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R O X A S A N D C O M P A N Y , I N C .
(F O R M E R L Y C A D P G R O U P
C O R P O R A T I O N)

(Company's Full Name)

7 T H F L O O R C G B U I L D I N G
1 0 1 A G U I R R E S T R E E T L E G A S P I
V I L L A G E M A K A T I C I T Y

(Business Address: No. of Street City/Town/Province)

ATTY. ALEZANDRO S. CASABAR

810-8901

SEC Form 17-Q

(period ending June 30, 2013)

September 30
Month Day
Fiscal Year

Form Type

Month Day
Annual Meeting

Secondary License Type, If Applicable

Department Requiring this Document

Amended Articles Number/Section

3,468

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

TO BE ACCOMPLISHED BY SEC PERSONNEL CONCERNED

File Number

LCU

Document I.D.

Cashier

STAMPS

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF
THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended: **30 June 2013.**
2. SEC Identification Number: **834.**
3. BIR Tax Identification No. : **000-269-435-000.**
4. Exact name of issuer as specified in its charter: **ROXAS AND COMPANY, INC.**
5. **Philippines**
Province, Country or other jurisdiction of
Incorporation or Organization
6. (SEC Use Only)
Industry Classification Code
7. **7F Cacho-Gonzales Building, 101 Aguirre Street
Legaspi Village, Makati City 1229**
Address of Principal Office
8. **(632) 810-89-01 to 06**
Registrant's telephone number, including area code
9. **CADP GROUP CORPORATION**
6F Cacho-Gonzales Building, 101 Aguirre Street
Legaspi Village, Makati City 1229
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Authorized Capital Stock Common	₱3,375,000,000.00
No. of shares subscribed & outstanding: Common	2,911,885,870
Amount of debt outstanding as of 30 June 2013	₱9,469,550,000.00

Of the 2,911,885,870 subscribed and outstanding common shares, 1,365,990,294 shares were exempt securities under Section 10.1 of the SRC.

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

Yes [] No []

2,911,885,870 common shares are registered with the Philippine Stock Exchange (PSE).

12. Check whether the issuer:

(a) Has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and Rule 17 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [] No []

(b) Has been subject to such filing requirements for the past 90 days.

Yes [] No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see Annex “A”.

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

Please see Annex “B”.

PART II – OTHER INFORMATION

1. New Projects or Investments in Another Project, Line of Business or Corporation

The Company has no new project or investment in another project, line of business or corporation for the period.

2. Composition of the Board of Directors:

PEDRO E. ROXAS	-	Chairman / President & CEO
ANTONIO J. ROXAS		
BEATRIZ O. ROXAS		
FRANCISCO JOSE R. ELIZALDE		
CARLOS ANTONIO R. ELIZALDE		
EDUARDO R. AREILZA		
RENATO C. VALENCIA		
CORAZON S. DE LA PAZ-BERNARDO		Independent Director
GUILLERMO D. LUCHANGCO	-	Independent Director
PETER D. BAROT	-	Corporate Secretary

3. Performance of the Corporation or result or progress of operations:
Required information is contained in Annexes "A" and "B".
4. Suspension of operations:
None for the period.
5. Declaration of dividends:
None for the period.
6. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements:
None for the period.
7. Financing through loans:
None for the period.
8. Offering of rights, granting of Stock Options and corresponding plans therefor:
None for the period.
9. Acquisition of other capital assets or patents, formula or real estates:
None for the period.
10. Any other information, event or happening that may affect the market price of the Company's shares:
None for the period.
11. Transferring of assets, except in the normal course of business:
None for the period.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ROXAS AND COMPANY, INC.
(formerly CADP GROUP CORPORATION)
Issuer

By:

A handwritten signature in black ink, appearing to read 'Alejandro S. Casabar', is written over a horizontal line.

ALEZANDRO S. CASABAR
Legal Services Manager
Compliance Officer/Corporate Information
Officer

Date: 14 August 2013.



A N N E X “A”

CONSOLIDATED FINANCIAL STATEMENTS

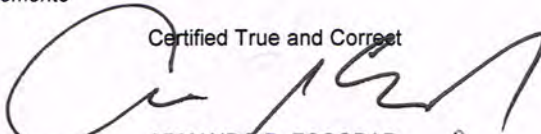
Third Quarter Ending June 30, 2013 and 2012

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2013 AND SEPTEMBER 30, 2012
Amounts in Thousands

	Note	June-13 Unaudited	September-12 Audited restated
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	444,303	199,168
Receivables	5	1,155,035	888,880
Inventories	6	3,221,523	779,336
Real estate for sale and development	7, 15	382,719	340,533
Prepayments and other current assets	8	578,252	479,051
Total Current Assets		5,781,832	2,686,968
NONCURRENT ASSETS			
Installment Contracts Receivable, net of current portion	5	14,450	11,951
Property, plant and equipment	11		
At cost		7,964,723	8,383,221
At appraised values		2,774,420	2,774,420
Investment in shares of stock of associates	9	712,041	712,540
Investment properties	10, 15	4,608,261	4,608,261
Net pension assets	17	132,007	132,007
Deferred income tax assets	24	64,323	151,388
Other noncurrent assets	5	25,808	49,625
Total Noncurrent Assets		16,296,033	16,823,413
Total Assets		22,077,865	19,510,381
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Short-term borrowings	12	2,035,212	1,638,000
Accounts payable and accrued expenses	13	1,424,937	767,051
Customer's deposits	14	178,992	72,614
Dividends payable		26,510	39,230
Current portion of long-term borrowings	7,15	157,903	165,940
Total Current Liabilities		3,823,554	2,682,835
NONCURRENT LIABILITIES			
Long-term borrowings	15	7,276,435	6,056,044
Net pension benefit obligation	17	25,677	86,787
Deferred tax liabilities	24	790,959	794,825
Total Noncurrent Liabilities		8,093,071	6,937,656
Total Liabilities		11,916,625	9,620,491
EQUITY		10,161,240	9,889,890
Total Liabilities and Equity		22,077,865	19,510,381

See accompanying Notes to Consolidated Financial Statements

Certified True and Correct

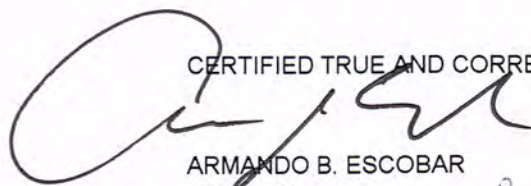

ARMANDO B. ESCOBAR
VP - CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED JUNE 30, 2013 AND 2012
[Amounts in 000 Philippine Peso, Except for Basic / Diluted Earnings (Loss) Per Share]

	For the Quarter Ending June 30		For the Nine Months Ending June 30	
	2013	2012	2013	2012
REVENUE (Note 19)	1,114,644	2,336,047	4,033,615	5,875,806
COST OF SALES (Note 20)	701,957	1,868,732	2,773,833	4,472,916
GROSS PROFIT	412,687	467,315	1,259,782	1,402,890
			31%	24%
SELLING EXPENSES	(29,940)	(2,640)	(73,803)	(19,167)
OPERATING EXPENSES (Note 21)	(171,799)	(385,378)	(480,399)	(853,619)
EQUITY IN NET LOSSES OF ASSOCIATES (Note 9)	2,605	39,540	22,390	16,362
INTEREST INCOME (Note 4 and 5)	4,666	2,672	7,516	8,994
INTEREST EXPENSE (Notes 12 and 15)	(106,192)	(113,649)	(316,699)	(396,478)
OTHER INCOME - net (Note 23)	13,425	29,287	42,622	103,521
INCOME (LOSS BEFORE INCOME TAX)	125,452	37,147	461,409	262,503
PROVISION FOR INCOME TAX (Note 24)				
Current	42,119	(106,406)	86,198	7,763
Deferred	4,527	(120,754)	103,861	(120,754)
	46,646	(227,160)	190,059	(112,991)
NET INCOME (LOSS) FOR THE PERIOD	78,806	264,307	271,350	375,494
Attributable to:				
Equity holders of the Parent Company	44,830	183,196	167,645	242,435
Non-Controlling Interest	33,976	81,111	103,705	133,059
	78,806	264,307	271,350	375,494
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 26)			0.058	0.083

See accompanying Notes to Consolidated Financial Statements

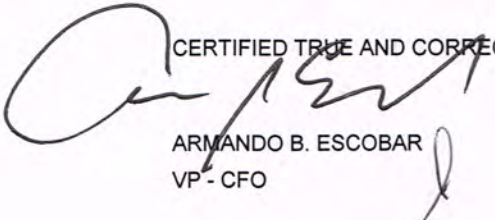
CERTIFIED TRUE AND CORRECT:


ARMANDO B. ESCOBAR
VP - CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2013 AND 2012
[Amounts in 000 Philippine Peso]

	For the Quarter Ending June 30		For the Nine Months Ending June 30	
	2013	2012	2013	2012
NET INCOME	78,806	264,307	271,350	375,494
OTHER COMPREHENSIVE INCOME	0	0	0	0
TOTAL COMPREHENSIVE INCOME	78,806	264,307	271,350	375,494
Attributable to:				
Equity holders of the Parent Company	44,830	183,196	167,645	242,435
Minoroty Interest	33,976	81,111	103,705	133,059
	78,806	264,307	271,350	375,494

