ANNUAL REPORT 2010

Roxas
& Company, Inc.

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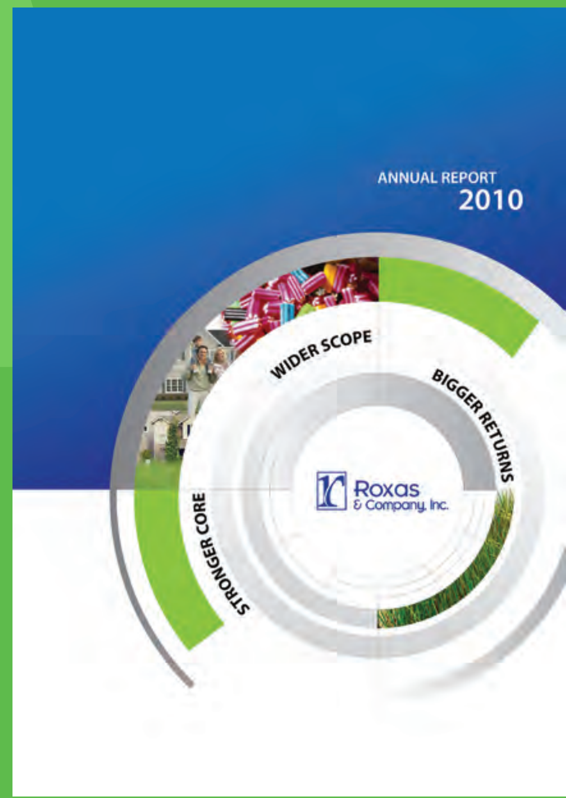
About the Cover

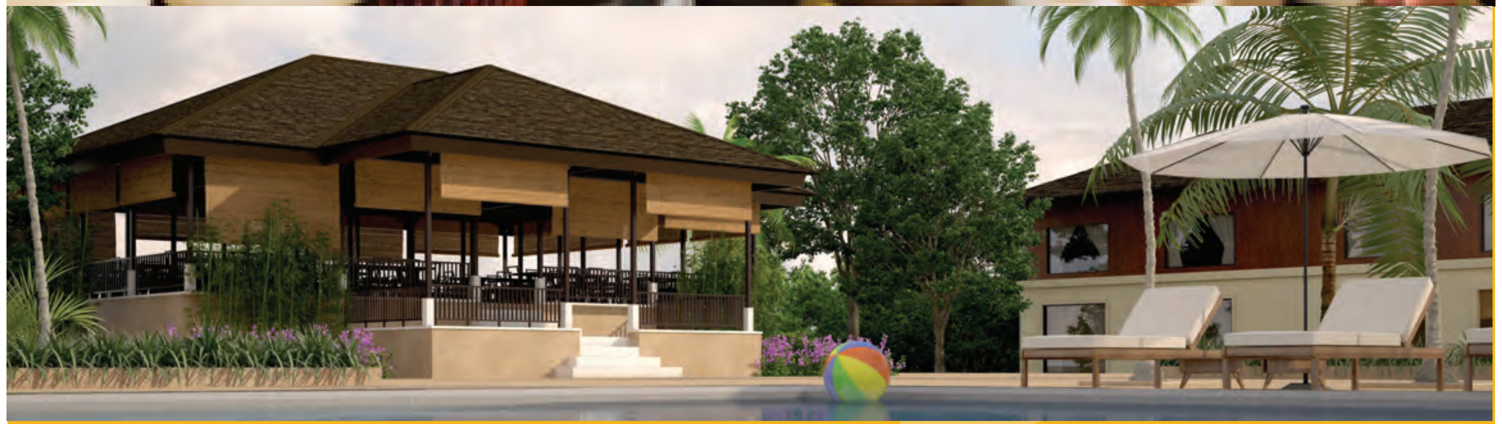
Roxas and Company, Inc. (RCI) continues to look for ways to achieve bigger returns even amid a challenging business environment. The telescopic lens represents the Company's vision and forsesight, achieving great strides that has strengthened its position in its core business – the sugar group. At the same time, it depicts the bold steps the Company has taken to widen its scope in its property business.



Chairman's Message

"We are proud to report that in December 2009, the sugar group, Roxas Holdings, Inc. (RHI), substantially completed the massive expansion of the milling facilities of its operating subsidiaries, Central Azucarera Don Pedro, Inc. in Batangas and Central Azucarera De La Carlota, Inc. in Negros Occidental."

PEDRO E. ROXAS
Chairman and Acting President and CEO



The past year proved to be both challenging and gratifying for the Roxas Group as it marked a milestone in both its business units – the sugar group and the property group.

We are proud to report that in December 2009, the sugar group, Roxas Holdings, Inc. (RHI), substantially completed the massive expansion of the milling facilities of its operating subsidiaries, Central Azucarera Don Pedro, Inc. (CADPI) in Batangas and Central Azucarera De La Carlota, Inc. (CACI) in Negros Occidental.

With this, CACI increased its milling capacity from 11,000 tons cane/day (TCD) to 18,000 TCD, while CADPI improved from 10,000 TCD to 13,000 TCD.

It can be recalled that in 2007, RHI acquired sugar mills – one from the United States and another one from Australia – to enhance our production capacity, upgrade our environmental safety standards and complement our entry into bioethanol.

Furthermore, we finished construction of our ethanol plant in Negros Occidental through our unit ROXOL Bioenergy Corporation. As of June 30, 2010, the Company produced a total of 302,000 liters of combined hydrous and anhydrous alcohol from its testing and commissioning. In 2008, RHI started the setting up of the ethanol facility, which is designed to produce not only fuel but industrial and potable alcohol as well.

On the property group, it is worth noting that our unit, Roxaco Land Corporation (Roxaco), made a significant stride in widening its market breadth by entering the full-service resort development.

Armed with our long years of management experience in high-end resorts being the co-developer of the Punta Fuego chain along with Landco Pacific Corporation, we laid the groundwork for the launch of Anya Resort and Residences, a six-hectare boutique development that integrates luxury resort facility and exclusive residential community in the heart of Tagaytay.

What will set Anya Resort and Residences apart from other upscale developments around the area is the array of services it will offer residents with the end in view of providing a luxurious, stress-free and hassle-free second home living. Unlike other resorts, which normally provide service accommodations to guests, Anya will extend full-service facilities even to its residents. These include home spa treatments, housekeeping, repairs and maintenance and rental management.

Chairman's Message

Financial Results

Despite the uncertainties in the economic environment, weather disturbances that adversely affected sugar production as well as the birth pains experienced by the sugar group as a result of the transition to a new core infrastructure, your Company posted a six percent growth in consolidated revenues of ₱6.29 billion from the ₱5.93 billion recorded in 2009. The sugar group contributed 99 percent or ₱6.2 billion, while the property group accounted for the one percent or ₱86 million.

The growth is on the back of higher average selling prices of raw and refined sugar and molasses, which went up in the third quarter of crop year 2009 - 2010. This is despite the lower sales volume generated caused by lower production volume during the period.

Consolidated net income after tax surged 268 percent to ₱208 million from its year-ago level of ₱57 million. This translates to basic/diluted earnings per share of ₱0.03 compared to the (₱.002) level in 2009.

Corporate Governance

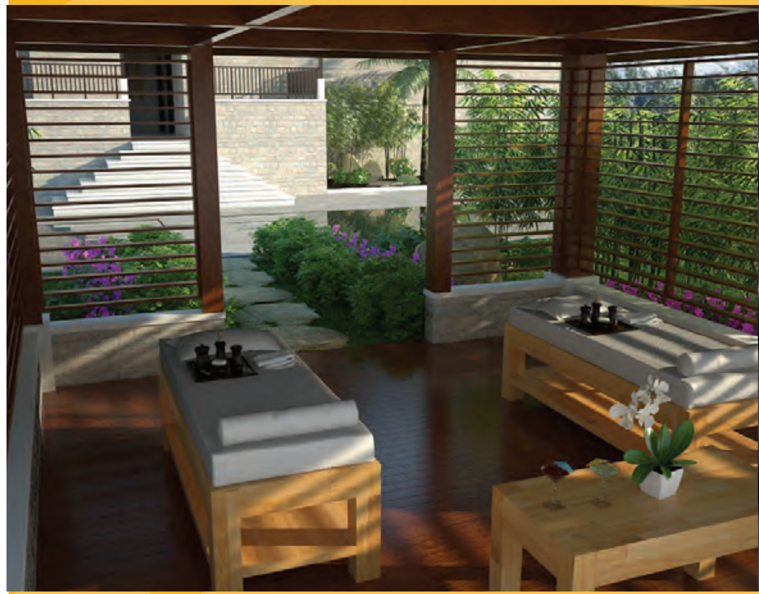
Your Company received an above-average rating of 80 percent in the "2009 Corporate Governance Scorecard for Publicly-Listed Companies in the Philippines", released by the Institute of Corporate Directors in partnership with the Securities and Exchange Commission, Philippine Stock Exchange, Ateneo Law School, Institute of Internal Auditors of the Philippines and Center for International and Private Enterprise. The average score is 73 percent.

The scorecard aims to promote international standards of good corporate governance practices. Other countries in East Asia such as Thailand, Hong Kong, China and Indonesia use the same scorecard template.

Corporate Social Responsibility

The Roxas Group, through the Roxas Foundation Inc., continues to place a premium in corporate social responsibility. It is our belief that conforming to high standards of economic, social and environmental practices in our operations mutually benefits your Company and the communities around us and in the process, the society at large. We believe that sustaining the success of our business is not achieved solely through maximizing profits and shareholder value but by engaging in sound yet responsible business practices.

"Consolidated net income after tax surged 268 percent to ₱208 million from its year-ago level of ₱57 million. This translates to basic/diluted earnings per share of ₱0.03 compared to the (₱.002) level in 2009."



Looking Ahead

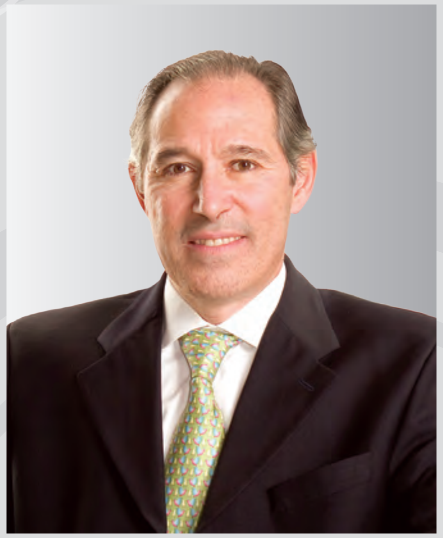
Uncertainties may still loom in the global and domestic economic arena but we believe in the integrity of the bold steps we have taken in recent years. Surpassing the birth pains of these strategies is not an easy feat but we are optimistic that in no time, we will maximize and fully reap the superiority of these strategies.

On behalf of the Board, I thank you, our shareholders, for your continued support and confidence. We reaffirm our commitment to deliver maximum shareholder returns.

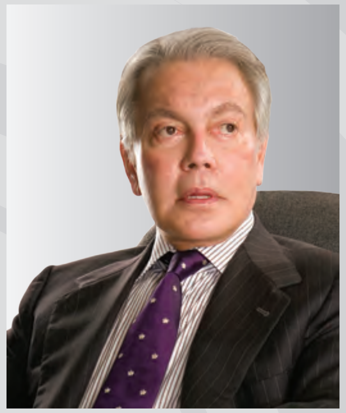
PEDRO E. ROXAS
Chairman and Acting President and CEO

"Despite the uncertainties in the economic environment, weather disturbances that adversely affected sugar production as well as the birth pains experienced by the sugar group as a result of the transition to a new core infrastructure, your Company posted a six percent growth in consolidated revenues of ₱6.29 billion from the ₱5.93 billion recorded in 2009."

Board of Directors



PEDRO E. ROXAS
Chairman and Acting President and CEO
Chairman, Nomination Committee
Member, Compensation Committee



ANTONIO J. ROXAS
Director
Member, Nomination Committee

EDUARDO R. AREILZA
Director
Member, Audit Committee

RAMON Y. DIMACALI
Independent Director
Chairman, Audit Committee
Member, Compensation Committee
Member, Nomination Committee

CARLOS R. ELIZALDE
Director

FRANCISCO JOSE R. ELIZALDE
Director
Member, Audit Committee

GUILLERMO D. LUCHANGCO
Independent Director
Chairman, Compensation Committee

BEATRIZ O. ROXAS
Director

RENATO C. VALENCIA
Director

__PEDRO E. ROXAS__ is 54 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination Committee and is a member of the Compensation Committee. He has been in the Board of Directors since 18 October 1995 and is the Executive Chairman of the Company. On 07 October 2010, he was designated as the Acting President and Chief Executive Officer of the Company. He is the Chairman of Roxas Holdings, Inc. and its other subsidiaries, Hawaiian-Philippine Company, Club Punta Fuego, Roxaco Land Corporation and Fundacion Santiago. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Roxas Foundation, Inc. and a Trustee of Philippine Business for the Environment and Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.*

**Mr. Francisco F. Del Rosario, Jr. was the President and Chief Executive Officer of the Company for the fiscal year 2009 to 2010. He resigned from the company effective 01 September 2010.*

__ANTONIO J. ROXAS__ is 68 years old and is a Filipino. Mr. Roxas is a member of the Nomination Committee. He has been in the Board of Directors since 18 October 1995. Mr. Antonio J. Roxas is also the Chairman Emeritus of Roxas Holdings, Inc., and a director of Central Azucarera Don Pedro, Inc. Mr. Roxas was educated at the University of Notre Dame in Indiana, USA where he obtained his diploma in Bachelor of Science in Commerce and was trained at the Standard Chartered Bank of London, the Shell Company in Paris and the Olivarria & Co. and Lowry & Co., Inc. of New York, USA.

__EDUARDO R. AREILZA__ is 33 years old, married, and a Spanish citizen. He was elected as a member of the Board of Directors on 25 June 2009. Mr. Areilza obtained his degree in Business Administration in 1999 from the University of CUNEF Madrid, Spain. He is connected with the Cibeles Caja Madrid Group, a corporation owned by Caja Madrid for banking and financial services.

__RAMON Y. DIMACALI__ is 62 years old and is a Filipino. Mr. Dimacali is the Chairman of the Audit Committee and a member of the Compensation and Nomination Committees. He has been a member of the Board of Directors since 20 November 2002. Mr. Dimacali is the President of Federal Phoenix Assurance Company Inc. and Chairman of Asia Pacific College. He holds key positions in Manchester Ltd. (Interphil Laboratory), IBM Philippines Retirement Board, International Fellowship Program (Ford Foundation), Larger Than Life, Inc., and Manila Polo Club. He was formerly the President and CEO of IBM Philippines, Inc. Mr. Dimacali was educated at the University of the Philippines where he earned his BS Civil Engineering and his Master in Business Administration.

__CARLOS R. ELIZALDE__ is 42 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

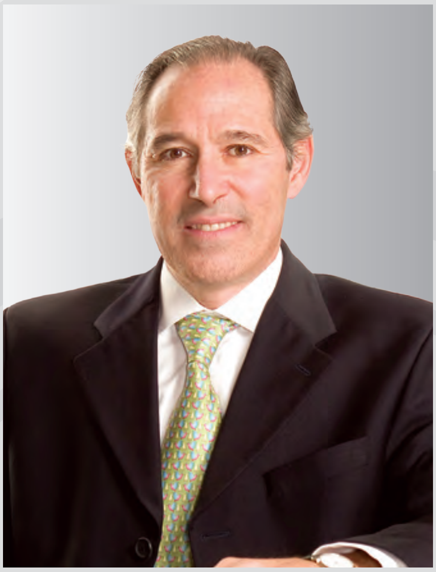
__FRANCISCO JOSE R. ELIZALDE__ is 44 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

__GUILLERMO D. LUCHANGCO__ is 70 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of Investment & Capital Corporation of the Philippines, ICCP Holdings Corp., Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Remec Broadband Wireless, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of the ICCP Group Foundation, Inc. and Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Synertronix, Inc., and Science Park of the Philippines, Inc.

