the recent and regular repricing based on current market rates of long-term borrowings.

The Group's financial instruments recorded at fair value have the following hierarchy levels:

- Level 1 - at quoted prices in active markets;
- Level 2 - at inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - at inputs that are not based on observable market data.

The Group did not hold any financial instruments carried at fair value in the consolidated financial statements as of September 30, 2012 and 2011 and June 30, 2011.

28. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the Company's Executive Committee, are as follows:

a. RHI is a diversified holding and investment corporation with specific focus on sugar milling and refining business.

b. CADPI is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 18,000 metric tons as of September 30, 2012 and 2011 and 13,000 metric tons as of June 30, 2011. CADPI's raw sugar milling is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. Canes are sourced from both district and non-district planters and are milled by CADPI under a production sharing agreement (see Note 17). The refinery operation, on the other hand, involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.

c. CACI produces raw sugar and molasses and trades the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,000 metric tons as of September 30, 2012 and 2011 and June 30, 2011, is located in La Carlota, Negros Occidental.

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

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

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

The Company's Executive Committee regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statement

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of income. Financing costs (including interest expense) and income taxes are managed on per company basis and are not allocated to operating segments.

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

a. Segment revenue and expenses

The Group's main revenue stream comes from the sale of sugar and molasses. 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.

Revenue from two major customers of CACI and CADPI amounted to P731.0 million and P1,352.7 million, P1,160.5 million and P681.5 million and P1,005.0 million and P676.0 million for the years ended September 30, 2012, June 30, 2011 and 2010, respectively, and P388.6 million and P206.2 million for the three months ended September 30, 2011.

b. Segment assets and liabilities

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

c. Inter-segment transfers

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

The following tables present information about the Group's operating segments:

	September 30, 2012 (One Year)						
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
				(In Thousands)			
Revenue (Note 18)							
External customers:							
Refined sugar	P–	P2,943,118	P704,967	P–	P–	P–	P3,648,085
Raw sugar	–	1,170,698	1,837,563	–	–	–	3,008,261
Tolling fees	–	125,927	–	–	–	–	125,927
Molasses	–	127,441	30,538	38,288	–	–	196,267
Others	–	-	–	672,166	23,787	–	695,953
	–	4,367,184	2,573,068	710,454	23,787	–	7,674,493
Inter-segment	98,500	194,860	269,212	11	2,460	(565,043)	–
	98,500	4,562,044	2,842,280	710,465	26,247	(565,043)	7,674,493
Costs and expenses (Notes 19 and 20)	(147,395)	(4,051,645)	(2,529,663)	(745,083)	(31,779)	656,598	(6,848,967)
Inventory losses (Note 6)	–	(3,230)	(697)	(8,820)	–	–	(12,747)
Interest income	561	50,556	3,136	1,979	329	(50,292)	6,269
Interest expense	(39,859)	(274,565)	(127,443)	(79,971)	(2,699)	50,292	(474,245)
Others (Note 22)	282,347	63,872	42,300	555	198	(276,636)	112,636
Income (loss) before income tax	194,154	347,032	229,913	(120,875)	(7,704)	(185,081)	457,439
Provision for income tax (Note 23)	(17,225)	100,937	79,678	(34)	(197)	(2,313)	160,846
Segment profit (loss)	176,929	447,969	309,591	(120,909)	(7,901)	(187,394)	618,285
Equity in net earnings of an associate (Note 8)	–	–	–	–	–	49,115	49,115
Consolidated net profit (loss)	P176,929	P447,969	P309,591	(P120,909)	(P7,901)	(P138,279)	P667,400
Other Information							
Major costs and expenses:							
Depreciation and amortization	P3,962	P346,825	P253,798	P83,061	P2,153	P–	P689,799
Fuel and oil	-	124,580	28,645	93,096	4,369	–	250,690
Materials and consumables	2,905	162,163	68,001	64,437	639	–	298,145
Repairs and maintenance	917	152,018	92,329	5,196	5,251	–	255,711
Additions to noncurrent assets						–	
Property, plant and equipment	2,689	57,975	41,952	25,335	206	–	128,157
Investment in an associate	259,907	–	–	–	–	309,565	569,472
Assets and Liabilities							
Current assets	P484,023	P1,966,054	P689,152	P493,780	P84,530	(P1,542,173)	P2,175,366
Noncurrent assets	6,695,497	4,927,814	3,677,676	1,579,962	197,196	(4,875,761)	12,202,384
Total assets	P7,179,520	P6,893,868	P4,366,828	P2,073,742	P281,726	(P6,417,934)	P14,377,750
Current liabilities	P538,429	P1,448,507	P1,177,107	P224,566	P211,479	(P1,527,470)	P2,072,618
Noncurrent liabilities	1,319,690	3,072,870	1,504,304	952,494	48,157	(6,343)	6,891,172
Total liabilities	P1,858,119	P4,521,377	P2,681,411	P1,177,060	P259,636	(P1,533,813)	P8,963,790