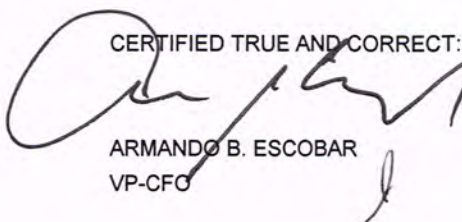
See accompanying Notes to Consolidated Financial Statements


CERTIFIED TRUE AND CORRECT:
ARMANDO B. ESCOBAR
VP - CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
 [Formerly CADP Group Corporation]
 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 JUNE 30, 2013 AND 2012
 Amounts in Thousands

	2013	Restated 2012
SHARE CAPITAL	2,911,885	2,911,885
SHARE PREMIUM	1,611,394	1,611,393
EFFECTS OF CHANGE IN OWNERSHIP OF SUBSIDIARIES	(81,066)	(81,066)
SHARE IN REVALUATION INCREMENT on land of Associate	136,322	136,322
REVALUATION INCREMENT IN PROPERTY	1,496,206	1,335,075
SHARE IN FAIR VALUE RESERVE	5,179	5,179
RETAINED EARNINGS		
Beginning balance	2,013,375	1,819,610
Share in net income (loss) for the period	167,645	242,435
	8,260,941	7,980,835
NON CONTROLLING INTEREST		
Beginning balance	1,796,595	1,567,087
Share in net income (loss) for the period	103,705	133,059
TOTAL EQUITY	10,161,240	9,680,980

CERTIFIED TRUE AND CORRECT:



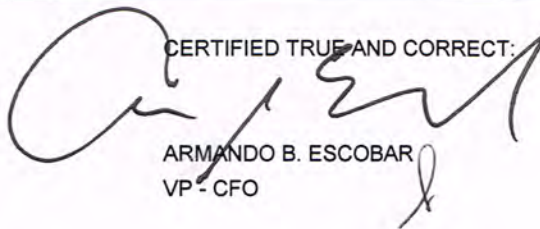
ARMANDO B. ESCOBAR
 VP-CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2013 AND 2012

Amounts in Thousands

	June-13	June-12
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before tax	461,409	262,503
Adjustments for:		
Depreciation & amortization	485,229	539,422
Equity in net earnings (loss) of associates	(22,390)	(16,362)
Interest Income	(7,512)	(8,994)
Interest expense	314,698	396,477
Provision for inventory losses		43,768
Loss (Gain) on sugar inventory	-	(529)
Net cash from operations before working capital changes	1,231,434	1,216,285
Decrease (Increase) in:		
Receivables	(261,305)	(381,560)
Inventories	(2,442,177)	7,112
Real estate	(42,186)	(5,264)
Prepayments and other current assets	(98,928)	(16,872)
Increase (decrease) in:		
Accounts payable and accrued expenses	670,714	(224,004)
Customers' deposits	97,691	303,906
Increase (decreased) in net pension obligation	(61,351)	259
Cash generated from operations	(906,108)	899,862
Interest received	7,512	8,994
Income tax paid, including creditable withholding and final tax	(99,060)	(32,859)
Net cash from (used in) operating activities	(997,656)	875,997
CASH FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(66,718)	128,790
Dividends received	22,839	142,747
Decrease (Increase) in other noncurrent assets	(4,298)	5,406
Net cash flows from (used in) investing activities	(48,177)	276,943
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments of) short term borrowings	422,212	(679,000)
Proceeds from long-term borrowings	1,305,000	10,184
Payment of long-term borrowings	(117,647)	(251,964)
Interest paid	(315,070)	(394,762)
Dividends paid	(3,527)	0
Net cash flows from (used in) financing activities	1,290,968	(1,315,542)
NET DECREASE IN CASH AND CASH EQUIVALENTS	245,135	(162,602)
CASH AND CASH EQUIVALENTS, Beginning	199,168	359,181
CASH AND CASH EQUIVALENTS, End	444,303	196,579

CERTIFIED TRUE AND CORRECT:


ARMANDO B. ESCOBAR
 VP - CFO

ROXAS AND COMPANY, INC AND SUBSIDIARIES

AGING OF RECEIVABLES

As of June 30, 2013

IN P'000

TRADE RECEIVABLES

Sugar Customers
 Management
 Real Estate Installment Buyers
 Palm Estates
 Punta Fuego
 Role Subdivision
 San Antonio Memorial Gardens
 Leasing
 TOTAL
 Less Allowance for doubtful accounts
 Balance

	Total	Not yet due	Current	Past due			
				30 days	60 days	90 days	120 days
	909,417		407,758	62,996	21,096	417,567	
	2,497		1,494	148	112	112	631
	60,470	10,126	48,762	192	143	90	1,157
	4,646						4,646
	1,536	1,020		13	13	37	453
	3,539	3,304	86	47	20	19	63
	505		41	41	41	20	362
	982,610	14,450	458,141	63,437	21,425	417,845	7,312
	(67,374)						(67,374)
	915,236	14,450	458,141	63,437	21,425	417,845	(60,062)

NON TRADE

Planters and Planters Association
 Officers and Employees
 Related Parties
 Others
 Total
 Less : Allowance for doubtful accounts

	Total	Current	Past due			
			30 days	60 days	90 days	Over 90 days
	16,521					16,521
	81,347	2,552	5,773	19,482	53,403	137
	82,603	255	25	24	0	82,299
	117,645	15,414	2,056	2,877	89,818	7,480
	298,116	18,221	7,854	22,383	143,221	106,437
	(43,867)					(43,867)
	254,249	18,221	7,854	22,383	143,221	62,570

RECAP

Trade
 Non-Trade
 Total
 Less : allowance for doubtful accounts

	982,610	472,591	63,437	21,425	417,845	7,312
	298,116	18,221	7,854	22,383	143,221	106,437
	1,280,726	490,812	71,291	43,808	561,066	113,749
	(111,241)			0		(111,241)
	1,169,485	490,812	71,291	43,808	561,066	2,508

Certified True and Correct :

ARMANDO B. ESCOBAR
 VP - CFO

**ROXAS AND COMPANY, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information, Group Restructuring and Merger, Status of Operations and Approval of the Consolidated Financial Statements

Corporate Information

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. The Company’s corporate life was extended for another 50 years from October 7, 1968.

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, approved by the Philippine SEC on February 10, 2004, 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.

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.

The Company has 3,468, 3,525, and 3,534 equity holders as of June 30, 2013, September 30, 2012 and 2011, respectively. The Company is owned by various individual shareholders and domestic corporations, namely Pesan Holdings, Inc. and SPCI Holdings, Inc.

On February 10, 2011, the Board of Directors (BOD) approved the amendment of the Company’s By-Laws changing the accounting period of the Company and its subsidiaries from fiscal year ending June 30 to September 30 of each year. The change in accounting period of the Company was approved by the Philippine SEC on March 30, 2011. The change in accounting period of the Company’s subsidiaries was approved by the Philippine SEC on various dates in 2011.

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

Group Restructuring and Merger

The Company was previously 89.28%-owned by Roxas Holdings, Inc. (RHI), a public company also incorporated and domiciled in the Philippines.

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 CADPI Group Corporation (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.

Effective June 29, 2009, upon approval of the 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.

Corporate Restructuring Plan

On February 1, 2012, the RHI’s BOD approved a resolution to shorten the corporate life of CPSI, CIAI and RPC effective September 30, 2012. On the same date, the BOD also approved the merger of CCSI, CFSI and JOMSI with CADPI. This decision was in line with the Group’s move to rationalize its operations. Accordingly, these subsidiaries have changed their basis of accounting from the going concern basis to liquidation basis in 2012.

Status of Operations and Management Action Plans

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

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

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

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

As a result of these strategies, the Group recorded a consolidated net income of ₱632.4 million for the fiscal year ended September 30, 2012, a turnaround from a consolidated net loss of ₱782.7 million for the year ended June 30, 2011 and ₱778.0 million for the three months ended September 30, 2011. Moreover, the Group has met the required DSCR and has been compliant with its loan covenants as of September 30, 2012 (see Note 15).

For the interim period ending June 30, 2013, the Group recorded a consolidated net income of ₱271 million, 28% lower than the ₱375 million net income for the same period in 2012 mainly due to export sales last year.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation and Statement of Compliance

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

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

The unaudited interim condensed consolidated financial statements, which have been prepared by the Company to be filed with the SEC for its quarterly reporting to comply with Securities Regulation Commission Rule 68.1, do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at September 30, 2012.

Changes in Accounting Policies

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

The Group has investment properties at fair value and are classified as capital assets for income tax purposes which are taxed at the gross selling price or fair market value whichever is higher. Further, the jurisdiction in which the Group operates has a different tax charge for ‘sale’ or ‘use’ basis of assets for income tax purposes. Accordingly, previously recognized deferred income tax liability of ₱277.5 million was reversed which increased the retained earnings and reduced the deferred income tax liability as of July 1, 2009, June 30, 2010 and 2011 and September 30, 2011 by ₱277.5 million (see Notes 24 and 25).