__BEATRIZ O. ROXAS__ is 57 years old and is a Spanish citizen. She was elected to the Board of Directors on 25 June 2009. Ms. Roxas is presently a director of Roxas Holdings, Inc.

__RENATO C. VALENCIA__ is 68 years old and is a Filipino. He was elected as a member of the Board of Directors on 07 October 2010. A former Director of RCI prior to its merger with CADP Group Corporation, he is presently a Director of Metropolitan Bank & Trust Company, Member of the Phil. Coca-Cola System Council, Chairman of i-People, Inc., Director of Anglo-Philippine Holdings Corporation, Board Adviser of Philippine Veterans Bank, Chairman of Hypercash Payment Systems, Inc., Chairman of Bastion Payment Systems, Inc. and Vice-Chairman of Asia Pacific Network Holdings, Inc.

Corporate Officers



PEDRO E. ROXAS
Chairman and Acting President and CEO

SANTIAGO R. ELIZALDE
Treasurer

SINDULFO ETCHIN L. SUMAGANG
Vice President and Chief Finance Officer

PETER D. A. BAROT
Corporate Secretary

FRITZIE TANGKIA-FABRICANTE
Asst. Vice President for Legal Affairs
Asst. Corporate Secretary
and Compliance Officer

Santiago R. Elizalde *is 46 years old and is a Filipino. He was appointed Treasurer of the Company on 25 June 2009. He is Vice Chairman of ELRO Commercial and Industrial Corporation and is a Director of SPCI Holdings, Inc., ELRO Land Corporation, Roxas Holdings, Inc., Roxas Foundation, Inc., Fuego Hotels and Management Corporation, Punta Fuego Village Homeowners' Association, Terrazas Village Homeowner's Association, Palm Estates Village Homeowners Association, and Punta Fuego Village Foundation. He is also the Senior Vice President of Roxaco Land Corporation and the President of CGB Condominium Corporation. Mr. Elizalde obtained his Bachelor of Arts degree in Economics (Major) and History (Minor) from Denison University in Ohio, USA and also attended The Portsmouth Abbey School in Rhode Island, USA.*

Sindulfo Etchin L. Sumagang *is 47 years old and is a Filipino. Mr. Sumagang was appointed Vice President and Chief Finance Officer of the Company on 25 January 2010. He was formerly the Vice President and Chief Finance Officer of BARNEY Food International Inc., a former food subsidiary of Metro Pacific Corporation, LANDCO Pacific Corporation and XCELL Property Ventures Incorporated. Mr. Sumagang is a member of the Board of Directors and Chairman of the Finance Committees of Club Punta Fuego Inc. and Fuego Hotels Properties Management Inc. Mr. Sumagang obtained his degrees in Bachelor of Science in Business Administration (Major in Accounting) from Silliman University and his Executive - Masters in Business Administration at HULT International Business School in Boston, Massachusetts, USA. He is a Certified Public Accountant (CPA).*

Peter D. A. Barot *is 48 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.*

Fritzie P. Tangkia-Fabricante *is 34 years old and is a Filipino. She is the Assistant Vice-President for Legal Affairs, Assistant Corporate Secretary and Compliance Officer of the Company. She is also the Assistant Vice President for Legal Affairs of Roxaco Land Corporation, the real property arm of the Company. She obtained her degree in Bachelor of Laws from the University of the Philippines in 1999 and her Bachelor of Arts degree from Colegio De San Juan De Letran in 1995.*

Statement of Management's Responsibility and Audited Financial Statements

Statement of Management's Responsibility for Financial Statements

The management of Roxas and Company, Inc. is responsible for all information and representations contained in the financial statements for the years ended June 30, 2010 and 2009. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized . The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data ; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors review's the financial statements before such statements are approved and submitted to the stockholders of the company.

SGV and Co., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

PEDRO E. ROXAS	SINDULFO L. SUMAGANG	VIRGINIA R. ALCAIDE
Executive Chairman	*VP - CFO*	*Finance Manager*

Independent Auditors' Report

The Stockholders and the Board of Directors
Roxas and Company, Inc.
7th Floor, Cacho-Gonzales Building
101 Aguirre Street, Legaspi Village, Makati City

We have audited the accompanying consolidated financial statements of Roxas and Company, Inc. and subsidiaries, which comprise the consolidated balance sheets as at June 30, 2010 and 2009, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended June 30, 2010, and a summary of significant accounting policies and other explanatory notes. The financial statements of Hawaiian Philippine Company (HPCo), 29.62%-owned associate accounted for under equity method, were audited by other auditors whose report was furnished to us, and our opinion on the consolidated financial statements, insofar as it relates to the amounts included for HPCo, is based solely on the report of the other auditors. Roxas and Company, Inc.'s investment in HPCo represents 3.69% and 3.87% of the total consolidated assets as of June 30, 2010 and 2009, and its share in HPCo's net income in 2010, 2009 and 2008 represents 2.10%, 1.34% and 1.14% of the consolidated revenue and 63.58%, 140.80% and 15.09% of the consolidated net income, respectively.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 auditors' 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 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 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, the consolidated financial statements present fairly, in all material respects, the financial position of Roxas and Company, Inc. and subsidiaries as of June 30, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended June 30, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-2
Tax Identification No. 102-086-208
PTR No. 2087534, January 4, 2010, Makati City

October 7, 2010

Roxas and Company, Inc. and Subsidiaries

Consolidated Balance Sheets

(Amounts in Thousands)

	June 30 2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 28)	**₱236,614**	₱342,999
Receivables (Notes 5, 15, 16 and 28)	**940,944**	981,025
Inventories (Note 6)	**1,873,137**	1,588,509
Real estate for sale and development (Notes 7 and 15)	**331,371**	330,275
Prepayments and other current assets (Note 8)	**269,144**	185,958
Total Current Assets	**3,651,210**	3,428,766
Noncurrent Assets		
Installment contract receivables - net of current portion (Notes 5 and 15)	**36,206**	19,768
Property, plant and equipment (Note 11):		
At cost	**9,305,606**	7,152,403
At appraised values	**2,485,515**	2,518,174
Investment in shares of stock of associates (Note 9)	**760,232**	739,125
Investment properties (Notes 10 and 15)	**344,392**	347,956
Net pension plan assets (Note 17)	**145,458**	146,533
Deferred income tax assets - net (Note 24)	**6,187**	8,120
Other noncurrent assets (Notes 5 and 16)	**35,578**	53,091
Total Noncurrent Assets	**13,119,174**	10,985,170
TOTAL ASSETS	**₱16,770,384**	₱14,413,936
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term borrowings (Notes 12 and 28)	**₱2,502,404**	₱3,002,500
Accounts payable and accrued expenses (Notes 13, 16 and 28)	**716,925**	880,263
Income tax payable	**–**	4,747
Customers' deposits (Note 14)	**150,300**	199,019
Dividends payable	**20,565**	45,575
Current portion of long-term borrowings (Notes 7, 15 and 28)	**76,339**	–
Total Current Liabilities	**3,466,533**	4,132,104
Noncurrent Liabilities		
Long-term borrowings - net of current portion (Notes 7, 15 and 28)	**6,124,969**	3,251,973
Net pension benefit obligation (Note 17)	**41,097**	74,210
Deferred income tax liabilities - net (Note 24)	**725,150**	711,466
Total Noncurrent Liabilities	**6,891,216**	4,037,649
Total Liabilities	**₱10,357,749**	₱8,169,753

(Forward)

Roxas and Company, Inc. and Subsidiaries

Consolidated Balance Sheets

(Amounts in Thousands)

	June 30 2010	2009
EQUITY (Notes 1 and 25)		
Attributable to the equity holders of the Company:		
Share capital	**₱2,911,886**	₱2,911,886
Share premium	**1,611,393**	1,611,393
Other equity reserve	**(3,793,136)**	(3,793,136)
Effect of change in ownership interest in subsidiaries	**(81,066)**	(81,066)
Revaluation increment on properties	**1,174,699**	1,201,721
Share in revaluation increment on land of an associate	**136,322**	136,322
Share in fair value reserve of associate	**5,179**	3,623
Retained earnings	**2,363,169**	2,264,426
	4,328,446	4,255,169
Noncontrolling interests	**2,084,189**	1,989,014
Total Equity	**6,412,635**	6,244,183
TOTAL LIABILITIES AND EQUITY	**₱16,770,384**	₱14,413,936

See accompanying Notes to Consolidated Financial Statements.

Roxas and Company, Inc. and Subsidiaries

Consolidated Statements of Income

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

	Years Ended June 30		
	2010	2009	2008
REVENUE (Note 19)	**₱6,289,153**	₱5,932,606	₱6,129,949
COST OF SALES (Note 20)	**5,355,510**	5,024,061	4,970,338
GROSS PROFIT	**933,643**	908,545	1,159,611
Operating expenses (Note 21)	**(742,657)**	(686,760)	(606,014)
Equity in net earnings of associates (Note 9)	**144,604**	82,415	91,592
Interest expense (Notes 12 and 15)	**(346,188)**	(146,977)	(66,946)
Interest income (Notes 4 and 5)	**17,606**	25,779	28,507
Other income - net (Note 23)	**292,469**	60,552	73,127
INCOME BEFORE INCOME TAX	**299,477**	243,554	679,877
PROVISION FOR INCOME TAX (Note 24)			
Current	**55,712**	142,776	183,831
Deferred	**35,740**	44,271	33,801
	91,452	187,047	217,632
NET INCOME	**₱208,025**	₱56,507	₱462,245
Attributable to:			
Equity holders of the Company	**P98,743**	(₱4,487)	₱273,595
Noncontrolling interests	**109,282**	60,994	188,650
	₱208,025	₱56,507	₱462,245
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 26)	**₱0.03**	(₱0.002)	₱0.09

See accompanying Notes to Consolidated Financial Statements.

Roxas and Company, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

	Years Ended June 30		
	2010	2009	2008
NET INCOME	**₱208,025**	₱56,507	₱462,245
OTHER COMPREHENSIVE INCOME (LOSS)			
Increase (decrease) in revaluation increment on property, plant and equipment (Note 11)	**(58,756)**	–	531,177
Income tax effect	**17,627**	–	(159,353)
	(41,129)	–	371,824
Share in changes in fair value of available-for-sale investments of an associate (Note 9)	**1,727**	–	–
Income tax effect	**(171)**	–	–
	1,556	–	–
	(39,573)	–	371,824
TOTAL COMPREHENSIVE INCOME	**₱168,452**	₱56,507	₱834,069
Attributable to:			
Equity holders of the parent	**₱73,277**	(₱4,487)	₱515,281
Noncontrolling interests	**95,175**	60,994	318,788
	₱168,452	₱56,507	₱834,069

See accompanying Notes to Consolidated Financial Statements.

Roxas and Company, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended June 30, 2010, 2009 and 2008

(Amounts in Thousands)

	Attributable to the Company (Notes 1 and 25)										
	Share Capital	Share Premium	Other Equity Reserve	Effect of Change in Ownership in Subsidiaries	Revaluation Increment on Properties	Share in Revaluation Increment on Land of an Associate	Share in Fair Value Reserve of an Associate	Retained Earnings	Total	Noncontrolling Interests (Notes 1 and 25)	Total
BALANCES AS OF JUNE 30, 2007	**₱2,911,886**	**₱1,611,393**	**(₱3,793,136)**	**₱56,356**	**₱784,512**	**₱105,821**	**₱3,623**	**₱2,033,736**	**₱3,714,191**	**₱2,649,634**	**₱6,363,825**
Net income for the year	–	–	–	–	–	–	–	273,595	273,595	188,650	462,245
Other comprehensive income	–	–	–	–	241,686	–	–	–	241,686	130,138	371,824
Total comprehensive income for the year	–	–	–	–	241,686	–	–	273,595	515,281	318,788	834,069
Transfer of revaluation increment on properties through depreciation and sale	–	–	–	–	(16,400)	–	–	16,400	–	–	–
Dividends declared	–	–	–	–	–	–	–	(50,000)	(50,000)	(39,737)	(89,737)
Changes in ownership interest in subsidiary resulting in the reduction of noncontrolling interest	–	–	–	(103,237)	166,021	23,820	–	–	86,604	(754,449)	(667,845)
BALANCES AS OF JUNE 30, 2008	**2,911,886**	**1,611,393**	**(3,793,136)**	**(46,881)**	**1,175,819**	**129,641**	**3,623**	**2,273,731**	**4,266,076**	**2,174,236**	**6,440,312**
Net income (loss) for the year	–	–	–	–	–	–	–	(4,487)	(4,487)	60,994	56,507
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	–	–	–	(4,487)	(4,487)	60,994	56,507
Transfer of revaluation increment on properties through depreciation and sale	–	–	–	–	(20,182)	–	–	20,182	–	–	–
Dividends declared	–	–	–	–	–	–	–	(25,000)	(25,000)	(40,385)	(65,385)
Changes in ownership interest in subsidiary resulting in the reduction of noncontrolling interest (Note 1)	–	–	–	(34,185)	46,084	6,681	–	–	18,580	(205,831)	(187,251)
BALANCES AS OF JUNE 30, 2009	**2,911,886**	**1,611,393**	**(3,793,136)**	**(81,066)**	**1,201,721**	**136,322**	**3,623**	**2,264,426**	**4,255,169**	**1,989,014**	**6,244,183**
Net income for the year	–	–	–	–	–	–	–	98,743	98,743	109,282	208,025
Other comprehensive income (loss)	–	–	–	–	(27,022)	–	1,556	–	(25,466)	(14,107)	(39,573)
Total comprehensive income (loss) for the year	–	–	–	–	(27,022)	–	1,556	98,743	73,277	95,175	168,452
BALANCES AS OF JUNE 30, 2010	**₱2,911,886**	**₱1,611,393**	**(₱3,793,136)**	**(₱81,066)**	**₱1,174,699**	**₱136,322**	**₱5,179**	**₱2,363,169**	**₱4,328,446**	**₱2,084,189**	**₱6,412,635**

See accompanying Notes to Consolidated Financial Statements.