	September 30, 2011 (Three Months))						
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
				(In Thousands)			
Revenue (Note 18)							
External customers:							
Refined sugar	P–	P762,580	P–	P–	P–	P–	P762,580
Raw sugar	–	324,154	225,123	–	177	–	549,454
Tolling fees	–	22,767	–	–	–	–	22,767
Molasses	–	889	2,864	–	–	–	3,753
Others	47	–	–	63,400	593	–	64,040
	47	1,110,390	227,987	63,400	770	–	1,402,594
Inter-segment	67,500	1,500	31,550	–	2,460	(103,010)	–
	67,547	1,111,890	259,537	63,400	3,230	(103,010)	1,402,594
Costs and expenses (Notes 19 and 20)	(38,840)	(1,380,010)	(537,525)	(162,832)	(10,828)	119,670	(2,010,365)
Interest income	492	22,760	165	1,154	101	(23,757)	915
Interest expense	(11,548)	(92,266)	(78,500)	(23,178)	(1,385)	23,757	(183,120)
Others (Note 22)	(479)	9,357	39,355	(26)	327	–	48,534
Income (loss) before income tax	17,172	(328,269)	(316,968)	(121,482)	(8,555)	16,660	(741,442)
Provision for income tax (Note 23)	(6,408)	(55)	546	(7)	(165)	–	(6,089)
Segment profit (loss)	10,764	(328,324)	(316,422)	(121,489)	(8,720)	16,660	(747,531)
Equity in net loss of an associate (Note 8)	–	–	–	–	–	(17,982)	(17,982)
Consolidated net profit (loss)	P10,764	(P328,324)	(P316,422)	(P121,489)	(P8,720)	(P1,322)	(P765,513)
Other Information							
Major costs and expenses:							
Depreciation and amortization	P1,063	P85,740	P62,608	P20,475	P549	P–	P170,435
Fuel and oil	–	1,294	2,735	25,161	–	–	29,190
Materials and consumables	627	23,174	5,890	9,657	597	–	39,945
Repairs and maintenance	327	39,347	37,071	173	2,863	–	79,781
Additions to noncurrent assets							
Property, plant and equipment	–	2,637	5,550	347	26	–	8,560
Other noncurrent assets	–	–	82	–	–	–	82
Investment in an associate	259,907	–	–	–	–	426,037	685,944
Assets and Liabilities							
Current assets	P483,320	P3,324,628	P989,631	P538,411	P75,345	(P2,562,537)	P2,848,798
Noncurrent assets	6,465,727	4,115,417	3,801,600	1,450,236	199,220	(3,535,197)	12,497,003
Total assets	P6,949,047	P7,440,045	P4,791,231	P1,988,647	P274,565	(P6,097,734)	P15,345,801
Current liabilities	P1,069,351	P5,453,789	P3,413,445	P2,336,481	P196,419	(P2,540,292)	P9,929,193
Noncurrent liabilities	680,650	61,583	8,822	–	48,157	(22,606)	776,606
Total liabilities	P1,750,001	P5,515,372	P3,422,267	P2,336,481	P244,576	(P2,562,898)	P10,705,799