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to September 30, 2012

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

Effective 2013

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

Effective 2014

- PFRS 10, *Consolidated Financial Statements*, replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard has no effect on the consolidated financial statements. The Group is currently assessing the impact that this standard will have on the financial position and performance.
- PFRS 11, *Joint Arrangements*, replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture to equity accounting for this investment. The Group is currently assessing the impact that this standard will have on the financial position and performance.
- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a. The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c. The net amounts presented in the statement of financial position;
 - d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
 - e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

- PFRS 12, *Disclosure of Interests with Other Entities*, includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard will result in additional disclosures in the consolidated financial statements.
- PFRS 13, *Fair Value Measurement*, establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation will not impact the Group's financial position and performance.
- Amendments to PAS 19, *Employee Benefits*, range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

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

- PAS 27, *Separate Financial Statements (as revised in 2011)*. As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled the Group's financial position and performance. This interpretation will not impact the Group's financial statements since there are no changes in the accounting principles on the preparation of the consolidated financial statements upon adoption of this revised standard.
- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*. As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group is currently assessing the impact that this standard will have on the financial position and performance.

Annual Improvements to PFRSs (2009-2011 cycle)

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

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*, clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.
- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities* clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Effective in 2015

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, clarifies the meaning of "currently has a legally enforceable right to set-off" and also the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2016

- PFRS 9, *Financial Instruments - Classification and Measurement*, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value

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

The Group has made an evaluation of the impact of the adoption of this standard. The Group decided not to early adopt PFRS 9 for its 2012 reporting ahead of its effectivity date on January 1, 2015 and therefore the consolidated financial statements and as of September 30, 2012 and 2011 and June 30, 2011 do not reflect the impact of the said standard. Based on this evaluation, loans and receivables and other financial liabilities, both carried at amortized cost, will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at amortized cost, thus, has no impact to the Group's financial position and performance. Further, the Company's investments in unquoted equity shares classified as available for sale investments would be affected by the adoption of this standard. This investment shall be carried at fair value either through other comprehensive income or through profit or loss upon adoption of this standard. The financial impact is currently undeterminable.

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

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

Effectivity date to be determined

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

adoption of this Philippine Interpretation will be accounted for retrospectively, and will result to restatement of prior period financial statements. The Group is in the process of quantifying the impact of the adoption of this Philippine Interpretation on the Group's financial position and performance.

Consolidation

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

	Percentage of Ownership	Description of business
RHI	65.70	Holding company of its subsidiaries that operate mill, refinery and ethanol facilities to manufacture sugar and allied products; shares of stock are listed in the PSE.
Roxaco Land Corporation (RLC)	100.00	Engaged in development and sales of real estate.
United Ventures Corporation (UVC)	100.00	Warehouse leasing
Nasugbu Feeds Corporation (NAFECOR)	100.00	The subsidiary has currently no commercial operations. Originally to engage in manufacture of animal feeds and feedstocks.

The following are the subsidiaries of RHI (all incorporated in the Philippines) as of September 30, 2012 and 2011 and June 30, 2011:

	Effective percentage of Ownership
Central Azucarera Don Pedro, Inc. (CADPI)	100.00
CACI	100.00
CADP Insurance Agency, Inc. (CIAI) ⁽²⁾	100.00
CADP Farm Services, Inc. (CFSI)	100.00
CADP Consultancy Services, Inc. (CCSI)	100.00
Jade Orient Management Services, Inc. (JOMSI)	99.99
Najalin Agri Ventures, Inc. (NAVI)	77.38
Roxol Bioenergy Corporation (RBC) ⁽¹⁾	100.00
CADP Port Services, Inc. (CPSI) ⁽³⁾	100.00
Roxas Power Corporation (RPC) ⁽³⁾	50.00

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

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

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

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

	Percentage of Ownership
Roxaco Commercial Properties Corporation (RCPC) ⁽¹⁾	100.00
SAMG Memorial Management and Services, Inc. (SMMSI) ⁽²⁾	100.00
Fuego Hotels and Properties Management Corporation (FHPMC) ⁽³⁾	63.00

(1) RCPC was incorporated on January 14, 1999 to handle the property management and commercial development of RLC and has not yet started commercial operations.

(2) SMMSI was incorporated on January 11, 2012 primarily to engage in memorial care and services.

(3) FHPMC was acquired on June 10, 2011 through a share purchase agreement between RLC and Fuego Development Corporation (FDC), an associate of RLC (see Note 9). FHPMC is a management company with an expertise in managing hotels, resorts with full or limited-services

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

Noncontrolling interest represents a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of income and within the equity section of the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity. Total comprehensive income is attributed to the portion held by the Group and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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

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.

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

The Group believes the summary of significant judgments, accounting estimates and assumptions disclosed in the Group's annual consolidated financial statements as at December 31, 2012 represent a summary of judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the interim consolidated financial statements.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
Cash on hand and in banks	₱440,961	₱144,998
Short-term placements	3,342	54,170
	₱444,303	₱199,168

Interest income earned on cash in banks and short-term placements amounted to ₱3.654 million and ₱ 3.145 million for the nine months ended June 30, 2013 and 2012, respectively.

5. Receivables

Receivables consist of:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
Trade	₱968,160	₱679,811
Due from:	0	
Related parties (Note 16)	82,603	137,501
Employees	81,347	59,951
Planters and cane haulers	16,521	40,979
Others	117,645	95,935
	1,266,276	1,014,177
Less allowance for impairment of receivables	111,241	125,297
	₱1,155,035	₱888,880

- 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 in Note 2 are recognized under the "Customers' deposits" account in the consolidated balance sheets.
- b. The aggregate future installment receivables under the sales contracts are as follows:

June 30, 2013 September 30, 2012

	<i>(In Thousands)</i>	
Current	₱56,246	₱52,359
Noncurrent	14,450	11,951
	₱70,696	₱64,310

- c. Due from employees include interest and noninterest-bearing salary, housing and educational loans that are collected through salary deduction.
- d. Other receivables include deposits to suppliers and contractors, other employee housing loans and other nontrade receivables. Other employee housing loans pertain to outstanding receivable from the 2002 sale of a portion of RHI's land in Barrio Bilaran, Nasugbu, Batangas to its employees. Due to the Reorganization Program discussed in Note 1, the employees were transferred to CADPI, whereas, the receivable remained with RHI. These loans bear annual interest of 12% and are payable over 10 years until 2012. As of September 30, 2012, current portion of these receivables amounted to ₱2.6 million.

6. Inventories

Inventories consist of:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
At cost:		
Refined sugar	₱1,993,673	₱247,477
Materials in transit	54,173	21,348
At NRV:	0	
Raw sugar	331,682	25,003
Molasses	288,334	168,281
Alcohol	130,291	34,816
Material and supplies	423,370	282,411
	₱3,221,523	₱779,336

7. Real Estate for Sale and Development

Real estate for sale and development consist of:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
Real estate properties for sale	₱44,403	₱7,351
Raw land and land improvements	338,316	333,182
	₱382,719	₱340,533

Borrowing costs incurred from loans availed specifically to finance the development of the Group's real estate projects amounting to ₱1.2 million and ₱0.5 million were capitalized for the nine-month period ended June 30, 2013 and for the year ended September 30, 2012, respectively.

The aggregate cash price values and related aggregate carrying costs of real estate properties held for sale follow:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
Aggregate cash price values	₱74,092	₱31,028
Less aggregate carrying costs	44,403	7,351
Excess of aggregate cash price values over aggregate carrying costs	₱29,689	₱23,677

8. Prepayments and Other Current Assets

Prepayments and other current assets consist of:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
Input VAT and other prepaid taxes	₱332,909	₱173,202
Creditable withholding taxes - net (Note 21)	221,672	258,144
Others	23,671	47,705
	₱578,252	₱479,051

- a. Input VAT arises from purchases of equipment and services relating to the Expansion Project and RBC Ethanol Plant construction (see Note 11).
- b. Other current assets consist of prepaid insurance and rentals, advance payments made to a sugar milling company for tolling services.

9. Investment in Shares of Stock of Associates

The Group has the following associates and joint ventures as of June 30, 2013 and September 30, 2012.

	Percentage of Ownership	Main Activity
Hawaiian-Philippine Company (HPCo)	29.62 ¹	Sugar mill
Fuego Land Corporation (FLC)	30.00 ²	Real estate developer
Fuego Development Corporation (FDC)	30.00 ²	Real estate developer
Club Punta Fuego, Inc. (CPFI)	26.63 ²	Social recreational and athletic activities
Roxaco - ACM Development Corporation (RADC)	50.00 ²	Real estate developer

(1) *Effective ownership through RHI.*

(2) *Effective ownership through RLC.*

Details and movements of investment in shares of stock of associates follow:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
Acquisition cost:		
Beginning balance	₱308,212	₱308,162
Addition (Reclass)	(50)	50
Ending balance	308,162	308,212

Accumulated equity in net earnings:		
Beginning balance	265,920	384,319
Equity in net earnings (loss)	22,390	47,188
Dividend income	(22,839)	(165,587)
Ending balance	265,471	265,920
Share in:		
Revaluation increment on land	207,492	207,492
Fair value reserve	5,179	5,179
Unrealized gain on transfer of land	(59,030)	(59,030)
Allowance for impairment	(15,233)	(15,233)
	712,0410	₱712,540

- a. HPCo is primarily engaged in the manufacturing and trading of raw and refined sugar, molasses and other sugar by-products.
- b. FLC was formed for the establishment of basic facilities and amenities and consequently for the development of upgraded facilities on some 429,870 square meters of land located in Barangay Natipuan, Nasugbu, Batangas, known as Terrazas de Punta Fuego.
- c. FDC was formed as a 70%-30% joint venture by Landco Pacific Corporation (LPC) and RLC 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, 24.0 million shares of stock of FDC with a par value of ₱1.0 per share. On August 25, 2005, RLC transferred to FDC 156,568 square meters of land with a 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.