Roxas and Company, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Years Ended June 30		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱299,477**	₱243,554	₱679,877
Adjustments for:			
Depreciation (Notes 10, 11, 20 and 21)	**410,225**	307,087	330,694
Loss (gain) on disposal of property and equipment and investment properties	**(972)**	10,987	–
Equity in net earnings of associates (Note 9)	**(144,604)**	(82,415)	(91,592)
Changes in fair value of biological assets (Note 8)	**(3,531)**	5,995	(5,940)
Interest income (Notes 4 and 5)	**(17,606)**	(25,779)	(28,507)
Interest expense (Notes 11, 12 and 15)	**346,188**	146,977	66,946
Impairment of investment in shares of stock	**–**	1,154	–
Movement in net pension plan assets (Note 17)	**(32,038)**	(13,834)	(6,563)
Net cash from operations before working capital changes	**857,139**	593,726	944,915
Decrease (increase) in:			
Receivables	**79,164**	(285,638)	223,492
Inventories	**(405,507)**	(120,602)	27,858
Real estate	**(1,096)**	(1,075)	17,414
Prepayments and other current assets	**72,639**	(81,506)	(51,954)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(262,901)**	122,756	72,128
Customers' deposits	**(48,719)**	(30,712)	130,341
Other current liabilities	**–**	(22,797)	–
Cash generated from operations	**290,719**	174,152	1,364,194
Interest received	**17,585**	11,824	14,618
Income taxes paid, including creditable withholding and final taxes	**(93,133)**	(280,315)	(223,895)
Net cash from (used in) operating activities	**215,171**	(94,339)	1,154,917
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 11)	**(2,541,080)**	(3,338,025)	(2,126,775)
Acquisitions of investment properties	**–**	–	(276)
Proceeds from sale of property, plant and equipment and investment properties	**8,283**	25,943	10,681
Dividends received (Note 9)	**69,724**	68,520	68,805
Disposal in (additions to) other noncurrent assets	**(420)**	34,498	(9,612)
Net cash used in investing activities	**(2,463,493)**	(3,209,064)	(2,057,177)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payments of) short-term borrowings (Note 12)	**(₱500,096)**	₱2,234,448	₱397,000
Proceeds from long-term borrowings (Note 15)	**2,962,000**	1,425,000	1,850,000
Payments of long-term borrowings (Note 15)	**–**	(31,478)	(592,118)
Interest paid (Note 12 and 15)	**(294,957)**	(105,320)	(64,649)
Dividends paid (Note 25)	**(25,010)**	(98,644)	(130,723)
Debt commitment fees paid (Note 15)	**–**	–	(60,306)
Reacquisition of shares of stock by subsidiaries (Note 25)	**–**	(160,492)	(679,878)
Net cash flows from financing activities	**2,141,937**	3,263,514	719,326
NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**(106,385)**	(39,889)	(182,934)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR (Note 4)	**342,999**	382,888	565,822
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (Note 4)	**₱236,614**	₱342,999	₱382,888

See accompanying Notes to Consolidated Financial Statements.

Roxas and Company, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Corporate Information, Group Restructuring and Merger and Authorization for the Issuance of the Consolidated Financial Statements

Corporate Information

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

The Company started its commercial operations in 1920 and on November 29, 1948, its shares of stock were listed in the Philippine Stock Exchange (PSE). On July 1, 2004, the Company spun off its Negros sugar milling business to Central Azucarera de La Carlota, Inc. (CACI), a wholly-owned subsidiary. The said spin-off was approved by the Philippine SEC on February 10, 2004 and involved the transfer of the Company's net assets amounting to ₱1,419.5 million to CACI in exchange for the latter's 200 million common shares at ₱1.0 per share.

The Company was previously 89.28%-owned by Roxas Holdings, Inc. (RHI), a public company also incorporated and domiciled in the Philippines. Prior to the merger as discussed below, Roxas & Company, Inc. (RCI) is the Company's and RHI's ultimate parent company.

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

Group Restructuring and Merger

Roxas and Company, Inc. and its subsidiaries (collectively, the Group), has undertaken corporate restructuring in fiscal year 2009. On December 16, 2008, RHI purchased all the sugar-related operating subsidiaries and an associate, as well as certain assets and liabilities of CADPGC for a total consideration of ₱3,838.0 million. With no more sugar-related subsidiaries and an associate, RHI sold its investment in CADPGC to RCI for ₱3,927.3 million on January 23, 2009. Just before the merger discussed below, CADPGC was 95.93% owned by RCI (see Note 25).

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

The merger was accounted for similar to pooling of interests. The assets and liabilities of CADPGC and RCI were reflected at their carrying values and comparatives were restated to include balances and transactions as if the entities had been merged at the beginning of the earliest period presented. As a result, the excess between the consideration received and the equity acquired amounting to ₱3.8 billion is reflected as a component of equity in the equity section of the consolidated balance sheets and in the consolidated statements of changes in equity.

The Company has 3,566 and 3,594 equity holders as of June 30, 2010 and 2009, respectively.

The Company is owned by various individual shareholders and domestic corporations, namely Pesan Holdings, Inc. and SPCI Holdings, Inc.

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

Approval of Consolidated Financial Statements

The consolidated financial statements as of June 30, 2010 and 2009 and for each of the three years in the period ended June 30, 2010, 2009 and 2008, have been approved and authorized for issuance by the Company's Board of Directors (BOD) on October 7, 2010.

Notes to Consolidated Financial Statements

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 term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Standing Interpretations Committee, Philippine Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

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

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and revised standards, amendments to existing standards and new and amendments to Philippine Interpretation which became effective July 1, 2009.

- Amendment to PAS 1, *Presentation of Financial Statements*, separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income, which presents all items of recognized income and expense, either in a single statement, or in two linked statements. The Group has elected to present all items of recognized income and expense in two linked statements.

- PFRS 8, *Operating Segments*, adopts a full management approach to reporting segment information. PFRS 8 will replace PAS 14, *Segment Reporting*, and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing its financial statements with a securities commission or similar party. Operating segment information based on PFRS 8 including the related revised comparative information is presented in Note 29.

- Revised PFRS 3, *Business Combinations* and revised PAS 27, *Consolidated and Separate Financial Statements*, introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and noncontrolling interests (previously referred to as "minority interests"); even if the losses exceed the noncontrolling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively and PAS 27 must be applied retrospectively, except for some scenarios, and will affect future acquisitions and transactions with noncontrolling interests.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, has changes in respect of the holding companies' separate consolidated financial statements including (a) the deletion of 'cost method', making the distinction between pre-acquisition and post-acquisition profits no longer required, and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the consolidated statement of income. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments,* require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The additional disclosures are presented in Note 28.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*, addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, covers accounting for all non-reciprocal distribution of non-cash assets to owners. It provides guidance on when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so. This interpretation will be applied on future distribution of non-cash assets to shareholders.

The following changes in PFRS are either not applicable or did not have any significant impact on the consolidated financial statements.

- Revised PAS 23, *Borrowing Costs*, requires capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This did not have an impact to the Group as its policy has been to capitalize borrowing costs on qualifying assets.
- Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendment to PFRS 2, *Share-based Payment - Vesting Conditions and Cancellations*
- PAS 38, *Intangible Assets*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*

Improvements to PFRSs

The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard.

- Amendment to the Appendix to PAS 18, *Revenue*, specifies no transitional provisions, the amendment is effective immediately and retrospectively. The amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: (a) has primary responsibility for providing the goods or services; (b) has inventory risk; (c) has discretion in establishing prices and (d) bears the credit risk. The Group assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. Accordingly, no change was made in the Group's revenue recognition policy.

- PFRS 2, *Share-based Payment*, clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3. This standard does not apply to the Group.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to June 30, 2010

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new changes 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 2011

- Amendments to PFRS 2, *Share-based Payment - Group Cash-settled Share-based Payment Transactions*, clarifies the scope and the accounting for group cash-settled share-based transactions.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.

- PFRS 8, *Operating Segments*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*, clarifies that the terms of a liability that could result at anytime in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either "finance" or "operating" in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- Amendment to PAS 32, *Classification of Rights Issues*, this amendment to PAS 32, *Financial Instruments*: *Presentation*, addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment issued today requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

- PAS 39, *Financial Instruments*: *Recognition and Measurement*, provides clarification on prepayment option, scope exemption for contracts between an acquirer and a vendor in a business combination, and gains or losses on cash flow hedges of a forecast transaction.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. It clarifies the requirements of PFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. It clarifies that: (a) the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability; (b) the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished and (c) the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

Effective 2012
- Amendment to Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement*, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

- PAS 24, *Related Party Disclosures* (Revised) was revised in response to concerns that the previous disclosure requirements and the definition of a 'related party' were too complex and difficult to apply in practice, especially in environments where government control is pervasive. It addresses these concerns by providing a partial exemption for government-related entities and by simplifying the definition of a related party and removing inconsistencies.

Effective 2013
- Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as a construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Effective 2014
- PFRS 9, *Financial Instruments*, introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39, *Financial Instruments*: *Recognition and Measurement*. The approach in this new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. It also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2010 and on the consolidated financial statements prior to period of initial application. The effects and required revised disclosures, if any, will be included in the consolidated financial statements when the relevant accounting standards and interpretation are adopted subsequent to June 30, 2010.

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

	Percentage of Ownership			
	2010	**2009**	2008	Main Activity
RHI	**66**	**66**	65	Holding company of its subsidiaries that operate mill and refinery facilities to manufacture sugar and allied products; shares of stock are listed in the PSE.
Roxaco Land Corporation (RLC)	**100**	**100**	100	To acquire, own, develop, sell and hold for investment all types of real estate.
United Ventures Corporation (UVC)	**100**	**100**	100	The subsidiary is currently into warehouse leasing activity.
Nasugbu Feeds Corporation (NAFECOR)	**100**	**100**	100	To engage in the business of manufacturing, milling, processing and mixing, buying, selling and distributing at wholesale and retail basis, agricultural products, especially animal feeds and feedstocks, without engaging in the manufacture of food, drugs and cosmetics. The subsidiary has currently no commercial operations.

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

	Percentage of Ownership			
	2010	2009	2008	
		Direct	Direct	Indirect
CADPGC[1]	**–**	–	89.22	–
Central Azucarera Don Pedro, Inc. (CADPI)	**100.00**	100.00	–	89.22
Central Azucarera de La Carlota, Inc.(CACI)	**100.00**	100.00	–	89.22
CADP Insurance Agency, Inc. (CIAI)	**100.00**	100.00	–	89.22
CADP Consultancy Services, Inc. (CCSI)	**100.00**	100.00	–	89.22
CADP Farm Services, Inc. (CFSI)	**100.00**	100.00	–	89.22
Jade Orient Management Services, Inc. (JOMSI)	**99.99**	99.99	–	89.21
Najalin Agri Ventures, Inc. (NAVI)	**77.38**	77.27	–	63.96
Roxol Bioenergy Corporation (RBC)[2]	**100.00**	100.00	–	100.00
CADP Port Services, Inc. (CPSI)[3]	**100.00**	100.00	–	–
Roxas Power Corporation (RPC)[3]	**50.00**	50.00	–	–

(1) The loss of ownership interest in CADPGC is the result of the restructuring undertaken by the Group through sale of all of RHI's equity interest in CADPGC to RCI effective January 23, 2009 (see Note 1). As a result, RHI has now a direct ownership interest in the sugar-related operating subsidiaries which were previously owned by CADPGC. Results of operation of CADPGC are included in the consolidated financial statements until January 23, 2009, the date on which RHI's control ceased.
(2) RBC was incorporated on February 29, 2008 and has not yet started commercial operations.
(3) CPSI and RPC were incorporated on July 17, 2008 and have not yet started commercial operations. RHI has control on RPC since it has the power to cast the majority of votes at the BOD's meetings and the power to govern the financial and reporting policies of RPC.

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

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 equity section in 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.

The financial statements of the Company and its subsidiaries used in the preparation of the consolidated financial statements are of the same reporting date. When the reporting dates of the parent and a subsidiary are different, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent unless it is impracticable to do so.

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.

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

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 disposed in a common control transaction, the difference in the amount recognized and the fair value consideration received, is also accounted for as an equity transaction. As discussed in Note 1, the Group recorded the difference as other equity reserve and presented as 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.

Investment in Shares of Stock of Associates
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 associates' post-acquisition profits or losses is recognized in 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 assets transferred. The financial statements of the associates 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.

Segment Reporting
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 Group's senior management, its 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 based on the nature of the business segment, with each business representing a strategic business segment.

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

Financial Assets and Financial Liabilities
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 instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated balance sheet at fair value. 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 of June 30, 2010 and 2009.

Embedded Derivatives
An embedded derivative is a component of a combined instrument that includes a nonderivative host contract with the effect that some or all of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. It is separated from the host financial or nonfinancial contract 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 June 30, 2010 and 2009, the Group has embedded prepayment option on its long-term borrowings, the value of which is immaterial.

b. Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial recognition, 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 statements of income when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if maturity is within 12 months from the end of the 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 short-term placements, trade receivables, advances to employees (excluding advances subject to liquidation), advances to related parties and other receivables as of June 30, 2010 and 2009 (see Note 28).

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 financial assets 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 the reporting period, otherwise, these are classified as noncurrent assets.

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

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 reported in the consolidated statement of comprehensive income and in the equity section of the consolidated balance sheet. These changes in fair values are recognized in the consolidated statement of comprehensive income 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 the reporting period.

Classified as available-for-sale financial assets are the Group's unquoted equity investments as of June 30, 2010 and 2009.

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 customer's deposit) and financing (e.g., short-term and long-term borrowings, advances to related parties and 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 the reporting period.

Accounts payable, accrued expenses, dividends payable, short and long-term borrowings 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 method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

Derecognition of Financial Assets and Financial Liabilities

a. Financial assets

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

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

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

b. Financial liabilities

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

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

Impairment of Financial Assets

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

a. Financial assets carried at amortized cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of 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 loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in income - is removed from equity and recognized in income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated 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 subsequent year, the fair value of a debt instrument increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in income, the impairment loss is reversed through income.

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

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

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

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

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

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

Real Estate for Sale and Development
Real estate for sale and development consists of raw land, land improvements and developed real estate properties for sale.

Raw land, land improvements and developed real estate properties for sale are carried at the lower of aggregate cost and NRV, and include those costs incurred for the development and improvement of the properties and certain related capitalized borrowing costs. NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties
Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment. Investment properties are carried at cost less accumulated depreciation and impairment, if any. Cost is the fair value of the consideration given to acquire the property which includes transaction costs such as legal fees and taxes on the purchase of the property.

Depreciable investment properties (i.e., building) are depreciated using the straight-line method over the estimated useful life of 40 years. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Subsequent expenditure should demonstrably enhance the original asset to qualify for recognition. Transfers to investment properties do not result in gain or loss.

Derecognition of investment properties 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 profit or loss.

Property, Plant and Equipment
Property, plant and equipment are carried at historical cost less accumulated depreciation and any impairment, except for land which is stated at revalued amount less any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period, in which they are incurred.

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

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

The Group used the carrying amount of 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.

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

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

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

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

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

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

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

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

<u>Impairment of Nonfinancial Assets</u>
The carrying values of property, plant and equipment, investment in shares of stock of an associate and other noncurrent 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 period.

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 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 and amortization 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.

<u>Share Capital and Share Premium</u>
Common shares are classified as equity. Incremental costs directly attributable to the issue 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.

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

<u>Retained Earnings</u>
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 is free and 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.

<u>Dividend Distribution</u>
Dividend distribution to the Company's shareholders and the noncontrolling interest is recognized as a liability in the consolidated financial statement in the period in which the dividends are approved by the Company's BOD and shareholders.

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

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

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

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

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

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

Real estate sales
Real estate sales consist of revenues from sale of real estate properties. Income from sale of developed real estate properties is recognized in full when the collectibility of the sales price is reasonably assured and when risks and rewards over the developed assets have been transferred, usually at the time of receipt of at least 25% of the total contract price. Cash received from the sale of real estate properties over which the Company maintains continuing managerial involvement or related risks and rewards have not yet been transferred or where collectibility is not reasonably assured is recognized as customers' deposits in the consolidated balance sheet.

For income tax purposes, full revenue recognition is applied when more than 25% of the contract price has been collected in the year of sale, otherwise, the installment method is applied. Where gain on sales is recognized based on collection multiplied by the gross profit rates of individual sales contract.

Rental income
Rental income is recognized on a straight-line basis over the periods of the respective leases.

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

Other income
Other income is recognized when earned.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses (including items previously presented under the 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 sales
Cost of sales include direct materials and labor costs, and those related indirect cost incurred. It is recognized as expense when related goods are sold.