	June 30, 2011 (One Year)						
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
				(In Thousands)			
Revenue (Note 18)							
External customers							
Refined sugar	P–	P3,770,277	P–	P–	P–	P–	P3,770,277
Raw sugar	–	981,935	2,549,020	–	2,861	–	3,533,816
Tolling fees	–	218,276	–	–	–	–	218,276
Molasses	–	142,827	172,741	–	1	–	315,569
Others	230,703	–	–	39,096	31,269	(229,109)	71,960
	230,703	5,113,315	2,721,761	39,096	34,131	(229,109)	7,909,898
Inter-segment	304,359	118,908	1,160,523	–	29,095	(1,612,885)	–
	535,062	5,232,224	3,882,284	39,096	63,226	(1,841,994)	7,909,898
Costs and expenses (Notes 19 and 20)	(147,960)	(5,454,507)	(3,847,278)	(220,681)	(97,882)	1,483,164	(8,285,145)
Interest income	2,416	130,421	3,047	3,209	385	(134,040)	5,438
Interest expense	(P60,371)	(P400,066)	(P219,896)	(P63,254)	(P4,997)	P134,041	(P614,543)
Others (Note 22)	(139)	34,577	32,513	(121)	2,059	(498)	68,391
Income (loss) before income tax	329,008	(457,352)	(149,330)	(241,751)	(37,209)	(359,327)	(915,961)
Provision for income tax (Note 23)	(71,693)	6,677	(15,706)	(13)	(438)	78,413	(2,760)
Segment profit (loss)	257,315	(450,675)	(165,036)	(241,764)	(37,647)	(280,914)	(918,721)
Equity in net earnings of an associate (Note 8)	–	–	–	–	–	176,964	176,964
Consolidated profit (loss)	P257,315	(P450,675)	(P165,036)	(P241,764)	(P37,647)	(P103,950)	(P741,757)
Other Information							
Major costs and expenses							
Depreciation and amortization	P4,146	P298,651	P239,696	P2,722	P1,779	P–	P546,994
Fuel and oil	–	320,670	102,903	–	–		423,573
Materials and consumables	4,217	167,705	79,037	4,899	21,399	–	277,256
Repairs and maintenance	1,429	213,577	155,202	2,591	16,574	–	389,373
Additions to noncurrent assets							
Property, plant and equipment	155	43,615	101,905	240,950	6,988	–	393,613
Other noncurrent assets	–	34,495	1,579	–	–	–	36,074
Investment in an associate	259,907	–	–	–	–	444,019	703,926
Assets and Liabilities							
Current assets	P450,212	P3,886,221	P1,390,649	P584,503	P80,032	(P2,390,757)	P4,000,860
Noncurrent assets	6,470,683	4,223,635	3,858,576	1,471,485	199,856	(3,517,215)	12,707,020
Total assets	P6,920,895	P8,109,856	P5,249,225	P2,055,988	P279,888	(P5,907,972)	P16,707,880
Current liabilities	P1,057,623	P5,795,288	P3,554,441	P2,282,334	P191,857	(P2,351,845)	P10,529,698
Noncurrent liabilities	674,991	61,569	9,398	–	49,315	(22,606)	772,667
Total liabilities	P1,732,614	P5,856,857	P3,563,839	P2,282,334	P241,172	(P2,374,451)	P11,302,365