After the subscription of shares and assignment of land, the total equity interest of RLC in FDC increased from 30% to 52%.

On December 5, 2006, the BOD of FDC approved the conversion of certain liabilities to LPC into shares of stock of FDC. On May 8, 2008, the Philippine SEC approved the debt to equity conversion between LPC and FDC and the increase in capital stock of FDC. Consequently, the ownership interest of LPC reverted to 70% and RLC to 30%.

FDC is currently engaged in the sale and development of real estate and industrial properties.

- d. CPFI was formed to promote social, recreational and athletic activities on a non-profit basis among its members, through the acquisition, development, construction, management and a maintenance of a golf course, resort, marina and other sports and recreational facilities on a residential resort community project of RLC, a joint venture with LPC, known as Peninsula de Punta Fuego.

On June 10, 2011, RLC and FDC entered into a share purchase agreement whereby RLC acquired 15,750 issued common shares and deposit for future stock subscription for 47,250 unissued shares of FHPMC in exchange for nine CPFI shares, resulting in 63% ownership of RLC in FHPMC (see Note 2).

FHPMC is a management company with an expertise in managing hotels, resorts and full and limited service companies. One of the properties it manages is Club Punta Fuego which is owned by CPFI.

- e. As of September 30, 2011, RADC has already sold all its real estate units except for the repossessed units on hand and has no available real estate properties to develop. The activities of RADC is now limited to the collection of outstanding receivables, disposal of the remaining construction materials inventory and settlement of payables.

Investment in shares of stock of RADC amounting to ₱3.7 million was provided with allowance for impairment as of September 30, 2012 and 2011 and June 30, 2011.

- f. The accumulated equity in net earnings of associates amounting to ₱265.5 million and ₱265.9 million as of June 30, 2013 and September 30, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

10. Investment Properties

Investment properties as of June 30, 2013 and September 30, 2012, (as restated) consist of:

	<i>(In Thousands)</i>
Land properties (Notes 15 and 18)	₱4,599,611
Building (Note 15)	8,650
	<hr/> ₱4,608,261 <hr/>

The Company

The total carrying amount of the Company's investment properties includes land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of 2,514.76 hectares and total value of ₱4,223.4 million as of September 30, 2012 (see Note 18).

On January 26, 2011, the Company received confirmation from the SEC that RCI may change its accounting policy in its Investment Properties from cost model to fair value model in accordance with PAS 8 and PAS 40. A fair valuation of its Investment Properties conducted by an independent appraiser last December 15, 2010 using Sales Comparison Approach showed that the Company's assets with carrying amount of ₱ 339.37 million have a fair market value of ₱4,625.1 million. Accordingly, the Company recorded the increase from cost to fair value of ₱ 4,285.7 million in its investment properties and the resulting revaluation surplus as Restricted Retained Earnings.

In June 2013, the Company received from Land Bank of the Philippines Agrarian Reform bonds of ₱ 10.770 Million and cash of ₱ 1.2 million as compensation for 75.1203 has. portion of Hda. Palico which the Department of Agrarian Reform subjected to CARP. . The coverage and valuation date was as of May 31, 1989 with valuation adjustment as of June 30, 2009. These properties were part of the landholdings that were fair valued in January 2011. Accordingly, the Company adjusted its Restricted Retained Earnings by ₱ 190.8 million representing fair value increment pertaining to the 75.1203 has. recorded in 2009.

As of September 30, 2012 and 2011 and June 30, 2011, the fair value of investment properties,

including those land properties subjected to CARL, are based on the appraised values of the properties as of June 30, 2011 and December 31, 2010, respectively, as determined by a professionally qualified independent appraiser.

Investment properties with carrying value of ₱6.2 million are used as collateral for the Company's long-term borrowings (see Note 15).

RLC

Investment property of RLC pertains to a commercial building for lease in Nasugbu, Batangas. The fair value of the investment property as of September 30, 2012 and 2011 and June 30, 2011 are based on the appraisal reports dated September 5, 2011 and September 21, 2010, respectively, as determined by a professionally qualified independent appraiser.

Rental income from this investment property amounted to ₱0.470 million and ₱0.723 million for the nine month period ended June 30, 2013 and 2012, respectively,

The investment property was used as collateral for RLC's long-term borrowings (see Note 15).

NAVI

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

As of September 30, 2012 and 2011, the fair value of the investment property amounted to ₱175.7 million and ₱170.4 million, respectively, as determined by a professionally qualified independent appraiser. There was no movement in fair value of the investment property for the three months ended September 30, 2011.

Bases of Valuation

The value of the properties 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.

11. Property, Plant and Equipment

	June 30, 2013					Total
	Buildings and Improvements	Machineries And Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
	<i>(In Thousands)</i>					
Cost						
Beginning balances	₱2,769,493	₱11,935,543	₱34,587	₱80,968	₱63,506	₱14,884,097
Additions (Notes 2 and 9)	9,119	54,258	0	2,214	24,660	90,251
Ending balances	₱2,778,612	₱11,989,801	₱34,587	₱83,182	₱88,166	₱14,974,348
Accumulated Depreciation						
Beginning balances	(974,670)	(5,433,890)	(23,668)	(68,648)	-	(6,500,876)
Depreciation	(84,024)	(414,941)	(5,098)	(4,686)	-	(508,749)
Ending balances	(1,058,694)	(5,848,831)	(28,766)	(73,334)	-	(7,009,625)
Net Book Value	₱1,719,918	₱6,140,970	₱5,821	₱9,848	₱88,166	₱7,964,723

September 30, 2012						
	Buildings and Improvements	Machineries And Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	Total
<i>(In Thousands)</i>						
Cost						
Beginning balances	₱2,763,180	₱11,847,679	₱32,935	₱79,092	₱51,279	₱14,774,165
Additions (Notes 2 and 9)	5,547	43,347	–	1,128	79,087	129,109
Disposals	–	(18,686)	(185)	(306)	–	(19,177)
Reclassifications	766	63,203	1,837	1,054	(66,860)	–
Ending balances	2,769,493	11,935,543	34,587	80,968	63,506	14,884,097
Accumulated Depreciation						
Beginning balances	(860,856)	(4,882,783)	(17,433)	(61,631)	–	(5,822,703)
Depreciation	(113,860)	(566,165)	(5,134)	(7,082)	–	(692,241)
Disposal	–	15,058	108	219	–	15,385
Reclassifications	46	–	(1,209)	(154)	–	(1,317)
Ending balances	(974,670)	(5,433,890)	(23,668)	(68,648)	–	(6,500,876)
Net Book Value	₱1,794,823	₱6,501,653	₱10,919	₱12,320	₱63,506	₱8,383,221

Land at appraised values and had it been carried at cost as of June 30, 2013 and September 30, 2012 are as follows:

	<i>(In Thousands)</i>
Beginning balance at appraised values	₱2,544,233
Revaluation increase	230,187
Transfer to investment property (Note 10)	–
Ending balance at appraised values	₱2,774,420
At cost	₱49,361

a. Construction in progress

Uncompleted projects as of June 30, 2013 and September 30, 2012 pertain mainly to regular plant improvements and capital expenditures. Construction in progress as of June 30, 2011 pertains mainly to the construction of bioethanol plant.

Milling plant improvement project (the Expansion Project)

With the intent of improving its revenue generating capability, the Group purchased second-hand mills and related equipment in August 2007 and March 2008.

The Group obtained short-term and long-term borrowings from various banks to finance the Expansion Project, which was substantially completed in fiscal year 2011 (see Notes 12 and 15).

RBC plant construction project

On June 27, 2008, in line with the Expansion Project, RBC entered into an agreement to construct its bioethanol plant in La Carlota City, Negros Occidental for a total contracted amount of US\$20.8 million. As of June 30, 2011, the balance in the construction in progress relating to RBC plant amounted to ₱1,173.6 million. RBC has started operating the plant during the three months ended September 30, 2011. RBC reclassified its construction in progress amounting to ₱1,173.9 million in 2011.

b. Capitalization of borrowing costs

Interests from short and long-term borrowings amounting to ₱43.8 million and ₱174.6 million for the years ended June 30, 2011 and 2010, respectively, incurred to finance the Expansion Project were capitalized to property, plant and equipment (see Notes 12 and 15). No capitalization of interest was made for the year ended September 30, 2012 and the three months ended December 31, 2012. The Group amortizes such capitalized interest over the useful life of the qualifying asset to which it relates.

d. Depreciation

Depreciation charged to operations as of June 30 are as follows:

	2013	2012
	<i>(In Thousands)</i>	
Cost of goods sold (Note 20)	₱447,718	₱499,286
General and administrative expenses (Note 21)	37,529	40,242
	485,247	₱539,528

e. Property, plant and equipment as collateral

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

12. Short-term Borrowings

Loans availed by the Company

On September 10, 2012, the Bank of the Philippines Islands (BPI) granted a medium-term loan facility to pay-off outstanding long-term loan with Banco de Oro Unibank, Inc. (BDO), with maturity period of 7 years amounting to ₱400.0 million.