Selling, 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 the 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 the 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 the 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 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.

Transitional liability resulting from the Group's initial adoption of PAS 19 is being amortized for a period of five years from July 1, 2005. Outstanding transitional liability as of June 30, 2009 amounting to P32.6 million was fully amortized in 2010 (see Note 17).

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.

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

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 period in which they are earned or incurred.

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

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

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

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

Events after the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of the 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 Accounting Judgments, Estimates and Assumptions

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

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

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

Judgments
In the process of applying the Group's accounting policies, management exercised judgment on the following items, apart from those involving estimations, which have 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 the Company and associates operate.

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

The classifications of the various financial assets and financial liabilities of the Group are disclosed in Note 28. The aggregate carrying value of the Group's financial assets and financial liabilities amounted to ₱1,181.9 million and ₱9,366.2 million as of June 30, 2010, respectively, and ₱1,301.9 million and ₱7,090.2 million as of June 30, 2009, respectively (see Note 28).

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

Allocation of cost to molasses inventory
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.

A portion of molasses inventory amounting to ₱25.3 million and ₱19.9 million pertains to allocated cost from the total production costs of milled raw and refined sugar as of June 30, 2010 and 2009, respectively (see Note 6).

Revenue recognition
Management exercised judgment in determining whether income from sale of real estate properties is recognized in full. Management believes that revenue shall be recognized in full when the collectability of the sales price is reasonably assured and when risk and rewards over the assets have been transferred, which is usually when the Group collects at least 25% or more of the total contract price.

In 2010, the Group recognized income from real estate in full when the Group collected at least 25% of the total contract price. In the previous years, revenue was recognized in full when 50% of the total contract price has been collected.

This change resulted in the recognition of income from real estate sales amounting to ₱13.0 million in 2010. Estimating the effect of the change in future periods is currently impracticable.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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, judgment is used, based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific allowance against amounts due to reduce receivable amounts expected to be collected. These specific allowance 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 doubtful accounts would increase its recorded general and administrative expenses and decrease its current assets.

As of June 30, 2010 and 2009, the carrying amount of Group's receivables amounted to ₱977.2 million and ₱1,000.8 million, respectively, net of allowance for impairment of receivables of ₱33.1 million and ₱36.4 million, respectively (see Note 5).

Determination of NRV of inventories and real estate for sale and development
The Group's estimates of the NRV of inventories and real estate for sale and development are based on the most reliable evidence available at the time the estimates are made and the amount that the inventories and real estate for sale and development are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions at the end of the period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories and real estate for sale and development to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The Group's inventories as of June 30, 2010 and 2009 amounted to ₱1,873.1 million and ₱1,588.5 million, respectively (see Note 6), while the Group's real estate for sale and development as of June 30, 2010 and 2009 amounted ₱331.4 million and ₱330.3 million, respectively (see Note 7).

Determination of fair value less estimated costs to sell on consumable biological assets
Management determines the age of the sugarcane and bases the fair value of the sugarcane on observable market data. Costs to sell, which include fertilizing, cultivation and other direct expenses, are estimated based on the yearly budgets of the Group.

As of June 30, 2010 and 2009, the Group's consumable biological assets amounted to ₱24.3 million and ₱14.8 million, respectively (see Note 8).

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 June 30, 2010 and 2009, the carrying amount of the Group's creditable withholding taxes amounted to ₱113.8 million and ₱81.1 million, respectively, net of allowance for losses amounting to ₱13.7 million and ₱9.8 million, respectively (see Note 8).

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 as determined by independent appraisers, was arrived at using the Market Data Approach for land using 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 the reporting period. Land carried at revalued amounts as of June 30, 2010 and 2009 amounted to ₱2,485.5 million and ₱2,518.2 million (see Note 11).

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

Estimation of useful lives and residual values of property, plant and equipment
The useful life of each of the Group's items of property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A change in the estimated useful life of any item of property, plant and equipment would impact the recorded operating expense and noncurrent assets. The total carrying value of the Group's depreciable property, plant and equipment as of June 30, 2010 and 2009 amounted to ₱9,305.6 million and ₱7,152.4 million, respectively (see Note 11).

Impairment of nonfinancial assets
The Group assesses at each reporting date whether there is any indication that property, plant and equipment, investment in shares of stock of associates, investment properties and other nonfinancial assets may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. The Group determined that the carrying values of property, plant and equipment, investment in shares of stock of associates, investment properties and other nonfinancial assets are recoverable.

The total carrying value of the Group's property, plant and equipment as of June 30, 2010 and 2009 amounted to ₱11,791.1 million and ₱9,670.6 million, respectively (see Note 11).

The carrying value of the Group's investment in shares of stock of associates amounted to ₱760.2 million and ₱739.1 million as June 30, 2010 and 2009, respectively (see Note 9).

The carrying value of the Group's investment properties as of June 30, 2010 and 2009 amounted to ₱344.4 million and ₱348.0 million, respectively (see Note 10).

Estimation of retirement benefits cost
The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions determined by management and used by actuary in calculating such amounts. Those assumptions are described in Note 17 and include, among others, discount rates, expected rates of return on plan assets and rates of future salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

Net pension plan assets as of June 30, 2010 and 2009 amounted to ₱145.5 million and ₱146.5 million, respectively. On the other hand, net pension benefit obligation as of June 30, 2010 and 2009 amounted to ₱41.1 million and ₱74.2 million, respectively (see Note 17).

Provisions
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of the 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 re-assessed at least on an annual basis to consider new relevant information. No provision is deemed necessary as of June 30, 2010 and 2009.

Contingencies
The Group is involved in various labor disputes, litigations, claims, and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of these cases, the Group believes that it does not have a present obligation arising from a past event and/or the likely outcome and estimated potential cash outflow cannot be reasonably determined as of this time. As such, no provision was made for these contingencies as of June 30, 2010 and 2009 (see Note 18).

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 in the future will be available to allow all or part of the deferred tax assets to be utilized. The Group has deductible temporary differences and carryforward benefits of NOLCO and MCIT amounting to ₱121.7 million and ₱110.2 million as of June 30, 2010 and 2009, respectively (see Note 24).

4. Cash and Cash Equivalents

Cash and cash equivalents at June 30 consist of:

	2010	2009
	(In Thousands)	
Cash on hand and in banks	**₱190,933**	₱295,656
Short-term placements	**45,681**	47,343
	₱236,614	₱342,999

Short-term placements earn interest ranging from 1.3% to 4.75%, 1.5% to 6.5%, and 1.5% to 5.1% per annum in 2010, 2009 and 2008, respectively, and have average maturities of 30 to 60 days. Interest income earned on cash in banks and short-term placements amounted to ₱7.5 million, ₱8.3 million and ₱5.6 million in 2010, 2009 and 2008, respectively.

5. Receivables

Receivables at June 30 consist of:

	2010	2009
	(In Thousands)	
Trade (Note 15)	**₱696,404**	₱773,659
Advances to:		
Related parties (Note 16)	**144,755**	68,980
Employees	**39,380**	51,402
Planters and cane haulers	**38,547**	27,664
Advances for raw sugar purchases	**15,192**	16,961
Others	**39,797**	78,739
	974,075	1,017,405
Less allowance for impairment of receivables	**33,131**	36,380
	₱940,944	₱981,025

a. Trade receivables include customers' accounts arising from the sale of real estate properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 8% to 20% depending on the terms of the sales contract. Cash received from the sale of real estate properties which did not meet the revenue recognition criteria as set out above are recognized as Customers' Deposits in the consolidated balance sheets. The aggregate future installment receivables under the sale contracts are as follows:

	2010	2009
	(In Thousands)	
Not later than 1 year	**₱13,676**	₱15,910
Later than 1 year	**36,206**	19,768
	₱49,882	₱35,678

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

Other receivables include advances to suppliers for the purchase of local and imported materials and supplies. This account also includes outstanding receivable from the 2002 sale of a portion of the RHI's land in Barrio Lumbangan, 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 RHI. As of June 30, 2010 and 2009, remaining balance amounts to ₱4.1 million. These loans bear annual interest of 12% and are payable over 10 years until 2012. Unearned interest income, relating to the current portion of such receivable (presented as a deduction from such receivable), amounts to ₱0.8 million and ₱0.4 million as of June 30, 2010 and 2009, respectively.

Noncurrent portion of loans to CADPI employees as of June 30, 2010 and 2009 amounting to ₱3.2 million and ₱6.6 million, respectively, is presented under "Other noncurrent assets" account, net of unearned interest income of ₱0.8 million and ₱2.2 million, respectively.

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

	2008	Additions (Note 21)	Write-offs	2009	Additions (Note 21)	Write-offs	**2010**
				(In Thousands)			
Trade	₱9,586	₱230	(₱3,084)	₱6,732	₱–	(₱3,817)	**₱2,915**
Advances to employees	1,276	103	(103)	1,276	–	–	**1,276**
Advances to planters and cane haulers	6,044	100	–	6,144	1,891	–	**8,035**
Others	13,068	9,399	(239)	22,228	150	(1,473)	**20,905**
	₱29,974	₱9,832	(₱3,426)	₱36,380	₱2,041	(₱5,290)	**₱33,131**

6. Inventories

Inventories at June 30 consist of:

	2010	2009
	(In Thousands)	
At cost:		
Refined sugar	**₱732,092**	₱310,593
Alcohol	**21,278**	–
Materials in transit	**19,532**	132,084
At NRV:		
Raw sugar	**584,076**	614,437
Molasses	**135,025**	19,869
Material and supplies	**381,134**	511,526
	₱1,873,137	₱1,588,509

Details and movements of allowance for inventory losses of raw sugar and allowance for inventory obsolescence of materials and supplies as of June 30 follow:

	Raw Sugar		Materials and Supplies	
	2010	2009	**2010**	2009
		(In Thousands)		
Beginning	**₱21,995**	₱10,761	**₱30,976**	₱25,666
Provisions	**12,365**	11,234	**2,685**	5,310
Recovery	**(2,601)**	–	**–**	–
Write-offs	**(31,759)**	–	**(4,545)**	–
Ending	**₱–**	₱21,995	**₱29,116**	₱30,976

Recovery of inventory losses of raw sugar pertains to the increase in the NRV of inventory due to higher selling price.

Cost of inventories recognized as expense and included in "Cost of sales" amounted to ₱3,071.3 million, ₱3,118.7 million and ₱3,111.8 million in 2010, 2009 and 2008, respectively (see Note 20).

7. Real Estate for Sale and Development

Real estate inventories consist of:

	2010	2009
	(In Thousands)	
Real estate properties for sale	**₱40,359**	₱51,782
Raw land and land improvements	**291,012**	278,493
	₱331,371	₱330,275

Borrowing costs directly incurred in connection to the construction of the Group's real estate projects amounting to ₱1.3 million were capitalized in 2010, while no borrowing costs were capitalized in 2009 and 2008 (Note 15).

Real estate properties for sale and development of the Group with a carrying value of ₱178.9 million were used as collateral for the loan obtained from BDO by the Group (see Note 15).

Shown below are the aggregate cash price values and related aggregate carrying costs of real estate properties for sale as of June 30, 2010 and 2009.

	2010	2009
	(In Thousands)	
Aggregate cash price values	**₱95,145**	₱86,939
Less aggregate carrying costs	**40,359**	51,782
Excess of aggregate cash price values over aggregate carrying costs	**₱54,786**	₱35,157

8. Prepayments and Other Current Assets

Prepayments and other current assets at June 30 consist of:

	2010	2009
	(In Thousands)	
Input VAT and other taxes	**₱116,432**	₱67,733
Creditable withholding taxes, net of allowance of P13.7 million in 2010 and P9.8 million in 2009	**113,816**	81,142
Consumable biological assets	**24,322**	14,796
Others	**14,574**	22,287
	₱269,144	₱185,958

Consumable biological assets pertain to standing sugarcanes of NAVI.

Input VAT and prepaid taxes comprise mainly of input value-added tax on purchases of equipment and services relating to the Expansion Project and RBC Plant construction (see Note 11).

Other current assets consist mainly of prepaid insurance and rentals, advance payments made to a sugar refinery for tolling services and advanced input VAT.

9. Investment in Shares of Stock of Associates

The Group has the following associates:

	Percentage of Ownership		
	2010	2009	Main Activity
HPCo	**29.62***	29.62*	Sugar manufacturer
Fuego Land Corporation (FLC)	**30.00**	30.00	Real estate developer
Fuego Development Corporation (FDC)	**30.00**	30.00	Real estate developer
Club Punta Fuego, Inc. (CPFI)	**26.63**	26.63	Recreation
Roxaco - ACM Development Corporation (RADC)	**50.00**	50.00	Real estate developer

**Effective ownership through RHI.*

Details of investment in shares of stock of associates as of June 30 follow:

	2010	2009
	(In Thousands)	
Acquisition cost	**₱308,185**	₱308,185
Accumulated equity in net earnings:		
Beginning of year	**294,088**	280,193
Equity in net earnings for the year	**144,604**	82,415
Dividend income	**(125,053)**	(68,520)
End of year	**₱313,639**	₱294,088

Forward

	2010	2009
	(In Thousands)	
Share in:		
Revaluation increment in land*	**₱207,492**	₱207,492
Change in fair value reserve of an associate	**5,179**	3,623
Unrealized gain on transfer of land	**(59,030)**	(59,030)
Allowance for impairment	**(15,233)**	(15,233)
	₱760,232	₱739,125

**Includes share of noncontrolling interests amounting to ₱71.2 million.*

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

b. FDC was formed as a 70%-30% joint venture by Landco Pacific Corporation (LPC) and RLC specifically to carry out the business plan which provides, among others, for the establishment of basic facilities and amenities on some 21 hectares of land and consequently for the development of the upgraded facilities on the land.

On August 23, 2005, RLC entered into an Assignment Agreement with FDC. The Agreement provides that RLC shall subscribe to, and FDC shall issue to RLC, 24,000,000 shares of stock of FDC with a par value of ₱1 per share. On August 25, 2005, RLC transferred to FDC 156,568 square meters of land with a total historical cost of ₱3.6 million and fair market value of ₱129.2 million in full payment of the subscription price and in exchange for the shares. On January 12, 2006, the Philippine SEC approved the transfer of land. The said transfer of land in exchange for shares of stock is exempt from all taxes except documentary stamp tax as approved by the Bureau of Internal Revenue (BIR) on August 10, 2005.

After the subscription of shares and assignment of land, the total equity interest of RLC to FDC increased from 30.0% to 52.0%. Although RLC owns 47.0% of the voting shares of FDC as of June 30, 2007, LPC which is the owner of the remaining 53.0% voting shares still controls FDC on the basis that LPC has the majority of the seats in the BOD of FDC. Further, the 47.0% ownership of RLC in FDC is deemed temporary since FDC's BOD approved on December 5, 2006 the conversion of certain of its liabilities to LPC into shares of stock. Once Philippine SEC approves this debt equity conversion between LPC and FDC, the ownership interest of LPC will revert to 70.0% and that of RLC to 30.0%. On May 8, 2008, the Philippine SEC approved the increase in capital stock of FDC. In 2009 and 2008, the Group eliminated the unrealized gain on the aforementioned transfer of land to the extent of the Group's ownership interest in FDC amounting to ₱59.0 million.

c. RLC provided for additional impairment of its investment in RADC amounting to ₱1.2 million in 2009 to reflect the impact of the adverse economic environment in which RADC operates (nil in 2010).

d. The accumulated equity in net profit (losses) and share in fair value reserves in associates of ₱313.6 million and ₱294.1 million as of June 30, 2010 and 2009, respectively, is not available for distribution to shareholders, unless received as cash dividends from the associates.