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	June 30, 2010 (One Year)						
	RHI	CADPI	CACI	RBC	All Others	Eliminations and Adjustments	Consolidated
				(In Thousands)			
Revenue (Note 18)							
External customers							
Refined sugar	P	P3,593,629	P122,577	P–	P–	P–	P3,716,206
Raw sugar	–	142,927	1,690,787	–	20,235	–	1,853,949
Tolling fees	–	290,268	–	–	–	–	290,268
Molasses	–	258,768	57,596	–	1,871	–	318,235
Others	–	3,000	–	–	21,309	–	24,309
		4,288,592	1,870,960	–	43,415	–	6,202,967
Inter-segment	235,454	62,676	666,160	–	4,538	(968,828)	–
	235,454	4,351,268	2,537,120	–	47,953	(968,828)	6,202,967
Costs and expenses (Notes 19 and 20)	(135,655)	(4,136,079)	(2,456,596)	(31,503)	(61,048)	897,866	(5,923,015)
Interest income	1,217	692	3,577	684	221	(681)	5,710
Interest expense	(61,454)	(121,757)	(135,536)	(5,703)	(2,086)	7,056	(319,480)
Others (Note 22)	462	207,369	79,764	1,219	14,607	(6,770)	296,651
Income (loss) before income tax	40,024	301,493	28,329	(35,303)	(353)	(71,357)	262,833
Provision for income tax (Note 23)	9,405	(91,359)	(8,494)	(19)	4,686	2,125	(83,656)
Segment profit (loss)	49,429	210,134	19,835	(35,322)	4,333	(69,232)	179,177
Equity in net earnings of an associate (Note 8)	–	–	–	–	–	132,263	132,263
Consolidated net income (loss)	P49,429	P210,134	P19,835	(P35,322)	P4,333	P63,031	P311,440
Other Information							
Major costs and expenses							
Depreciation and amortization	P3,723	P207,877	P191,943	P2,581	P901	P–	P407,025
Fuel and oil	–	385,906	22,994	–	–	–	408,900
Materials and consumables	5,308	203,982	79,328	4,429	11,997	–	305,044
Repairs and maintenance	1,156	207,164	169,540	430	8,657	–	386,947
Additions to noncurrent assets							
Property, plant and equipment	29,204	1,285,989	1,488,303	641,703	21,269	(902,084)	2,564,384
Other noncurrent assets	3,372	–	9,385	63,655	–	(58,997)	17,415
Investment in an associate	259,907	–	–	–	–	358,415	618,322
Assets and Liabilities							
Current assets	P380,809	P3,730,047	P906,905	P294,433	P95,972	(P2,296,285)	P3,111,881
Noncurrent assets	6,258,161	4,490,225	3,994,788	1,233,258	199,722	(3,602,820)	12,573,334
Total assets	P6,638,970	P8,220,272	P4,901,693	P1,527,691	P295,694	(P5,899,105)	P15,685,215
Current liabilities	P389,197	P2,154,713	P1,326,666	P1,512,273	P162,845	(P2,296,215)	P3,249,479
Noncurrent liabilities	1,318,806	3,361,886	1,724,605	–	51,481	(7,947)	6,448,831
Total liabilities	P1,708,003	P5,516,599	P3,051,271	P1,512,273	P214,326	(P2,304,162)	P9,698,310

29. Other Matter

Registration with the Board of Investments (BOI)
On October 24, 2008, the BOI approved the registration of RBC as New Producer of Bioethanol (Anhydrous) and Potable (Hydrous) Ethanol on a Pioneer Status under the Omnibus Investments Code of 1987 or Executive Order (E.O.) 226. Under the terms of its registration, RBC is required to achieve certain production and sales volume for both anhydrous and hydrous ethanol. As a registered enterprise, RBC is entitled to certain tax incentives, which include, among others: (1) income tax holiday (ITH) of six years for its anhydrous ethanol and for four years for its hydrous ethanol, from January 2010 or actual start of commercial operations, whichever is earlier; (2) extension of ITH provided that the aggregated ITH availment does not exceed eight years, subject to certain conditions; (3) for the first five years from the date of registration, additional deduction from taxable income of 50% of the wages arising from additional workers hired, provided that it is not simultaneously availed with the ITH; (4) tax credit for taxes and duties on raw materials and supplies and semi-manufactured products used in producing its export product; (5) exemption from wharfage dues, any export tax, duties imposts and fees for ten years from date of registration; (6) may qualify to import capital equipment, spare parts and accessories at 0% duty from date of registration up to June 16, 2011 pursuant to E.O. 528 and its Implementing Rules and Regulations and (7) tax- and duty-free importation of equipment.

Events after Reporting Date
On December 12, 2012, the Company's BOD approved a cash dividend of P.04 per share payable on January 15, 2013 to all shareholders of record as of December 28, 2012. Further, the Company's BOD also approved an Employee Stock Option Plan (ESOP) for the employees of the Company and its subsidiaries, CADPI, CACI and RBC. The BOD approved the reservation of a total of 35 million shares as underlying shares for the ESOP.

SHAREHOLDER INFORMATION

COMMON STOCK

The common stock of Roxas Holdings, Inc. is listed and traded at the Philippine Stock Exchange with trading symbol "ROX".

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RHi
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CENTRAL AZUCARERA DON PEDRO, INC.

CENTRAL AZUCARERA DE LA CARLOTA, INC.

roxol Bioenergy Corporation

Hawaiian Philippine Co.

RFi Roxas Foundation, Inc.
empowering communities, transforming lives

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