On September 20, 2012, BPI approved an additional short-term loan line facility, which shall be re-allocated from the unutilized medium-term loan facility amounting to ₱400.0 million. The Company availed of the short-term loan amounting to ₱400.0 million with maturity period of 30 days and bears interest rate at prevailing market interest rates (initially at 4.50%). The loan agreement is subject to monthly renewal until settlement. The short-term loan facility provides that BPI reserves the right to modify, suspend or cancel the credit facility as maybe warranted by among others, BPI's evaluation of the Company's financial statements and changing market conditions.

On January 22, 2013, the Company converted the ₱400.0 million short term loans to medium term loans.

Loans availed by RLC, CACI, CADPI and RBC

At various dates in the interim period ended June 30, 2013 and years September 30, 2012 and June 30, 2011, RLC, CACI, CADPI and RBC obtained unsecured short-term loans from various local banks to meet their working capital requirements. The loans, which are payable in lump sum on various dates, are subject to annual interest rates ranging from 4% to 7%, 4.5% to 8.5%, and 4.0% to 6.5% and have terms ranging from 28 days to 180 days, 29 to 90 days and 29 to 32 days respectively.

As of June 30, 2013 and September 30, 2012, the balance of the short-term loans of the Group amounted to ₱2,035 million and ₱1,638.0 million, respectively.

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
Trade	₱226,593	₱94,922
Accrued expenses:	0	
Interest (Notes 12 and 15)	61,676	48,921
Contractors	8,819	4,055
Outside services	26,030	1,033
Payroll and other benefits	5,332	47,283
Purchases	30,728	193,839
Due to planters	143,819	58,191
Payable to government agencies for taxes and contributions	246,015	122,284
Due to related parties (Note 16)	59,616	64,936
Off season costs	453,110	0
Others (Note 11)	150,981	131,587
	₱1,412,719	₱767,051

Accrued purchases consist principally of accruals for purchase of goods and services such as utilities, freight and handling and repairs and maintenance. 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 sugar and molasses will be applied against future deliveries of sugar and molasses which are expected to be completed in the next 12 months. Deposits from sale of real estate properties are applied against the receivable upon recognition of revenue. Customers' deposits amounted to ₱179.0 million and ₱72.6 million as of June 30, 2013 and September 30, 2012, respectively.

15. Long-term Borrowings

Long-term borrowings consist of:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
BDO	₱5,184,436	₱4,368,484
Syndicated Loan Agreement:	0	

Bank of the Philippine Islands (BPI)	896,552	896,552
Rizal Commercial Banking Corporation (RCBC)	448,276	448,276
BPI	900,000	500,000
BPI Family Savings Bank	5,074	8,672
	7,434,338	6,221,984
Current portion	(157,903)	(165,940)
	₱7,276,435	₱6,056,044

a. Loans availed by the Company

On January 20, 2009, the Company availed of a loan facility with BDO with a credit line of ₱650.0 million to finance the full implementation of the Group's reorganization plan. The loan facility is made available to the Company and RHI provided that combined availments does not exceed the credit line.

The loan is secured by real estate mortgages over several investment properties and property and equipment owned by the Company and properties for development owned by RLC and pledge over shares of stock of RHI held by the Company totaling to 597,606,670 shares. Investment properties, property and equipment and shares of stock of RHI held by the Company under collateral totaled ₱1.9 billion as of September 30, 2012 and 2011 and June 30, 2011 (see Notes 9, 10 and 11).

As of September 30, 2011, the Company has availed of loans amounting to ₱427.0 million, which bear interest ranging from 5.63% to 6.75%, to be repriced every quarter as agreed by the parties. Long-term borrowings amounting to ₱217.0 million and ₱210.0 million are payable in equal quarterly installments until January 20, 2015 and October 15, 2015, respectively.

Principal payments amounted to ₱399.9 million for the year ended September 30, 2012.

In 2012, the Company availed of a loan amounting to ₱31.2 million which bear interest at 5.25% per annum to be repriced every quarter as agreed by the parties. This loan was fully paid as of March 2013.

In January 2013, the Company converted its ₱ 400 million short-term loans with BPI 7-year medium term loans. These loans carries interest rate of ranging from 4.25% to 5.0505% with 2-year grace on principal amortization. The loan is secured by real estate mortgages over several investment properties and property and equipment owned by the Company and properties for development owned by RLC and pledge over shares of stock of RHI held by the Company totaling to 99,609,445 shares.

Long-term borrowings of the Company amounted to ₱400 million and ₱31.2 million as of June 30, 2012 and September 30, 2012, respectively.

b. Loans availed by RHI and its subsidiaries

On February 8, 2008, RHI signed the long-term and short-term loan facility with BDO for an aggregate amount of ₱6,189.0 million. The principal amount of debt accommodation is shared by

RHI and CADPI/CACI amounting to ₱1,570.0 million and ₱4,619.0 million, respectively. In addition, on February 14, 2008, CADPI and CACI entered into a Syndicated Loan Agreement with BPI and RCBC (with BPI as the lead bank) for a total credit line of ₱1,500.0 million. On the same date, CADPI also signed a loan facility with BPI-AMTG amounting to ₱500.0 million. On March 12, 2008, CADPI and CACI signed an amendment to the Syndicated Loan Agreement and loan facility with BPI-AMTG clarifying certain provisions of the original agreements.

RHI

On May 5, 2008, RHI availed loans from BDO amounting to ₱143.3 million to finance its Shares Buy Back Program. The principal of the loan is payable quarterly starting on the 4th year of the 10-year term.

Short-term loans availed from BDO on May 5, 2008 and October 29, 2008 amounting to ₱400.0 million and ₱175.0 million, respectively, were replaced by long-term borrowings. As such, the principal of the loan will be payable quarterly starting on the 4th year of the original 10-year term.

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

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

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

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

In February 2012, RHI availed a three-year loan amounting to ₱1.6 million. The principal and interest of the loan is payable in equal monthly installments starting on February 22, 2012.

In various dates in 2012 and August 2011, RHI paid loans from BDO amounting to ₱42.0 million and ₱31.4 million, respectively.

CADPI

On February 14, 2008, CADPI entered into a loan agreement with BPI-AMTG to avail loans in two tranches with an aggregate principal amount of ₱500.0 million. Tranche "A" of the loan amounting to ₱300.0 million bears fixed annual interest of 7.97% and payable on the 5th

anniversary date of the borrowing. On the other hand, Tranche “B” of the loan amounting to ₱200.0 million bears fixed annual interest of 8.36% and payable on an installment basis, ₱2.0 million on the 5th and 6th anniversary date of the borrowing and the balance on the 7th anniversary date of the borrowing.

On May 5, 2008, CADPI availed loans from BDO BPI and RCBC amounting to ₱365.9 million, ₱167.2 million and ₱83.6 million, respectively, which bear fixed annual interest rates subject to quarterly repricing. Loans availed are with 10-year terms and will all mature on May 5, 2018.

On October 29, 2008, additional loans were availed by CADPI from BDO, BPI and RCBC amounting to ₱459.0 million, ₱143.6 million and ₱71.4 million, respectively, with interest rates subject to quarterly repricing as agreed by the parties.

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

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

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

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

On June 14, 2012, CADPI availed additional loans from BPI amounting to ₱500.0 million, the proceeds of which are used to pay-off CADPI’s long-term loan with BPI-AMTG amounting to ₱477.9 million. The loan carries interest rate per annum equivalent to the higher of: (a) the sum of the base rate plus one-and-a-half percent (1.50%), or; (b) the BSP RRP overnight rate plus one-and-a-half percent (1.50%). Gross Receipts Tax shall be for the account of CADPI. The loan is payable in 15 equal consecutive quarterly installments on each repayment date, with the first installment commencing on no later than November 5, 2014.

In various dates in 2012, CADPI paid loans from BDO, BPI and RCBC amounting to ₱107.8 million, ₱44.2 million and ₱11.1 million, respectively. In August 2011, CADPI paid loans from BDO, BPI and RCBC amounting to ₱81.7 million, ₱22.1 million and ₱11.1 million, respectively. In May 2011, CADPI paid loans from BPI and RCBC amounting to ₱22.1 million and ₱11.1 million, respectively.

In February 2013, CADPI availed additional loans from BDO amounting to ₱800 million with a term of three years to finance permanent working capital requirements. The loan carries interest rate of 4.25% for the first three months from and after value date, repriceable quarterly based on prevailing market rate of interest.