The summarized financial information of associates as of and for the year ended June 30 follows:

	2010	2009	2008
		(In Thousands)	
Current assets	**₱2,027,928**	₱1,971,823	₱1,577,458
Noncurrent assets	**1,499,647**	1,263,405	1,543,863
Current liabilities	**1,390,882**	1,179,198	943,358
Noncurrent liabilities	**336,240**	233,361	397,723
Net assets	**1,800,453**	1,822,669	1,780,240
Revenue	**1,840,810**	1,715,465	1,719,280
Net income	**317,256**	193,789	194,220

10. Investment Properties

Investment properties of the Company and RLC consist of:

	2010	2009
	(In Thousands)	
Agricultural properties	**₱332,105**	₱334,583
Residential properties	**6,194**	6,194
Commercial properties	**1,071**	1,071
Building, net of accumulated depreciation of ₱11.4 million in 2010 and ₱10.3 million in 2009 (Notes 11 and 21)	**5,022**	6,108
	₱344,392	₱347,956

The Company
As of June 30, 2009, certain parcel of land amounting to ₱175,329 were donated for the construction of churches, public schools and national roads. The Company also recognized loss on expropriation and erosion amounting to ₱1.1 million and ₱13,399, respectively.

The total carrying amount of the Company's investment properties includes those land properties that are subjected to Comprehensive Agrarian Reform Law (CARL) with total land area of 2,241.90 hectares (see Note 18).

Fair value of these investment properties, including those land properties subjected to CARL, amounted to ₱5,564.3 million based on the appraised values of the properties as of September 21, 2010 as determined by an independent, professionally qualified appraiser.

RLC
Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas (see Note 15). The estimated fair market value of the investment property as of June 30, 2010, amounted to ₱9.1 million, based on the appraisal reports dated September 21, 2010 determined by an independent, professionally qualified appraiser.

Bases of Valuation
The value of the land was arrived at by using the sales comparison approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The value of the improvements was arrived at by using the cost approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is equivalent to the original or one that could furnish equal utility with no undue cost.

11. Property, Plant and Equipment

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

	2010					
	Buildings and Improvements	**Machinery and Equipment**	**Transportation and Railroad Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction in Progress**	**Total**
			(In Thousands)			
Cost						
Beginning balances	**₱1,235,011**	**₱5,207,977**	**₱126,766**	**₱611,784**	**₱4,967,334**	**₱12,148,872**
Additions	**129,534**	**1,346,668**	**25,074**	**268,753**	**797,146**	**2,567,175**
Disposals	**–**	**(10,820)**	**(118,449)**	**(982)**	**–**	**(130,251)**
Reclassification	**686,889**	**2,307,477**	**4,643**	**(803,557)**	**(2,217,363)**	**(21,911)**
Ending balances	**2,051,434**	**8,851,302**	**38,034**	**75,998**	**3,547,117**	**14,563,885**
Accumulated Depreciation						
Beginning balances	**(704,591)**	**(3,647,479)**	**(124,947)**	**(519,452)**	**–**	**(4,996,469)**
Depreciation	**(67,429)**	**(321,051)**	**(8,790)**	**(11,869)**	**–**	**(409,139)**
Disposal	**–**	**6,748**	**118,030**	**640**	**–**	**125,418**
Reclassification	**28,118**	**(477,941)**	**362**	**471,372**	**–**	**21,911**
Ending balances	**(743,902)**	**(4,439,723)**	**(15,345)**	**(59,309)**	**–**	**(5,258,279)**
Net Book Value	**₱1,307,532**	**₱4,411,579**	**₱22,689**	**₱16,689**	**₱3,547,117**	**₱9,305,606**

	Buildings and Improvements	Machinery and Equipment	Transportation and Railroad Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
	2009					
	(In Thousands)					
Cost						
Beginning balances	₱1,061,064	₱5,096,279	₱123,469	₱577,909	₱1,983,930	₱8,842,651
Additions	184,021	141,108	5,922	42,087	2,983,404	3,356,542
Disposals	(12,231)	(29,410)	(2,776)	(64)	–	(44,481)
Reclassification	2,157	–	151	(2,726)	–	(418)
Write off	–	–	–	(5,422)	–	(5,422)
Ending balances	1,235,011	5,207,977	126,766	611,784	4,967,334	12,148,872
Accumulated Depreciation						
Beginning balances	(705,487)	(3,380,095)	(123,035)	(500,248)	–	(4,708,865)
Depreciation	(43,194)	(235,614)	(535)	(26,752)	–	(306,095)
Disposal	5,394	5,483	1,634	64	–	12,575
Reclassification	38,696	(37,253)	(3,011)	2,062	–	494
Write off	–	–	–	5,422	–	5,422
Ending balances	(704,591)	(3,647,479)	(124,947)	(519,452)	–	(4,996,469)
Net Book Value	₱530,420	₱1,560,498	₱1,819	₱92,332	₱4,967,334	₱7,152,403

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

	2010	2009
	(In Thousands)	
Beginning balance at appraisal values	**₱2,518,174**	₱2,518,174
Additions	**26,097**	–
Revaluation decrease	**(58,756)**	–
Ending balance at appraisal values	**₱2,485,515**	₱2,518,174
At cost	**₱59,229**	₱33,134

a. Construction in progress

Construction in progress as of June 30, 2010 and 2009 pertains mainly to the foregoing milling plant improvement project, refinery plant installation of sieving facilities, as well as construction and improvement of waste and pollution facilities of the Group.

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

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

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

The Group obtained short and long-term borrowings from various banks to finance the Expansion Project (see Notes 12 and 15).

RBC Plant Construction Project
On June 27, 2008, in line with the Group Expansion Project, RBC entered into an agreement to construct its bioethanol plant in La Carlota City, Negros Occidental for a total contracted amount of US$20.9 million. As of June 30, 2010 and 2009, the balance in the construction in progress relating to RBC plant amounted to ₱1,202.2 million and ₱584.8 million, respectively.

Capitalization of borrowing costs
Interests from short and long-term borrowings amounting to ₱178.6 million, ₱277.9 million and ₱45.5 million in 2010, 2009 and 2008, respectively, incurred to finance the Expansion Project were capitalized to property, plant and equipment. The Group amortizes such capitalized interest over the useful life of the qualifying asset to which it relates. Unamortized capitalized interest as of June 30, 2010 and 2009 amounted to ₱524.2 million and ₱370.4 million with corresponding deferred income tax liability of ₱157.2 million and ₱111.1 million, respectively (see Note 24). The rates used to determine the amount of borrowing costs eligible for capitalization were 8.8%, 6.7% and 6.6% in 2010, 2009 and 2008, respectively, which were the average effective interest rates of the borrowings.

Noncash additions to property, plant and equipment
The Group has outstanding liability on purchase of equipment and construction services amounting to ₱54.7 million, ₱2.8 million and ₱68.1 million as of June 2010, 2009 and 2008, respectively (see Note 13).

b. Depreciation

Depreciation of property, plant and equipment and investment property (see Note 10) charged to operations are as follows:

	2010	2009	2008
	(In Thousands)		
Cost of sales (Note 20)	**₱381,961**	₱274,204	₱301,858
General and administrative expenses (Note 21)	**28,264**	32,883	28,836
	₱410,225	₱307,087	₱330,694

As of June 30, 2010 and 2009, fully depreciated property, plant and equipment, with an aggregate cost of ₱1,400.6 million and ₱1,404.1 million, respectively, are still being used in operations.

c. Property, plant and equipment as collateral

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

d. Capital expansion commitments

The Group has outstanding capital expansion commitments amounting to ₱1,053.5 million and ₱1,542.8 million as of June 30, 2010 and 2009, respectively.

12. Short-term Borrowings

CACI and CADPI
At various dates in 2010, 2009 and 2008, CACI and CADPI obtained unsecured short-term loans from various local banks to meet their respective working capital requirements. The loans, which are payable in lump sum on various dates, are subject to annual interest rates ranging from 4.7% to 7.0%, 5.0% to 9.75% and 4.7 % to 8.1%, and have terms ranging from 29 to 32 days, 30 to 32 days and 28 to 179 days in 2010, 2009 and 2008, respectively.

As of June 30, 2010 and 2009, the balance of these short-term loans, net of related unamortized debt commitment fees, amounted to ₱2,449.9 million and ₱2,937.0 million, respectively.

Total interest expense recognized from these short-term borrowings amounted to ₱159.3 million, ₱76.4 million and ₱53.2 million in 2010, 2009 and 2008, respectively, excluding interests of ₱42.0 million in 2010 and ₱36.0 million in 2009 which were capitalized (see Note 11).

RLC
Short-term borrowings consist of loans from local banks which are availed of by RLC to finance working capital requirements, including the development of ongoing real estate projects. Loans amounting to ₱27.0 million and ₱25.5 million which have original maturities of October 2008 and December 2008, respectively, and have floating interest rates, were renewed by RLC

in 2010. The ₱27.0 million and ₱25.5 million loans have fixed interest rates of 7.75% and 6.25%, respectively, for the first 30 days and to be repriced every month. The ₱27.0 million loan shall mature on December 8, 2010. The ₱25.5 million loan matured on May 11, 2010 and was subsequently renewed in August 2010. Total interest charged to the consolidated statements of income amounted to ₱4.0 million, ₱5.1 million and ₱4.3 million in 2010, 2009 and 2008, respectively.

As of June 30, 2010 and 2009, the balance of these short-term loans amounted to ₱52.5 million and ₱65.5 million, respectively.

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30 consist of:

	2010	2009
	(In Thousands)	
Trade suppliers	**₱160,801**	₱335,159
Accrued expenses:		
Interest (Notes 12 and 15)	**85,842**	37,277
Contractors	**87,504**	10,714
Outside services	**17,738**	13,523
Payroll and other benefits	**9,892**	6,743
Purchases and others	**73,773**	128,403
Payable to government agencies for taxes and contributions	**75,034**	57,835
Payable to related parties (Note 16)	**55,566**	50,371
Due to planters	**18,857**	47,874
Others	**131,918**	192,364
	₱716,925	₱880,263

Other payables include liabilities to third parties for sugar liens and other related fees and purchases of equipment relating to the Expansion Project (see Note 11).

14. Customers' Deposits

Customers' deposits represent noninterest-bearing cash deposits from buyers of the Group's sugar and molasses and cash received from the sale of real estate properties which did not meet the revenue recognition criteria as set out in Note 2. Deposits from buyers of sugars and molasses will be applied against future deliveries of sugar and molasses which are expected to be completed in the next 12 months (see Note 18). Deposits from sale of real estate properties are applied against the receivable upon recognition of revenue. Customers' deposits amounted to ₱150.3 million and ₱199.0 million as of June 30, 2010 and 2009, respectively.

15. Long-term Borrowings

Long-term borrowings at June 30 consist of:

	2010	2009
	(In Thousands)	
Banco De Oro Unibank, Inc. (BDO)	**₱4,237,000**	₱2,114,494
Syndicated loan facility:		
Bank of the Philippine Islands (BPI)	**1,500,000**	940,562
Rizal Commercial Banking Corporation (RCBC)	**500,000**	219,944
	6,237,000	3,275,000
Unamortized debt commitment fee	**(35,692)**	(23,027)
	6,201,308	3,251,973
Less current portion	**76,339**	–
	₱6,124,969	₱3,251,973

a. Loans availed by the Company

On January 16, 2009, BDO approved the loan facility for the funding of the reorganization with a credit line of ₱650.0 million. This is secured by several investment properties owned by the Company and properties for development owned by RLC aggregating to 686,321 square meters and shares of stock of RHI held by the Company totaling to 597,606,670 shares (see Note 1). The loan facility is made available to the Company and RHI provided that the combined availment does not exceed the credit line. As of June 30, 2010, the Company has availed of loans amounting to ₱427.0 million which bear interest ranging from 5.63% to 6.25%, to be repriced every quarter as agreed by both parties. Long-term borrowings amounting to ₱217.0 million and ₱210.0 million are payable in quarterly installments until January 20, 2015 and October 15, 2015, respectively.

b. Loans availed by RHI and its subsidiaries

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

RHI

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

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

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

CADPI

On February 14, 2008, CADPI entered into a loan agreement with BPI to avail loans in two tranches with an aggregate principal amount of ₱500.0 million. Tranche "A" of the loan amounting to ₱300.0 million bears fixed annual interest of 8.0% and payable on the 5th anniversary date of the borrowing. On the other hand, Tranche "B" of the loan amounting to ₱200.0 million bears fixed annual interest of 8.40% and payable on an installment basis, ₱2.0 million on the 5th and 6th anniversary date of the borrowing and the balance on the 7th anniversary date of the borrowing.

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

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

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

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

On February 12, 2010, CADPI availed additional loans from the undrawn portion of the total credit facility from BPI, BDO and RCBC amounting to ₱329.3 million, ₱1,050.5 million and ₱166.2 million, respectively. Loans availed from BPI and

RCBC with fixed interest rates of 8.70% and 8.84%, respectively, are payable in 29 equal quarterly installments beginning May 2011, which is the end of the three years grace period from initial drawdown dated May 2008. Loans availed from BDO carries fixed interest rate of 8.84% and are payable in 28 monthly installments beginning August 5, 2011.

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

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

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

Debt commitment fees
As part of the Syndicated Loan Agreement with BPI/RCBC, the Group incurred debt commitment fees amounting to ₱59.4 million in 2008. Of the total amount of debt commitment fees paid, ₱29.8 million pertains to the drawn portion of the total credit facility (referred to as "Unamortized debt commitment fees" and presented as a reduction from the principal loan balance), while the remaining ₱29.6 million pertains to the undrawn portion (presented as "Deferred charges" under "Other noncurrent assets"). Deferred charges amounting ₱16.3 million as of June 30, 2009 was all recognized as reduction to the outstanding loans upon full availments of the undrawn portion of the credit facility. As of June 30, 2010 and 2009, unamortized debt commitment fees on long-term loans amounted to ₱35.7 million and ₱23.0 million, respectively.

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

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

Further, RHI, CADPI and CACI executed a Mortgage Trust Indenture (MTI) to secure the loans obtained from BDO, BPI and RCBC. The MTI covers properties in Nasugbu, Batangas which consist mainly of RHI's land and CADPI's properties with an aggregate carrying value of ₱1.9 billion and ₱4.9 billion, respectively, and CACI's properties in La Carlota, Negros Occidental amounting to ₱4.0 billion as of June 30, 2010.

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

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

c. Loans availed by RLC

On February 3, 2006, RLC entered into a loan agreement with Amalgated Investment Bank in the aggregate principal amount of ₱45.0 million for financing of RLC's ongoing development projects. These loans were secured by an assignment of ₱52.3 million installment contract receivables (see Note 5). The loan agreement provides that RLC shall maintain at all times a specified current ratio, debt to equity ratio and debt service coverage ratio, beginning 2006. RLC has complied with these requirements in 2009 and 2008. Full payment of the loan was made by RLC in 2009.

On February 3, 2009, RLC obtained a term loan facility from BDO amounting to ₱40.0 million to finance the development of the Memorial Park. The loan facility was issued on a staggered basis, with the first ₱8.0 million issued in 2009 and the remaining ₱32.0 million released in 2010. The loans bear fixed interest rates ranging from 6.13% to 6.63%, for the first 45 to 92 days and to be repriced every 30 to 180 days. Principal amounts are payable quarterly after the 2-year grace period allowed by the bank. The loans shall mature on May 4, 2014. This loan facility is secured by RLC's investment property, with carrying value of ₱5.0 million as well as the assignment of leasehold rentals from the said property (see Note 10).