CACI

On May 5, 2008, CACI availed loans from BDO, BPI and RCBC amounting to ₱395.3 million, ₱129.8 million and ₱64.9 million, respectively, with interest rates subject to quarterly repricing. Loans availed are with 10-year terms and payable in 29 and 28 quarterly installments beginning May 2011 for BPI and RCBC and August 2011 for BDO, respectively.

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

On August 12, 2009, CACI availed additional loans from BPI and RCBC amounting to ₱230.2 million and ₱113.9 million, respectively. On August 10, 2009, CACI also obtained additional loan from BDO amounting to ₱781.0 million. Loans availed from BPI and RCBC with fixed interest rates of 8.74% and 8.88%, respectively, are payable in 29 equal quarterly installments beginning May 2011. Loans availed from BDO, on the other hand, carry fixed interest rate of 8.94% and are payable in 28 quarterly installments beginning August 5, 2011.

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

In various dates in 2012, CACI paid loans from BDO, BPI and RCBC amounting to ₱68.2 million, ₱12.4 million and ₱6.1 million, respectively. In August 2011, CACI paid loans from BDO, BPI and RCBC amounting to ₱51.5 million, ₱12.4 million and ₱6.2 million, respectively. In May 2011, CACI paid loans from BPI and RCBC amounting to ₱12.4 million and ₱6.2 million, respectively.

RBC

On June 17, 2011, RBC availed long-term loan with BDO amounting to ₱925.0 million to finance working capital requirements. Loan availed carries quarterly repricing interest rate and is payable quarterly starting on the 3rd year of the 10-year term from drawdown date.

c. Loans availed by RLC

On February 3, 2009, RLC obtained a term loan facility from BDO amounting to ₱40.0 million to finance the development of its real estate projects (see Note 7). 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 6.1% to 6.6% for the first 45 to 92 days and to be repriced every 30 to 180 days. Principal amounts are payable quarterly after the two-year grace period allowed by the bank until May 4, 2014.

The loan facility is secured by RLC's investment property, with fair value of ₱8.7 million and ₱10.6 million as of September 30, 2012 and 2011, as well as the assignment of leasehold rentals from the said property (see Note 10).

On January 22, 2013, Roxaco restructured its ₱23.3 million long term loan balance via availment from the ₱120.0 million medium-term loan with BDO.

Debt Arrangement Fees and Borrowings Costs

As part of the Syndicated Loan Agreement with BPI/RCBC, the Group incurred debt arrangement fees amounting to ₱59.4 million in 2008. Amortization of debt arrangement fees included under interest expense amounted to ₱35.7 million for the year ended June 30, 2011. Debt arrangement fees were fully amortized as of June 30, 2011.

Total interest expense recognized from long-term borrowings amounted to ₱374.4 million, ₱513.6 million and ₱182.9 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱119.0 million for the three months ended September 30, 2011, excluding capitalized interest of ₱0.4 million, ₱2.1 million and ₱137.9 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱0.1 million for the three months ended September 30, 2011 (see Notes 7 and 11).

Suretyship Agreements and Mortgage Trust Indenture and Debt Covenants

The Company

In relation to the BDO loan facility, the Company, RHI and RLC entered in a Continuing Suretyship Agreement with BDO. Under the Agreement, BDO shall have the right to proceed against the surety for the payment of the secured obligations. The suretyship shall remain in full force and effect to secure any future indebtedness until released by the bank at the request of the surety.

RHI and its subsidiaries

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

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

Further in 2009, the 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: (a) Nasugbu, Batangas

which consist mainly of RHI's land and CADPI's properties with an aggregate carrying value of ₱2.2 billion, ₱2.1 billion and ₱2.1 billion and ₱3.8 billion, ₱4.1 billion and ₱4.2 billion, respectively, as of September 30, 2012 and 2011 and June 30, 2011 and (b) CACI's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱4.0 billion as of September 30, 2012 and 2011 and June 30, 2011.

In 2011, RBC executed an MTI to secure the loans obtained from BDO. The MTI covers RBC's properties in La Carlota, Negros Occidental with an aggregate carrying value of ₱1.5 billion as of September 30, 2012.

Loan Covenants

The loan agreements of RHI and its subsidiaries are subject to certain covenants such as but not limited to:

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

As a result of the significant drop in sugar prices in the last quarter of fiscal year 2011, among other factors, as discussed in Note 1, RHI and subsidiaries incurred losses on the disposal of sugar inventories. In fiscal year ended June 30, 2011 and three months ended September 30, 2011, the Group did not meet the minimum DSCR required under the long-term loan agreements with certain creditor banks, which constitutes an event of default on such loans. Further, due to cross default provisions of the Company's and RLC's loans, this resulted in an event of default on these loans. In view of this, the noncurrent portion of long-term borrowings amounting to ₱5.9 billion and ₱6.2 billion is presented as current liabilities as of September 30, 2011 and June 30, 2011, respectively.

As discussed in Notes 1 and 3, in September and October 2011, the Group obtained from the creditor banks a waiver of breach of covenant on the DSCR covering fiscal year ended June 30, 2011 and interim period ended September 30, 2011. In December 2011 and January 2012, a similar waiver was obtained by the Group from these creditor banks covering the period October 2011 to September 2012.

As a result of the renegotiation made with the banks as discussed above and positive results of operations achieved in 2012, the Group has complied with its loan covenants as of September 30, 2012.

As of June 30, 2013, the Group is in compliance with these loan covenants.

Maturities of Long-term Borrowings

The maturities of the Group's long-term borrowings are as follow:

June 30, 2013 September 30, 2012

(In Thousands)

Less than one year	₱157,903	₱165,940
Between one and two years	1,235,264	246,946
Between two and five years	5,954,861	3,730,886
Over five years	86,310	2,078,212
	₱7,434,338	₱6,221,984

16. Related Party Transactions

- a. Outstanding balances of the Group with other related parties are as follows:

	Relationship	June 301, 2013		September 30, 2012	
		Advances		Advances	
		To (Note 5)	From (Note 13)	To (Note 5)	From (Note 13)
FDC	Associate	₱45,819	₱13,211	₱48,610	₱13,211
FLC	Associate	14,984	8,816	14,984	8,816
RADC	Associate	-	10,966	-	10,966
VJ Properties, Inc. (VJPI) (Note 18)	Joint venture partner	8,390	-	8,814	-
Marilo Realty Development Corporation (Note 18)	Joint venture partner	2,936	345	1,193	310
LPC	Affiliate	3,173	25,450	3,173	31,145
CADPI Retirement Fund	Retirement Fund	0	-	60,525	-
Others	Affiliate	7,301	828	202	488
		₱82,603	₱59,616	₱137,501	₱64,936

- 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 September 30, 2011 and June 30, 2011, RLC is in negotiation with FDC for the allocation of the actual number of shares assigned. RLC did not recognize assignment fee in 2011 and 2010.
- ii. Advances from related parties used for working capital requirements of RLC are noninterest-bearing and have no fixed repayment terms.
- b. As of September 30, 2012, the Company's outstanding receivables from CADPRFI represent advance payments made by the Company to its redundated employees.
- c. Transactions and balances with related parties eliminated during consolidation are as follows:

	June 30, 2013	September 30, 2012
	<i>(In Thousands)</i>	
Due to related parties:		
RLC	₱8,820	₱10,145
UVC	1,511	627
RHI	16,442	16,442

CADPI	7,579	7,579
CACI	25,522	25,522
	₱59,874	₱60,315
Dividends receivable	₱-	₱14,711
Rental income - RHI	₱230	₱466
Dividend income:		
RLC	15,000	₱42,000
RHI	23,904	35,856
UVC		300
	38,904	₱78,156
Management fee - RLC	₱5,400	₱1,200

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

- i. The Company has a management agreement with RLC whereby the Company shall provide technical and administrative services on all aspects of RLC's operations for a fee as stipulated in the agreement. The management agreement is effective from January 1, 2006 up to December 31, 2007. The agreement will automatically renew for another two years, unless terminated by both parties. As of September 30, 2012 and 2011, and June 30, 2011, the management agreement was renewed by both parties. Management fee amounted to ₱5.4 million for the nine months ended June 30, 2013 and ₱1.2 million for the year ended September 30, 2012.
 - ii. The Company has a contract of lease with RHI for the rental of a portion of the 7th floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City starting January 2009. The lease is renewable annually at the option of the Company under such terms and conditions mutually acceptable by the parties.
 - iii. RLC declared cash dividends totaling to ₱ 15.0 million for the nine month period ending June 30, 2013 and ₱42.0 million for the year ended September 30, 2012.
 - iv. UVC declared cash dividends amounting to ₱0.3 million in December 2011.
 - v. In September 2012, RHI declared cash dividends to its stockholders. Cash dividends received by the Company amounted to ₱35.9 million at ₱0.06 per share. As of September 30, 2012, dividends receivable from RHI amounted to ₱14.7 million. In December 2012, RHI declared additional dividends of ₱0.04 per share.
- d. Transactions such as rental arrangements are made under normal commercial terms and conditions. Outstanding balances at year-end are unsecured and settlement occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are non-interest bearing and have no fixed repayment terms. No impairment of the receivables have been recorded. Impairment review is undertaken each financial year.
- e. Key management compensation amounted to ₱ 64.91 million and ₱ 52.18 million for the period

ending June 30, 2013 and 2012, respectively:

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

17. Retirement Benefits

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 benefits, for both normal and optional 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 as of December 31 and September 30, 2012 are as follows:

	<i>(In Thousands)</i>
Present value of obligation	₱58,575
Fair value of plan assets	110,332
Surplus	51,757
Unrecognized actuarial loss	80,250
Net pension plan assets	₱132,007

Plan assets cannot be returned to the Company, RLC and RHI unless on circumstances discussed in Note 2. The net pension plan assets as of December 31, 2012 amounting to ₱132.0 million will be used to reduce future contributions to the retirement fund. Consequently, a portion of the Group's retained earnings related to pension plan asset, net of deferred income tax effect, is not available for dividend declaration

Net Pension Benefit Obligation

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

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

FHPMC, on the other hand, provides for the estimated retirement benefits of qualified employees as required under Republic Act (R.A.) No. 7641. In the absence of a formal retirement plan, under the R.A. 7641, an employee who retires shall be entitled to retirement pay equivalent to at least one-half month salary of every year of service, a fraction of at least six months being considered as one whole year.