The maturity of long-term borrowing as of June 30 is as follows:

	2010	2009
	(In Thousands)	
Less than 1 year	**₱76,339**	₱–
Between 1 and 2 years	**843,929**	–
Between 2 and 5 years	**3,048,224**	1,453,037
Over 5 years	**2,232,816**	1,798,936
	₱6,201,308	₱3,251,973

Interest from long-term borrowings recognized as expense amounted to ₱182.9 million, ₱65.5 million and ₱9.4 million, net of capitalized amounts of ₱137.9 million, ₱241.9 million and ₱45.5 million in 2010, 2009 and 2008, respectively.

16. Related Party Transactions

a. RLC's outstanding balances and transactions with other related parties are as follows:

		2010		2009	
		Advances		Advances	
	Relationship	**To (Note 5)**	**From (Note 13)**	To (Note 5)	From (Note 13)
FDC	Associate	**₱73,336**	**₱10,699**	₱68,980	₱9,150
FLC	Associate	**51,000**	**33,459**	–	26,324
RADC	Associate	–	**10,968**	–	10,968
Marilo Realty Development Corporation (Marilo)	Joint venture partner	–	**279**	–	3,929
VJ Properties, Inc.	Joint venture partner	**10,975**	–	–	–
Others		**9,444**	**161**		
		₱144,755	**₱55,566**	₱68,980	₱50,371

i. In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC will pay RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC shall be computed in proportion to the number of club shares which they have each assigned. In 2005, PFHC and FDC merged with FDC as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. As of

June 30, 2010, RLC is in negotiation with FDC for the allocation of the actual number of shares assigned. Assignment fee charged to the consolidated statements of income amounted to ₱5.5 million and ₱3.9 million in 2009 and 2008, respectively (nil in 2010).

ii. Due to related parties represent advances from FLC, RADC, FDC and Marilo for working capital requirements of RLC. These advances are noninterest-bearing and have no fixed repayment terms.

b. Compensation of key management for the years ended June 30 follows:

	2010	2009	2008
		(In Thousands)	
Salaries and other benefits	**₱56,078**	₱52,538	₱44,754
Pension cost (income)	**292**	1,876	(1,676)
	₱56,370	₱54,414	₱43,078

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

17. Retirement Benefit Plans

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

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

	2010	2009
	(In Thousands)	
Present value of obligation	**₱198,420**	₱127,998
Fair value of plan assets	**(273,787)**	(274,708)
Surplus	**(75,367)**	(146,710)
Unrecognized actuarial gains (losses)	**(70,091)**	315
Unrecognized transitional liability	**–**	(138)
Net pension plan assets	**(₱145,458)**	(₱146,533)

Plan assets cannot be returned to the Company, RLC, and RHI unless on circumstances discussed in Note 2. The net pension assets as of June 30, 2010 and 2009 of ₱145.5 million and ₱146.5 million, respectively, will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's 2010 and 2009 retained earnings related to net pension plan asset is not available for dividend declaration (see Note 25).

The movements in the defined benefit obligation over the year are as follows:

	2010	2009
	(In Thousands)	
Beginning of year	**₱127,998**	₱136,569
Interest cost	**12,675**	13,389
Current service cost	**7,250**	5,460
Benefits paid	**–**	(1,768)
Actuarial loss (gain)	**50,497**	(25,652)
End of year	**₱198,420**	₱127,998

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

	2010	2009
	(In Thousands)	
Beginning of year	**₱274,708**	₱250,155
Expected return on plan assets	**16,482**	22,010
Contributions	**2,481**	4,916
Benefits paid	**–**	(1,768)
Actuarial loss	**(19,884)**	(605)
End of year	**₱273,787**	₱274,708

Plan assets at June 30 consist of:

	2010		2009	
	Percentage	**Amount *(In Thousands)***	Percentage	Amount *(In Thousands)*
Stocks and government securities	**66%**	**₱181,762**	88%	₱241,743
Cash and receivables	**34%**	**92,025**	12%	32,965
	100%	**₱273,787**	100%	₱274,708

Net Pension Benefit Obligation
CACI maintains a funded, non-contributory defined benefit plan covering all eligible employees. Under the plan, the normal retirement age is 65 irrespective of years of service. A participant may, at his option, elect to retire or 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 of 50 years of age. Normal and early retirement benefits are equivalent to one month latest salary for every year of service.

CADPI maintains funded non-contributory defined benefit plan covering all regular employees. Under the plan, the normal retirement age is 65 irrespective of years of service. A participant may opt to retire at age 60 regardless of number of years in service or upon completion of 20 years of continuous service to 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 at June 30 are determined as follows:

	2010	2009
	(In Thousands)	
Present value of obligations	**₱423,920**	₱376,537
Fair value of plan assets	**(334,273)**	(261,780)
Deficit	**89,647**	114,757
Unrecognized actuarial loss	**(48,550)**	(7,920)
Unrecognized transitional liability	**–**	(32,627)
Net pension benefit obligation	**₱41,097**	₱74,210

The movements in the defined benefit obligation follow:

	2010	2009
	(In Thousands)	
Beginning of year	**₱376,537**	₱364,890
Interest cost	**39,443**	37,554
Current service cost	**19,093**	19,098
Benefits paid	**(64,481)**	(41,606)
Curtailment gain	**–**	(2,704)
Actuarial loss (gain)	**53,328**	(695)
End of year	**₱423,920**	₱376,537

The movements in the fair value of plan assets follow:

	2010	2009
	(In Thousands)	
Beginning of year	**₱261,780**	₱244,021
Expected return on plan assets	**16,901**	17,842
Contributions	**106,877**	56,531
Benefits paid	**(64,481)**	(41,606)
Actuarial gain (loss)	**13,196**	(15,008)
End of year	**₱334,273**	₱261,780

The subsidiaries' plan assets at June 30 consist of:

	2010		2009	
	Percentage	**Amount (In Thousands)**	Percentage	Amount (In Thousands)
Stocks and government securities	**63%**	**₱211,245**	73%	₱191,099
Cash and receivables	**37%**	**123,028**	27%	70,681
	100%	**₱334,273**	100%	₱261,780

CADPI and CACI are expected to contribute a total of ₱98.0 million to their respective fund for the year ending June 30, 2011.

Pension Cost
The consolidated pension costs recognized for the periods ended June 30 follow:

	2010	2009	2008
		(In Thousands)	
Current service cost	**₱26,343**	₱26,134	₱35,828
Interest cost	**52,118**	53,123	52,669
Return on plan assets	**(33,383)**	(42,802)	(44,028)
Actuarial loss (gain) recognized	**(525)**	(989)	5,961
Amortization of net transitional liability	**32,765**	32,902	32,902
Curtailment loss (gain)	**–**	(2,704)	6,430
Asset ceiling adjustment	**–**	–	(10,081)
	₱77,318	₱65,664	₱79,681

The actual return on plan assets was ₱26.7 million, ₱26.8 million and ₱8.9 million in 2010, 2009 and 2008, respectively.

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

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

	2009	2008	2007
Discount rate	7 to 19%	10.29%	8%
Expected rate of return on plan assets	5 to 8%	7 to 9%	7 to 9%
Future salary increases	5%	8%	8%

As of June 30, 2010, the following are the assumptions: discount rate per annum of 5% to 9%, expected return on plan assets of 4% to 7% and future annual increase on salary of 5 to 8%.

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

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

	2010	2009	2008	2007	2006
			(In Thousands)		
Present value of obligations	**₱622,340**	₱504,535	₱501,459	₱661,479	₱506,268
Plan assets	**608,060**	536,488	494,176	571,328	432,187
Deficit (surplus)	**14,280**	(31,953)	7,283	90,151	74,081
Experienced adjustments on plan assets-loss (gain)	**–**	22,692	(5,932)	(36,441)	2,500
Experienced adjustments on plan obligation-gain (loss)	**(25,025)**	120	(2,538)	44,521	(4,282)

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

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

The Group recognizes the increase in net pension liability as an expense on a straight-line basis over a period of five years from July 1, 2005, as allowed under PAS 19. The amortization recognized amounts to ₱32.7 million each year until 2010.

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

On July 20, 2007, CACI announced its early retirement program to employees, whereby the retirement benefit is equivalent to 1.2 times of monthly salary for every year of service. Total payments made in 2008 amounted to ₱43.2 million.

18. 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 Mills, respectively, of sugar, molasses and other sugar cane by-products, except bagasse, produced every crop year.

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

	2010		2009	
	Total volume (In thousand LKg*)	**Estimated market value *(In millions)***	Total volume (In thousand LKg*)	Estimated market value *(In millions)*
Refined sugar	**387**	**₱707**	942	₱998
Raw sugar	**506**	**1,264**	1,014	1,387
	893	**₱1,971**	1,956	₱2,385

**Equivalent to 50 kilogram bag per unit.*

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

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

   CADPI received cash deposits from customers for the above transactions as of June 30, 2010 and 2009, which will be applied against future deliveries of sugar and molasses. These deposits are classified as current liabilities (see Note 14).

d. CADPI entered into agreements as follows:

   (i) Lease of offsite warehouse for a period of one year renewable at the option of the lessee through notification in writing not later than 90 days prior to the expiration of the agreement. Related rent expense charged to operations amounted to ₱0.4 million in 2010 and ₱3.5 million in 2009 and 2008 (Note 21).

   (ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations in 2010, 2009 and 2008 amounted to ₱105.5 million, ₱112.0 million and ₱172.3 million, respectively.

e. CADPI entered into an indemnity and guarantee fee agreement with RHI to continue to be a mortgage trust indenture (MTI) between and among CADPI, RHI and BPI. RHI conveyed unto BPI as mortgage trustee its land located in Nasugbu, Batangas (mortgaged property) (see Note 15). RHI agreed to continue to subject the mortgaged property to the MTI on the following conditions:

   (i) CADPI shall protect the property and reimburse RHI with all expenses in case the mortgaged property is attached to satisfy the obligations of CADPI secured by the MTI; and

   (ii) A guarantee/mortgage fee of ₱3.0 million shall be paid annually by CADPI to compensate RHI for the continuance of the mortgage. This guarantee fee agreement expired in April 2009.

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

   As part of the ERPA, part of the revenue for the purchase of the credits will be used to finance RBC's community development projects (see Note 30).

g. As of June 30, 2010 and 2009, the Group has unused lines of credit from local banks amounting to ₱2,814.0 million and ₱2,124.0 million, respectively (see Notes 12 and 15).

h. There are pending legal cases in the ordinary course of the Group's business as at June 30, 2010 and 2009, but in the opinion of management and legal counsel, the ultimate outcome of these cases will not have a material impact on the financial position and results of operations of the Group. Consequently, no provision related to these legal cases was made in the 2010, 2009 and 2008 consolidated financial statements.

i. Land Properties Subjected to Comprehensive Agrarian Reform Law (CARL). The CARL (Executive Order No. 229 and RA No. 6657) provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions. On May 16, 2000, the Company filed with the Department of Agrarian Reform (DAR) an application for CARL exemption of its three Haciendas in Nasugbu. This exemption application was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu as a Tourist Zone.

   In October 2001, the DAR denied the Company's application for exemption. Upon appeal, the Court of Appeals reversed the DAR's ruling, in effect granting the Company's exemption application.

   The Court of Appeals decision in GR SP No. 72131 is currently the subject of two petitions filed with the Supreme Court by the farmer-beneficiaries (GR No. 167540) and the DAR (GR No. 167543).

In January 2010, the Company filed a Motion for Reconsideration of the December 2009 Supreme Court decision on the grounds that the Company landholdings should be declared CARP-exempt in view of a Philippine Tourism Authority enactment, delineating specific tourism priority areas in Nasugbu, Batangas, the Company's landholdings are located in these specific areas identified by the PTA as areas for tourism development.

In April 2010, the Company filed with the Supreme Court a Motion to Hold in Abeyance (Re: Motion for Reconsideration filed in January 2010) on the ground that the Company heeded the observation of the Court by filing a letter-application with the Tourism Infrastructure and Enterprise Zone Authority requesting the latter to designate 14 specific geographic areas of the Company's properties as Tourism Economic Zones pursuant to Sections 59 and 61 of the Tourism Act of 2009.

In June 2010, the farmer-beneficiaries represented by DAMBA and Kamahari filed an Opposition to the Company's Motion to Hold in Abeyance.

19. Revenue

The components of revenue are as follows:

	2010	2009	2008
		(In Thousands)	
Refined sugar	**₱3,716,206**	₱3,304,300	₱3,481,489
Raw sugar	**1,853,949**	1,909,110	1,958,135
Molasses	**318,235**	293,450	268,611
Tolling fees	**290,268**	356,464	360,687
Sale of real estate	**86,186**	67,726	52,403
Others	**24,309**	1,556	8,624
	₱6,289,153	₱5,932,606	₱6,129,949

Others include farm income and changes in fair value of consumable biological assets (see Note 8).

20. Cost of Sales

The components of cost of sales are as follows:

	2010	2009	2008
		(In Thousands)	
Purchased sugar (Note 6)	**₱2,776,875**	₱2,808,927	₱2,216,762
Cost of transporting cane to mill (Notes 6 and 18)	**641,979**	618,205	714,573
Net changes in inventories (Note 6)	**(347,547)**	(308,469)	180,510
Direct labor (Note 22)	**373,027**	347,908	384,728
Trading cost	**–**	1,525	31,047
Tolling fees	**12,086**	22,041	1,313
Manufacturing overhead:			
Fuel and oil	**408,900**	250,963	174,416
Depreciation (Notes 10 and 11)	**381,961**	274,204	301,858
Repairs and maintenance	**372,401**	358,433	365,696
Materials and consumables	**266,560**	256,805	229,529
Taxes and licenses	**120,566**	104,243	141,487
Outside services	**113,089**	103,107	64,224
Rental (Note 18)	**73,748**	50,399	38,723
Communication, light and water	**58,461**	44,472	55,342
Provision for inventory losses and obsolescence (Note 6)	**12,449**	16,544	15,001
Others	**38,186**	29,830	27,364
Cost of real estate	**52,769**	44,924	27,765
	₱5,355,510	₱5,024,061	₱4,970,338

21. Operating Expenses

The components of operating expenses are as follows:

	2010	2009	2008
		(In Thousands)	
Selling expenses	**₱25,707**	₱37,338	₱34,654
General and administrative:			
Salaries, wages and other employee benefits (Notes 17 and 22)	**267,421**	221,802	221,090
Outside services	**96,228**	92,647	64,065
Taxes and licenses	**73,618**	83,495	65,434
Materials and consumables	**39,297**	31,829	14,958
Depreciation (Notes 10 and 11)	**28,264**	32,883	28,836
Insurance	**25,534**	30,570	16,182
Travel and transportation	**23,196**	25,765	34,892
Rental (Note 18)	**17,219**	25,308	21,197
Repairs and maintenance	**15,449**	18,950	10,993
Communication, light and water	**10,596**	12,507	11,431
Representation and entertainment	**9,512**	6,193	10,290
Corporate social responsibility	**8,018**	8,126	8,984
Provision for impairment of receivables and unrecoverable creditable withholding taxes (Notes 5 and 8)	**5,945**	9,832	698
Others	**96,653**	49,515	62,310
	716,950	649,422	571,360
	₱742,657	₱686,760	₱606,014

Others include professional fees, training and development, and other miscellaneous charges.

22. Employee Benefits

The components of employee benefits are as follows:

	2010	2009	2008
		(In Thousands)	
Salaries and wages (Notes 20 and 21)	**₱393,153**	₱362,871	₱460,668
Allowance and other employee benefits (Notes 20 and 21)	**169,977**	141,175	65,469
Pension costs (Note 17)	**77,318**	65,664	79,681
	₱640,448	₱569,710	₱605,818

Others include professional fees, training and development and other miscellaneous charges.

23. Other Income - Net

The components of other operating income are as follows:

	2010	2009	2008
		(In Thousands)	
Recovery from insurance claim	**₱141,341**	₱–	₱–
Sale of scrap	**58,013**	20,632	43,620
Sugar and molasses handling fees	**20,481**	8,216	9,801
Foreign exchange gains (losses) - net (Note 28)	**2,720**	9,038	(7,245)
Others	**69,914**	22,666	26,951
	₱292,469	₱60,552	₱73,127

Recovery from insurance claim in 2010 pertains to the amount collected from the insurer in 2010, which represents recovery from irreparable equipment with carrying value of ₱1.8 million at the time of damage in 2009. As of June 30, 2009, no accrual was made on the insurance claim since management assessed that the collectability of such claim was not virtually certain.

24. Income Taxes

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

	2010		2009	
	Net Deferred Income Tax Assets [(1)]	**Net Deferred Income Tax Liabilities [(2)]**	Net Deferred Income Tax Assets [(3)]	Net Deferred Income Tax Liabilities [(4)]
		(In Thousands)		
Deferred Income Tax Assets on:				
Allowance for:				
Impairment of receivables (Note 5)	**₱933**	**₱5,772**	₱933	₱6,747
Sugar inventory losses (Note 6)	**–**	**–**	–	7,090
Inventory obsolescence (Note 6)	**783**	**7,951**	–	8,802
Pension benefit obligation (Note 17)	**–**	**11,332**	–	21,377
Unamortized past service cost	**1,951**	**60,591**	1,368	44,825
Unrealized foreign exchange loss	**31**	**38**	–	–
NOLCO	**4,193**	**19,862**	–	10,869
Excess MCIT	**–**	**6,895**	–	1,666
Impairment of investment	**1,384**	**–**	1,384	–
Excess of book over tax basis of deferred real estate sales	**–**	**–**	5,153	–
	9,275	**112,441**	8,838	101,376
Deferred Income Tax Liabilities on:				
Revaluation increment on properties	**–**	**(627,498)**	–	(642,871)
Unamortized capitalized interest (Note 11)	**–**	**(157,248)**	–	(111,115)
Pension plan assets (Note 17)	**(1,501)**	**(42,137)**	(657)	(42,766)
Unamortized debt commitment fees (Note 15)	**–**	**(10,708)**	–	(14,694)
Unrealized foreign exchange gain	**–**	**–**	(61)	(1,396)
Excess of tax over book basis of deferred real estate sales	**(1,416)**	**–**	–	–
Change in fair value of investment	**(171)**	**–**	–	–
	(3,088)	**(837,591)**	(718)	(812,842)
Net Deferred Income Tax Assets (Liabilities)	**₱6,187**	**(₱725,150)**	₱8,120	(₱711,466)

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

b. Details of NOLCO benefits and MCIT and the corresponding analysis of the income tax effect as of June 30 follow:

NOLCO

Incurred in	Amount	Applied	Expired	Balances as of June 30	Tax Effect	Available Until
			(In Thousands)			
2007	₱5,213	(₱4,530)	(₱683)	₱–	₱–	2010
2008	36,772	–	–	36,772	11,032	2011
2009	150,078	–	–	150,078	45,023	2012
2010	161,219	–	–	161,219	48,366	2013
	₱353,282	(₱4,530)	(₱683)	₱348,069	₱104,421	

MCIT

Incurred in	Amount	Applied	Expired	Balances as of June 30	Available Until
			(In Thousands)		
2007	₱4,856	₱–	(₱4,856)	₱–	2010
2008	515	–	–	515	2011
2009	1,517	–	–	1,517	2012
2010	5,948	–	–	5,948	2013
	₱12,836	₱–	(₱4,856)	₱7,980	

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

Details of NOLCO, MCIT and other deductible temporary differences for which no deferred tax assets were recognized as of June 30 follow:

	2010	2009
	(In Thousands)	
NOLCO	**P267,886**	₱137,135
MCIT	**1,085**	5,222
Allowance for impairment of receivables	**10,782**	10,782
Pension benefit obligation	**3,325**	2,954

Deferred income tax assets pertaining to NOLCO, MCIT and other deductible temporary differences amounting to ₱85.7 million and ₱50.5 million as of June 30, 2010 and 2009, respectively, were not recognized as management believes that it may not be probable that future taxable profits will be available against which the NOLCO, MCIT and other deductible temporary differences can be utilized.

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

	2010	2009	2008
		(In Thousands)	
Provision for income tax at statutory rates	**₱89,843**	₱79,155	₱237,957
Adjustments resulting from:			
Deductible temporary differences, unused NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized	**44,863**	16,075	9,183
Application of NOLCO for which no deferred income tax assets was previously recognized	**(1,359)**	–	(14,373)
Capital gains tax paid on disposal of subsidiaries (Note 1)	**–**	106,328	–
Expiration of excess MCIT	**–**	–	4,827
Tax effects of:			
Nontaxable equity in net earnings of associates (Note 9)	**(43,381)**	(26,785)	(32,056)
Nondeductible depreciation on appraisal increase	**952**	6,190	6,666
Interest and dividend income already subjected to final tax	**(563)**	(1,265)	(2,266)
Effect of change in future income tax rates applied on deferred income tax assets and liabilities	**–**	2,520	(3,277)
Others	**1,097**	4,829	10,971
Provision for income tax	**₱91,452**	₱187,047	₱217,632

d. Under Republic Act 9337, the Expanded Value-Added Tax Act of 2005, which took effect on November 1, 2005, the corporate income tax rate shall be 35% for three years effective on November 1, 2005, and 30% starting on January 1, 2009 and thereafter; and the unallowable deduction for interest expense shall be 42% of the interest income subject to final tax, effective November 1, 2005 and 33% effective January 1, 2009.

The President signed into law on June 17, 2008 RA 9504 amending provisions of the 1997 Tax Code. RA 9504 became effective on July 7, 2008, 15 days after its publication last June 22, 2008 in major newspapers of general circulation. The new law shall be effective starting taxable year 2008. The new law includes provision relating to the availment of optional standard deductions (OSD). Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made. On September 24, 2008, the Bureau of Internal Revenue has issued Revenue Regulation No. 10-2008 for the implementing guidelines of this law.

25. Equity

a. Share capital

Details of share capital at June 30, 2010 and 2009 follow:

Authorized share capital at ₱1 par value	3,375,000,000
Issued and outstanding share capital	2,911,886,000

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

Group Restructuring and Merger of CADPGC and RCI
As discussed in Note 1, the Group has undertaken a corporate restructuring whereby a series of activities was consummated, the eventual result of which is the merger of CADPGC and RCI.

In December 2008, CADPGC sold its investments in operating subsidiaries and an associate to RHI, which previously owns 89.78% of CADPGC, for ₱3.8 billion. The effective ownership of RHI was increased from 89.78% to 100%. On January 23, 2009, RCI acquired CADPGC for ₱3.9 billion from RHI. As a result, the Company has increased its effective ownership of 64.00% to 95.93% of CADPGC.

On June 23, 2009, the Philippine SEC approved the Plan and Articles of Merger executed on October 21, 2008 and April 29, 2009, respectively, between CADPGC and RCI. With the merger, CADPGC, which later renamed to Roxas and Company, Inc., became the surviving corporation effective June 29, 2009. The merger was accounted for similar to pooling of interests, resulting in a negative equity reserve of ₱3.8 billion and was presented as Other equity reserve section of the consolidated balance sheet and in the consolidated statement of changes in equity.

In October 2009, the Group adopted management's plan to eliminate the Other equity reserve with a negative balance of ₱3.8 billion in the consolidated financial statements by: (i) reclassifying the share premium of ₱1.6 billion to absorb the portion of the Other equity reserve pursuant to an equity restructuring for which approval from the SEC will be sought, and (ii) the remainder, by periodically applying a portion of the retained earnings of the Group, until the Other equity reserve is totally eliminated.

In 2010, the Group revisited the aforementioned plan. It is evaluating the option to carry in the consolidated financial statements the investment properties at fair value and apply the full or partial amount of increase in the properties' values against the Other equity reserve subject to the approval by the Company's BOD and the Philippine SEC. Management is in the process of completing the documentations to secure the approvals.

b. Retained earnings

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

	2010	2009	2008
Treasury shares	**₱–**	₱–	₱2,890,969
Application of revaluation increment against deficit	**203,074,578**	203,074,578	203,074,578
Share in Marina Trading Corp.'s negative goodwill upon adoption of PFRS 3	**–**	–	131,974,944
Pension plan asset - net of deferred tax liability	**–**	–	14,638,851
	₱203,074,578	₱203,074,578	₱352,579,342

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

Further, unrestricted retained earnings includes ₱2,340.3 million, ₱2,077.4 million and ₱1,947.4 million as of June 30, 2010, 2009 and 2008, respectively, which represents accumulated earnings of consolidated subsidiaries and unconsolidated associate which are not available for distribution to the Company's shareholders unless received as cash dividends from investees.

Dividends declaration
Cash dividends declared by the Company from retained earnings during the period ended June 30, 2009 and 2008 (none in 2010) follow:

Date Approved	Per Share	Total Amount	Date Paid/Issued
December 9, 2008	₱0.04	₱10,000,000	December 15, 2008
September 30, 2008	0.06	15,000,000	September 30, 2008
June 24, 2008	0.04	10,000,000	June 27, 2008
March 25, 2008	0.04	10,000,000	April 4, 2008
December 7, 2007	0.06	15,000,000	December 14, 2007
September 14, 2007	0.06	15,000,000	October 4, 2007

c. Share Prices

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

Quarter	High	Low
July 2009 through June 2010		
First	₱2.20	₱1.70
Second	2.06	1.80
Third	1.80	1.08
Fourth	1.58	0.95
July 2008 through June 2009		
First	1.76	1.74
Second	2.75	2.75
Third	1.68	1.68
Fourth	1.70	1.70
July 2007 through June 2008		
First	2.20	1.08
Second	1.88	1.40
Third	2.34	1.70
Fourth	1.92	1.70

d. Share Buy Back Program

Reacquisitions of shares by RHI on its Share Buy Back Program are as follows:

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

26. Earnings (Loss) Per Share

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

	2010	2009	2008
	(In Thousands, except earnings per share)		
Net income (loss) attributable to the equity holders of the Company	**₱98,743**	(₱4,487)	₱273,595
Weighted average number of shares issued and outstanding	**2,911,886**	2,911,886	2,911,886
Basic/diluted earnings (loss) per share	**₱0.03**	(₱0.002)	₱0.09

There are no potential dilutive common shares as of June 30, 2010, 2009 and 2008.

27. Capital Management

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

The Group's dividend declaration is dependent on availability of earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2010 and 2009.

Management considers the total consolidated equity reflected in the consolidated balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, debt ratio and debt-to-equity ratio. It also monitors its debts service coverage ratio 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 debts service coverage ratio of 1.25:1 by its bank creditors. As of June 30, 2010 and 2009, the Group has the following financial ratios:

	2010	2009
	(In Thousands, except ratio)	
Total liabilities	**₱10,357,749**	₱8,169,753
Total equity	**6,412,635**	6,244,183
Total liabilities and equity	**₱16,770,384**	₱14,413,936
Debt ratio	**0.62:1.00**	0.57:1.00
Debt-to-equity ratio	**1.62:1.00**	1.31:1.00

28. 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. The Group has other financial instruments such as advances to employees and a related party, dividends payable and short and long-term borrowings.

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

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 at June 30:

				2010			
	On demand	**<1 year**	**>1-<2 yrs**	**>2-<4 yrs**	**>4-<5 yrs**	**>5 yrs**	**Total**
				(In Thousands)			
Cash in bank and short-term placements	**₱234,577**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱234,577**
Trade receivables	**126,480**	**567,009**	**36,206**	–	–	–	**729,695**
Advances to related parties	**49,529**	**95,226**	–	–	–	–	**144,755**
Advances to employees*	**618**	**35,888**	**4,823**	–	–	–	**41,329**
Other receivables	**9,429**	**7,809**	**4,032**	–	–	–	**21,270**
Available-for-sale financial assets - unquoted equity securities	–	**8,229**	–	–	–	–	**8,229**
	₱420,633	**₱714,161**	**₱45,061**	**₱–**	**₱–**	**₱–**	**₱1,179,855**
Accounts payable and accrued expenses**	**₱544,037**	**₱42,290**	**₱–**	**₱–**	**₱–**	**₱–**	**₱586,327**
Advances from related parties	**49,790**	**5,775**	–	–	–	–	**55,565**
Dividends payable	**20,565**	–	–	–	–	–	**20,565**
Short-term borrowings****	–	**2,513,435**	–	–	–	–	**2,513,435**
Long-term borrowings****	–	**628,504**	**1,517,200**	**2,741,784**	**1,149,119**	**2,560,478**	**8,597,085**
	₱614,392	**₱3,190,004**	**₱1,517,200**	**₱2,741,784**	**₱1,149,119**	**₱2,560,478**	**₱11,772,977**

* *Includes noncurrent portion of employee advances of ₱4.8 million and excludes advances subject to liquidation of ₱1.6 million.*
** *Includes noncurrent portion of other receivables amounting to ₱4.0 million and excludes nonfinancial assets of ₱1.7 million.*
*** *Excludes payable to government agencies amounting to ₱0.1 million.*
**** *Includes expected interest payments for short-term and long-term borrowings of ₱805.7 million and ₱2,337.6 million, respectively.*

				2009			
	On demand	<1 year	>1-<2 yrs	>2-<4 yrs	>4-<5 yrs	>5 yrs	Total
				(In Thousands)			
Cash in bank and short-term placements	₱339,553	₱–	₱–	₱–	₱–	₱–	₱339,553
Trade receivables	96,644	690,051	–	–	–	–	786,695
Advances to related parties	68,980	–	–	–	–	–	68,980
Advances to employees	–	33,937	4,526	–	–	–	38,463
Other receivables	–	56,511	–	–	–	–	56,511
Available-for-sale financial assets - unquoted equity securities	–	8,229	–	–	–	–	8,229
	₱505,177	₱788,728	₱4,526	₱–	₱–	₱–	₱1,298,431
Accounts payable and accrued expenses*	₱634,611	₱88,281	₱–	₱–	₱–	₱–	₱722,892
Dividends payable	–	41,074	–	–	–	–	41,074
Short-term borrowings**	–	3,195,905	–	–	–	–	3,195,905
Long-term borrowings**	–	267,307	411,863	665,585	1,312,025	1,927,386	4,584,166
	₱634,611	₱3,592,567	₱411,863	₱665,585	₱1,312,025	₱1,927,386	₱8,544,037

* *Excludes payable to government agencies amounting to ₱0.8 million.*
** *Includes expected interest payments for short-term and long-term borrowings of ₱229.7 million and ₱1,585.8 million, respectively.*

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 relating to sugar operations 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.

There are no concentration of credit risk with respect to receivables relating to real estate sales.

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

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

The table below shows the maximum exposure to credit risk as of June 30 for the components of the consolidated balance sheet. The maximum exposure is shown at gross before the effect of mitigation through the use of master netting and collateral agreements.

	2010	2009
	(In Thousands)	
Cash in banks and short-term placements	**₱234,577**	₱339,553
Trade receivables	**729,695**	786,695
Advances to related parties	**144,755**	68,980
Advances to employees	**41,329**	38,463
Others receivables	**21,270**	56,511
Available-for-sale financial assets - unquoted equity securities	**8,229**	8,229
	₱1,179,855	₱1,298,431

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.