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

	June 30, 2013	September 30, 2012
		<i>(In Thousands)</i>
Present value of obligation	₱389,239	₱456,386
Fair value of plan assets	352,673	352,673
Deficit	36,566	103,713
Unrecognized actuarial loss	(10,889)	(16,926)
Net pension benefit obligation	₱25,677	₱86,787

18. Commitments and Contingencies

The Company

Land Properties Subjected to CARL

The Comprehensive Agrarian Reform Law (CARL) provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOAs) covering 2,676 hectares of the Company's three haciendas - Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOAs. On December 17, 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three haciendas. The High Tribunal ruled that the Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Company filed with the 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. The Company likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural lands in Nasugbu, Batangas to non-agricultural lands. However, the Court noted that the Company "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption".

Consequently, in April 2010, RCI filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare fourteen (14) specific geographical areas within the Company's landholdings as tourism zones. To date, this application has remained unacted upon.

In February 2012, the Supreme Court affirmed the exemption of the 21.1236-hectare property from the coverage of the CARP.

In October 2012, the Company disclosed that DAR published the Notice of Coverage on several RCI properties aggregating 2,514.76 hectares. The Company filed a protest in the office of the DAR against the wrongful coverage [failure to observe the proper rules before publishing the said Notice of Coverage and the applicable law (RA 6657 vs. RA 9700)]. The protest is still pending before the DAR.

In November 2012, the BOD authorized the Company to Voluntary Offer to Sell (VOS) certain properties to the DAR.

In total, there are about 235 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARL, including the 21-hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GRN 169331.

RHI and its Subsidiaries

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

	June 30, 2013		September 30, 2012	
	Total volume (In thousands) (Lkg*)	Estimated market value (In Millions)	Total volume (In thousands) (Lkg*)	Estimated market value (In Millions)
Raw sugar	40	₱ 42	363	₱536
Refined sugar	517	921		
Raw molasses	17	110		
Refined molasses	1	6	128	226
	575	₱1,079	491	₱762

*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 trusted sugar or their sales proceeds.

- c. CADPI entered into sales contracts with principal customers for the sale of raw and refined sugar and molasses. As of June 30, 2013, CADPI has outstanding sales contracts for refined sugar with a total value of ₱1.085 million, equivalent to 553,596 LKg. On the otherhand, CACI has outstanding sales contract for raw sugar with a total value of ₱86 million, equivalent to 53,800 LKg.

CADPI received cash deposits from customers for the above transactions as of June 30, 2012 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 CADPI as lessee through notification in writing not later than 90 days prior to the expiration of the agreement. . Related rent expense charged to operations amounted to P0.1 million in December 2012 and 2011.(see Note 20).

- (ii) Contract for hauling services for the transport of sugarcane from the plantation to the mill. Related hauling expense charged to operations amounted to ₱123.7 million, ₱126.6 million and ₱105.5 million for the years ended September 30, 2012 and June 30, 2011 and 2010 (see Note 20). There were no hauling expenses incurred for the three months ended September 30, 2011.
- e. On January 14, 2009, RBC and World Bank signed a \$3.2 million Emission Reduction Purchase Agreement (ERPA) for the purchase of carbon emission credits under the Clean Development Mechanism of the Kyoto Protocol. The ERPA will also avoid at least 50,000 metric tons of carbon dioxide each year and has a crediting period of 10 years starting 2010.

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

- f. There are pending labor and other legal cases and claims in the ordinary course of RHI and its subsidiaries as at December 31, 2012 and 2011 and in the opinion of management and legal counsel, the ultimate outcome of all but one of these cases will not have a material effect on the financial position and performance of the Group. Consequently, no provision related to these legal cases was made in the consolidated financial statements.
- g. As of June 30, 2013 and September 30, 2012 the Group has unused lines of credit from local banks amounting to ₱2,536 million and ₱892.0 million, respectively (see Notes 12 and 15).

RLC

Joint Venture

On December 2, 2009, RLC entered into a joint venture agreement with VJ Properties, Inc. (VJPI) for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate among themselves the developed saleable lots and villas. Total costs incurred for the project as of June 30, 2013 and September 30, 2012 amounted to ₱88.7 million and ₱67.5 million, respectively, and are presented as part of "Raw land and land improvements" under "Real estate for sale and development" in the consolidated balance sheets (see Note 7).

19. Revenue

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

	2013	2012
	<i>(In Thousands)</i>	
Refined sugar	₱2,235,555	₱2,379,659
Raw sugar	1,279,836	2,701,536
Alcohol	148,027	418,958
Molasses	296,193	149,168
Tolling fees	19,114	124,057
Sale of real estate	54,890	79,310
Others	0	23,118

₱4,033,615 **₱5,875,806**

20. Cost of Goods Sold

	2013	2012
	<i>(In Thousands)</i>	
Purchased molasses	₱92,235	₱41,431
Purchased sugar		1,657,426
Cost of transporting cane to mill (Notes 6 and 18)	562,373	555,308
Direct labor (Note 22)	208,887	254,147
Net changes in inventories (Note 6)	(192,590)	(76,896)
Tolling fees	11,244	1,179
Manufacturing overhead:	0	0
Depreciation (Note 11)	447,718	499,286
Materials and consumables	346,664	234,138
Fuel and oil	0	0
Repairs and maintenance	148,397	153,057
Taxes and licenses (Note 18)	48,641	87,280
Outside services	85,843	81,038
Communication, light and water	289,188	286,048
Rent (Note 18)	55,588	58,283
Off season operational costs	327,851	297,726
Others	293,833	286,158
Provision for inventory losses and obsolescence (Note 6)	32,511	32,773
Cost of real estate sales	15,450	24,534
	₱2,773,833	₱4,472,916

21. Operating Expenses

Selling Expenses

Selling expenses mainly pertain to delivery charges, marketing and other fees.

General and Administrative Expenses

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

	2013	2012
	<i>(In Thousands)</i>	
Salaries, wages and other employee benefits (Notes 17 and 22)	₱170,127	₱295,178
Provision for loss (Note 18)	0	73,114
Outside services	52,509	66,464
Taxes and licenses	73,965	150,011
Depreciation (Note 11)	37,530	40,242
Insurance	16,901	23,942
Rent	17,378	18,095
Materials and consumables	18,223	15,091
Travel and transportation	6,212	10,178
Communication, light and water	10,352	10,639
Repairs and maintenance	5,699	6,586

Representation and entertainment	3,954	5,677
Corporate social responsibility	8,313	3,779
Others	59,236	134,623
	₱480,399	₱853,619

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

22. Personnel Costs

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

	2013	2012
	<i>(In Thousands)</i>	
Salaries and wages (Notes 20 and 21)	₱282,667	₱325,318
Allowances and other employee benefits (Notes 20 and 21)	58,869	60,884
Pension costs (Note 17)	39,612	30,122
	₱381,148	₱416,324

23. Other Income - Net

The components of other operating income as of June 30 are as follows:

	2013	2012
	<i>(In Thousands)</i>	
Storage fees and penalties	₱6,800	₱16,323
Sugar and molasses handling fees	2,430	26,075
Sale of scrap	343	10,362
Recovery from performance bond/insurance	3,248	33,117
Foreign exchange loss	2,975	0
Others	26,826	25,521
	₱42,622	₱103,518

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

24. Income Taxes

The components of the Group's consolidated net deferred income tax assets and net deferred income tax liabilities represent the tax effects of the following temporary differences:

	June 30, 2013		September 30, 2012	
	Net Deferred Income Tax Assets(1)	Net Deferred Income Tax Liabilities (2)	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities (As restated, Note 2)
<i>(In Thousands)</i>				
Deferred income tax assets on:				
Allowance for:				
Impairment of receivables (Note 5)	₱35,654	₱-	₱35,654	₱-
Sugar inventory losses (Note 6)	7,269	-	766	-
Inventory obsolescence (Note 6)	11,747	-	11,747	-

Impairment of investment in shares of stock of associates (Note 9)	1,384	–	1,384	–
Deductible temporary difference arising from use of the installment method of revenue recognition for tax reporting	1,303	–	1,303	–
Pension benefit obligation (Note 17)	25,721	–	25,721	–
Unamortized past service cost	53,825	819	55,491	819
Unrealized foreign exchange loss	1,428	–	1,428	–
NOLCO	6,513	–	89,357	675
Excess MCIT	31,028	4,363	46,511	4,363
Allowance for unrealized CWT	3,663	–	3,663	–
Various accruals	15,033	–	15,033	–
	194,568	5,182	288,058	5,857
Deferred income tax liabilities on:				
Revaluation increment on properties (Note 25)	(4,995)	(761,898)	(4,995)	(761,898)
Unamortized capitalized interest (Note 11)	(123,811)	–	(130,236)	–
Pension plan assets (Note 17)	(989)	(34,072)	(989)	(38,613)
Unrealized fair value gains on investment properties (Note 10)	(450)	–	(450)	–
Unrealized share in fair value reserve of an associate (Note 9)	–	(171)	–	(171)
	(130,245)	(796,141)	(136,670)	(800,682)
Deferred income tax assets				
(liabilities) – net	₱64,323	(₱790,959)	₱151,388	(₱794,825)

(1) The recognized net deferred income tax assets pertain to the Company, RLC, CADPI and CACI

(2) The recognized net deferred income tax liabilities pertain to RHI, RBC and NAVI.