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 as of June 30:

2010	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	Impaired Financial Assets	Total
				(In Thousands)				
Cash in bank and short-term placements*	**₱232,755**	**₱1,822**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱234,577**
Trade receivables	**178,816**	**467,356**	**–**	**27,844**	**39,932**	**15,747**	**2,915**	**732,610**
Advances to employees**	**371**	**40,797**	**–**	**64**	**28**	**69**	**1,276**	**42,605**
Advances to related parties	**115,697**	**28,776**	**–**	**–**	**–**	**282**	**–**	**144,755**
Other receivables	**8,029**	**2,192**	**2,581**	**6,089**	**496**	**1,883**	**20,905**	**42,175**
Available-for sale financial assets - unquoted equity securities	**–**	**7,534**	**695**	**–**	**–**	**–**	**–**	**8,229**
Total	**₱535,668**	**₱548,477**	**₱3,276**	**₱33,997**	**₱40,456**	**₱17,981**	**₱25,096**	**₱1,204,951**

**Excludes cash on hand amounting to P2.0 million*
***Excludes advances to employees subject to liquidation amounting to P1.8 million*

2009	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	Impaired Financial Assets	Total
				(In Thousands)				
Cash in bank and short-term placements*	₱335,151	₱4,402	₱–	₱–	₱–	₱–	₱–	₱339,553
Trade receivables	195,095	509,226	30,400	16,206	4,212	31,556	6,732	793,427
Advances to employees**	554	36,726	1,168	–	15	–	1,276	39,739
Advances to related parties	68,980	–	–	–	–	–	–	68,980
Other receivables	20,604	1,514	27,981	4,382	330	1,700	22,228	78,739
Available-for sale financial assets - unquoted equity securities	–	7,534	695	–	–	–	–	8,229
Total	₱620,384	₱559,402	₱60,244	₱20,588	₱4,557	₱33,256	₱30,236	₱1,328,667

** Excludes cash on hand amounting to ₱3.4 million*
*** Excludes advances to employees subject to liquidation amounting to ₱11.7 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 recognized impairment loss on its financial assets using specific assessment in 2008 amounting to ₱8.9 million.

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.

The Group's sales commitments are contracted at fixed prices, thus, has 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.

As of June 30, 2010, the Group is exposed to fair value interest rate risk arising from its fixed rates long-term borrowings, which were originally issued at variable rates (see Note 15). Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group has long-term borrowings bearing floating interest rates as of June 30, 2010 and 2009 which are susceptible to cash flow interest rate risk. The following table demonstrates the sensitivity to a reasonable possible change in interest rates for one year, with all other variables held constant, of the Group's consolidated statement of income.

Percentage change in interest rates		Effect on consolidated income before income tax 2010	2009
		(In Thousands)	
For more than a year:	+ 17%	**(₱115,145)**	₱24,114
	- 17%	**115,145**	(24,114)
For less than a year:	+10%	**–**	1,601
	-10%	**–**	(1,601)

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's foreign currency denominated assets consist of US$ cash in banks and in amounting to US$0.3 million in 2010 and US$0.8 million in 2009 and 2008. As of June 30, 2010, 2009 and 2008, the exchange rates were ₱46.37, P48.30 and ₱44.90 per US$1.00, respectively.

Net foreign exchange gains or losses recognized in the consolidated statements of income amounted to ₱2.7 million and ₱9.0 million gains in 2010 and ₱7.2 million loss in 2008, respectively (see Note 23).

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

	Movement in US$-Philippine peso exchange rates	Net effect on income before income tax
		(In Thousands)
2010	**+8.35%**	**(₱8,924)**
	-8.35%	**8,924**
2009	+5.00%	2,174
	-5.00%	(2,174)

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

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

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets				
Cash on hand	**₱2,037**	**₱2,037**	₱3,446	₱3,446
Loans and receivables:				
Cash in banks and short-term placements	**234,577**	**234,577**	339,553	339,553
Trade receivables	**729,695**	**729,695**	786,695	786,695
Advances to related parties	**144,755**	**144,755**	68,980	68,980
Advances to employees	**41,329**	**41,329**	38,463	38,463
Other receivables	**21,270**	**21,270**	56,511	56,511
Available-for-sale financial assets - unquoted equity securities	**8,229**	**8,229**	8,229	8,229
	₱1,181,892	**₱1,181,892**	₱1,301,877	₱1,301,877
Financial Liabilities:				
Other financial liabilities:				
Accounts payable and accrued expenses:				
Trade payables	**₱160,801**	**₱160,801**	₱335,159	₱335,159
Accrued expenses	**230,995**	**230,995**	173,073	173,073
Due to planters	**18,857**	**18,857**	47,874	47,874
Related parties	**55,565**	**55,565**	50,371	50,371
Other liabilities	**175,674**	**175,674**	220,379	220,379
Dividends payable	**20,565**	**20,565**	8,919	8,919
Short-term borrowings	**2,502,404**	**2,502,404**	3,002,500	3,002,500
Current portion of long-term borrowings	**76,339**	**76,339**	–	–
Long-term borrowings - net of current portion	**6,124,969**	**6,133,078**	3,251,973	3,243,620
	₱9,366,169	**₱9,374,278**	₱7,090,248	₱7,081,895

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

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

Long-term borrowings - fixed interest bearing loans. The fair values are based on the expected cash flows on the instruments, discounted using the prevailing interest rate of 7.8% and 6.9% at June 30, 2010 and 2009, respectively, for comparable instruments in the market. The rates were obtained from *Bangko Sentral ng Pilipinas*, representing bank average lending rates in 2010 and 2009.

Available-for-sale investments - equity instrument-unquoted. Unquoted equity instruments are carried at cost, subject to impairment, since the fair value cannot be determined reliably.

Long-term borrowings - variable interest bearing loans. The carrying value of the financial instrument approximates the fair value at June 30, 2009 due to regular quarterly repricing of its interest rates.

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 within 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.

There are no financial instruments carried at fair value in the consolidated balance sheet in 2010 and 2009.

29. Segment Reporting

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

a. The Company

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

b. Real Estate

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

c. Sugar-Related Businesses

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

- CADPI, which is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 15,000 and 13,000 metric tons as of June 30, 2010 and 2009, respectively. 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 18). The refinery operation, on the other hand, involves the processing of raw sugar (mill share and purchased) into refined sugar, a lustrous white-colored sugar. To ensure maximum utilization of the refinery, CADPI also offers tolling services, which converts raw sugar owned by planters and traders into refined sugar in consideration for a tolling fee.

- CACI, which produces raw sugar and molasses and to trade the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 18,000 and 13,000 metric tons, is located in La Carlota, Negros Occidental.

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

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

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

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

The Company's senior management regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statement of income. Financing costs (including interest expense) and income taxes are managed on 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.

a. Segment revenue and expenses

The Group's main revenue stream comes from the sale of sugar and real estate properties. The sugar group's 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. The real estate segment's customers are mainly direct.

Revenue from two major customers of the sugar group amounted to ₱1,005.0 million and ₱676.0 million in 2010 and ₱1,004.0 million and ₱626.0 million in 2009, which pertain to sales of CADPI.

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. Segment 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:

As of and for the year ended June 30, 2010

	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Revenue					
External customers					
Refined sugar	**₱3,716,206**	**₱–**	**₱–**	**₱–**	**₱3,716,206**
Raw sugar	**1,853,949**	**–**	**–**	**–**	**1,853,949**
Tolling fees	**290,268**	**–**	**–**	**–**	**290,268**
Molasses	**318,235**	**–**	**–**	**–**	**318,235**
Others	**24,309**	**86,186**	**–**	**–**	**110,495**
	6,202,967	**86,186**	**–**	**–**	**6,289,153**
Costs and expenses	**(5,923,015)**	**(90,129)**	**(87,345)**	**2,322**	**(6,098,167)**
Interest income	**5,710**	**10,861**	**1,017**	**18**	**17,606**
Interest expense	**(319,480)**	**(4,495)**	**(22,213)**	**–**	**(346,188)**
Others	**296,651**	**60,218**	**8,910**	**(73,310)**	**292,469**
Income (loss) before income tax	**262,833**	**62,641**	**(99,631)**	**(70,970)**	**154,873**
Provision for income tax	**(83,656)**	**(7,256)**	**(398)**	**(142)**	**(91,452)**

Forward

	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Segment profit (loss)	**₱179,177**	**₱55,385**	**(₱100,029)**	**(₱71,112)**	**₱63,421**
Equity in net earnings of associates	**132,263**	**–**	**–**	**12,341**	**144,604**
Consolidated profit (loss)	**₱311,440**	**₱55,385**	**(₱100,029)**	**(₱58,771)**	**₱208,025**
Other Information					
Major costs and expenses					
Depreciation and amortization	**₱407,025**	**₱2,147**	**₱1,006**	**₱47**	**₱410,225**
Fuel and oil	**408,900**	**–**	**–**	**–**	**408,900**
Materials and consumables	**305,044**	**335**	**478**	**–**	**305,857**
Repairs and maintenance	**386,947**	**732**	**405**	**–**	**388,084**
Additions to noncurrent assets					
Property, plant and equipment	**2,564,384**	**1,424**	**1,367**	**–**	**2,567,175**
Other noncurrent assets	**17,415**	**21,539**	**695**	**–**	**39,649**
Investment in associates	**618,322**	**129,692**	**–**	**12,218**	**760,232**
Assets and Liabilities					
Current assets	**₱3,111,881**	**₱587,736**	**₱34,911**	**(₱83,318)**	**₱3,651,210**
Noncurrent assets	**12,573,334**	**163,231**	**2,583,010**	**(2,200,401)**	**13,119,174**
Total assets	**₱15,685,215**	**₱750,967**	**₱2,617,921**	**(₱2,283,719)**	**₱16,770,384**
Current liabilities	**₱3,249,479**	**₱125,745**	**₱88,323**	**₱2,986**	**₱3,466,533**
Noncurrent liabilities	**6,448,831**	**106,500**	**402,385**	**(66,500)**	**6,891,216**
Total liabilities	**₱9,698,310**	**₱232,245**	**₱490,708**	**(₱63,514)**	**₱10,357,749**

As of and for the year ended June 30, 2009:

	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Revenue					
External customers					
Refined sugar	₱3,304,300	₱–	₱–	₱–	₱3,304,300
Raw sugar	1,909,110	–	–	–	1,909,110
Tolling fees	356,464	–	–	–	356,464
Molasses	293,450	–	–	–	293,450
Others	1,294	67,726	–	262	69,282
	5,864,618	67,726	–	262	5,932,606
Costs and expenses	(5,576,070)	(73,401)	(100,980)	39,630	(5,710,821)
Interest income	7,438	16,424	2,727	(810)	25,779
Interest expense	(133,334)	(6,594)	(7,049)	–	(146,977)
Others	75,703	9,718	187,788	(212,657)	60,552
Income (loss) before income tax	238,355	13,873	82,486	(173,575)	161,139
Provision for income tax	(175,390)	(6,853)	(72,008)	67,204	(187,047)
Segment profit (loss)	62,965	7,020	10,478	(106,371)	(25,908)
Equity in net earnings of associates	79,564	–	–	2,851	82,415
Consolidated profit (loss)	P142,529	₱7,020	₱10,478	(₱103,520)	₱56,507
Other Information					
Major costs and expenses					
Depreciation and amortization	₱304,426	₱681	₱970	₱1,010	₱307,087
Fuel and oil	250,963	–	–	–	250,963
Materials and consumables	287,963	337	5,689	245,608	539,597
Repairs and maintenance	376,346	540	1,167	(670)	377,383
Additions to noncurrent assets					
Property, plant and equipment	3,353,445	2,984	113	–	3,356,542
Other noncurrent assets	36,592	2,798	26,757	(31,649)	34,498
Investment in associates	557,432	129,692	–	52,001	739,125

Forward

	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Assets and Liabilities					
Current assets	₱3,114,558	₱475,052	₱39,754	(₱200,598)	₱3,428,766
Noncurrent assets	10,407,111	191,582	2,584,545	(2,198,068)	10,985,170
Total assets	₱13,521,669 P	666,634	₱2,624,299	(₱2,398,666)	₱14,413,936
Current liabilities	₱3,943,417	₱165,298	₱229,057	(₱205,668)	₱4,132,104
Noncurrent liabilities	3,861,648	22,000	168,000	(13,999)	4,037,649
Total liabilities	₱7,805,065	₱187,298	₱397,057	(₱219,667)	₱8,169,753

As of and for the year ended June 30, 2008:

	Sugar-Related Businesses	Real Estate	RCI	Unallocated, Eliminations and Adjustments	Consolidated Balances
			(In Thousands)		
Revenue					
External customers					
Refined sugar	₱3,481,489	₱–	₱–	₱–	₱3,481,489
Raw sugar	1,958,135	–	–	–	1,958,135
Molasses	268,611	–	–	–	268,611
Tolling fees	360,687	–	–	–	360,687
Others	8,622	52,403	–	2	61,027
	6,077,544	52,403	–	2	6,129,949
Costs and expenses	(5,485,548)	(63,642)	(107,081)	79,919	(5,576,352)
Interest income	11,682	15,232	3,256	(1,663)	28,507
Interest expense	(60,080)	(6,866)	(20,881)	20,881	(66,946)
Others	52,617	13,886	461,021	(454,397)	73,127
Income (loss) before income tax	596,215	11,013	336,315	(355,258)	588,285
Provision for income tax	(210,794)	(5,748)	(11,386)	10,296	(217,632)
Segment profit (loss)	385,421	5,265	324,929	(344,962)	370,653
Equity in net earnings of associates	69,739	–	–	21,853	91,592
Consolidated profit (loss)	₱455,160	₱5,265	₱324,929	(₱323,109)	₱462,245
Other Information					
Major costs and expenses					
Depreciation and amortization	₱328,103	₱1,649	₱1,062	(₱120)	₱330,694
Fuel and oil	174,416	–	–	–	174,416
Materials and consumables	244,487	349	2,078	171,989	418,903
Repairs and maintenance	375,535	4,917	1,176	(4,939)	376,689
Additions to noncurrent assets					
Property, plant and equipment	2,193,738	455	1,324	194,697	2,390,214
Other noncurrent assets	40,448	–	275	–	40,723
Investment in associates	546,388	138,840	–	41,156	726,384
Assets and Liabilities					
Current assets	₱2,448,406	₱469,347	₱237,551	(₱198,353)	₱2,956,951
Noncurrent assets	7,418,778	194,379	2,611,302	(2,224,598)	7,999,861
Total assets	₱9,867,184	₱663,726	₱2,848,853	(₱2,422,951)	₱10,956,812
Current liabilities	₱1,750,801	167,973	503,191	(₱529,634)	₱1,892,331
Noncurrent liabilities	2,615,488	32,646	42,087	(66,052)	2,624,169
Total liabilities	₱4,366,289	₱200,619	₱545,278	(₱595,686)	₱4,516,500

30. 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.

Shareholder Information

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Fax: (632) 750-2169

Common Stock
Roxas & Company, Inc.'s common stock is listed and traded in the Philippine Stock Exchange under the symbol "RCI".

Annual Stockholders' Meeting
The 2010 Annual Stockholders' Meeting will be held on November 17, 2010, 10:00 A.M. at Makati Shangri-La Hotel Ayala Avenue corner Makati Avenue, Makati City, Philippines.

Shareholder Inquiry
Inquiries regarding dividend payments, accounts status, address changes, stock certificates, and other pertinent matters may be addressed to the Company's registrar and transfer agent.

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