- e. The reconciliation between the provision for (benefit from) income tax computed at the applicable statutory tax rate and provision for income tax presented in the consolidated statements of income follows:

	September 30		June 30	
	2012 (One Year)	2011 (Three Months)	2011 (One Year)	2010 (One Year)
	(In Thousands)			
Provision for (benefit from) income tax at statutory rates	₱143,427	(₱231,857)	(₱233,496)	₱89,957
Adjustments resulting from:				
Application of deductible temporary differences and NOLCO for which no deferred income tax assets were previously recognized	(380,256)	(52,651)	(1,818)	(1,359)
Expiration of excess MCIT credits	14	1,256	411	–
Unrecognized deferred income tax assets arising from deductible temporary differences and NOLCO	61,888	282,733	287,410	44,234
Tax effects of:				
Deficiency taxes	25,501	–	–	–
Nondeductible interest expense	227	–	–	–
Interest and dividend income subjected to final tax	(284)	(101)	(185)	(563)
Equity in net loss (earnings) of associates (Note 9)	(14,734)	5,395	(54,005)	(43,381)
Depreciation on appraisal increase	–	–	–	952
Others	9,878	382	6,034	1,097
Provision for (benefit from) income tax	(₱154,339)	₱5,157	₱4,351	₱90,937

25. Equity

a. Share capital

Details of share capital as of June 30, 2013 and September 30, 2012 follow:

	Number of shares	Amount
Authorized common shares "Class A" at ₱1 par value each	3,375,000,000	₱3,375,000,000
Issued and outstanding common shares "Class A" at ₱1 par value each	2,911,885,869	₱2,911,885,869

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.

b. Share premium and revaluation increment on properties

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

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CCSI and CFSI for ₱1.3 billion of CADPGC's common shares with a par value of ₱1 per share for ₱2.0 billion, the cost of investments in RHI's books immediately before the transfer. CADPGC recorded a premium of ₱596.8 million and set-up share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's ownership interest in CADPGC increased and CADPI, CCSI and CFSI became 100%-owned subsidiaries of CADPGC.

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

c. Restructuring on equity

As discussed in Note 1, CADPGC and RCI have undertaken a merger effective June 29, 2009, with CADPGC as the surviving entity. The transaction was accounted for under pooling of interests and as such, comparative balances were presented as if the combining entities have always been combined. As a result, RCI's investment in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury shares. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under "Other equity reserve" which

amounted to ₱4.0 billion in 2009.

In the fiscal year ended June 30, 2011, the Group opted to transfer the balance of the “Other equity reserve” arising from the merger between RCI and CADPGC as discussed in the preceding paragraph to retained earnings as management believes that such transfer of the “Other equity reserve” arising from the merger will result to a more useful and relevant financial statements. In January 2011, SEC had concurred with the adjustments made by the Company.

d. Retained earnings

Restricted retained earnings

Retained earnings that are not available for dividend declaration are as follows:

Application of revaluation increment against deficit	₱203,075
Net unrealized fair value gains on investment properties included in the retained earnings (Note 2)	106,126
	₱309,201

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 purposes of dividend declaration, the retained earnings of the Company shall be restricted to the extent of the deficit wiped out by the appraisal increment.

For purposes of dividend declaration, the retained earnings of the Company shall be restricted to the extent of the appraisal increase on investment properties that was closed to retained earnings, net of the debit balance of "Other equity reserve".

Further, unrestricted retained earnings include accumulated earnings of consolidated subsidiaries and unconsolidated associates amounting to ₱781.2 million and ₱1,249.7 million as of June 30, 2011 and 2010, respectively, which are not available for distribution to the Company's stockholders unless received as cash dividends from investees.

Dividends declaration

No dividends were declared by the Company in 2012, 2011 and 2010.

Outstanding dividends payable amounting to ₱4.4 million as of June 30, 2013 and September 30, 2012 pertains to the dividend declaration in 2009.

e. 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
April 2013 – June 2013	₱3.00	₱2.27
January 2013 – March 2013	2.39	2.25
October 2012 –December 2012	3.50	1.68
October 2011 through September 2012		
First	2.10	1.10
Second	3.20	1.26
Third	2.85	1.51
Fourth	2.25	1.51
July 2011 through September 2011	1.11	1.10
July 2010 through June 2011		
First	0.95	0.95

Second	1.64	0.95
Third	1.40	1.11
Fourth	1.12	1.11

26. Earnings (Loss) Per Share

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

	June 30, 2013	June 30, 2012
Net income (loss) attributable to the equity holders of the Company	₱167,645	₱242,435
Weighted average number of shares issued and outstanding	2,911,886	2,911,886
Basic/diluted earnings per share	₱0.058	₱0.083

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

27. Seasonality of Operations

Demand for raw and refined sugar products are significantly influenced by seasons of the year. The seasonality also influences production and inventory levels and product prices. Annual repairs and maintenance are performed before the start of the milling, which is normally in the first and second quarter of the crop/financial year.

28. Capital Management

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

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

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

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

	September 30		June 30	
	2012	2011	2011	2010
	<i>(In Thousands except ratio)</i>			
Total liabilities	₱9,635,202	₱11,625,707	₱12,201,107	₱10,634,644
Total equity	10,080,730	9,028,380	9,806,393	10,424,438
Total liabilities and equity	₱19,715,932	₱20,654,087	₱22,007,500	₱21,059,082
Debt-to-equity ratio	0.96:1.00	1.29:1.00	1.24:1.00	1.02:1.00

29. Financial Instruments

Financial Risk Management Objectives and Policies

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

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

Liquidity risk

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

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Note 12 and 15).

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

Credit risks for contract receivables is mitigated as the Group has the right to cancel the sales contract without risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because of the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty

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

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

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

	September 30		June 30,
	2012	2011	2011
	<i>(In Thousands)</i>		
Cash in banks and short-term	₱192,270	₱357,131	₱401,336
Trade receivables	592,615	377,823	562,466
Due from related parties	137,501	84,502	82,721
Due from employees	58,609	33,547	34,410
Others receivables	86,119	54,787	32,131
Available-for-sale financial assets	8,223	8,229	8,229
	₱1,075,337	₱916,019	₱1,121,293

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:

	September 30, 2012							Impaired Financial Assets	Total
	Neither past due nor impaired			Past due but not impaired					
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days			
	<i>(In Thousands)</i>								
Cash in bank and short-term placements	₱190,645	₱1,625	₱-	₱-	₱-	₱-	₱-	₱192,270	
Trade receivables	327,449	38,601	-	88,925	39,535	98,105	99,147	691,762	
Due from related parties	137,263	238	-	-	-	-	3,110	140,611	
Due from employees	29,906	27,397	-	-	-	1,306	1,342	59,951	
Other receivables	76,094	6,617	-	153	393	2,862	9,816	95,935	
Available-for sale financial assets - unquoted equity investments	-	-	8,223	-	-	-	-	8,223	
Total	₱761,357	₱74,478	₱8,223	₱89,078	₱39,928	₱102,273	₱113,415	₱1,188,752	

	September 30, 2011							Total
	Neither past due nor impaired			Past due but not impaired			Impaired Financial Assets	
	High Grade	Standard Grade	Substandard Grade	Over 30 Days	Over 90 Days	Over 180 Days		
<i>(In Thousands)</i>								
Cash in bank and short-term placements	₱351,895	₱5,236	₱-	₱-	₱-	₱-	₱-	₱357,131
Trade receivables	160,857	101,800	-	92,688	5,314	17,164	3,721	381,544
Due from related parties	84,410	92	-	-	-	-	3,110	87,612
Due from employees	11,834	21,514	-	3	4	192	1,342	34,889
Other receivables	45,270	5,369	-	414	534	3,200	9,645	64,432
Available-for sale financial assets - unquoted equity investments	-	-	8,229	-	-	-	-	8,229
Total	₱654,266	₱134,011	₱8,229	₱93,105	₱5,852	₱20,556	₱17,818	₱933,837

Impairment assessment

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

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

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

The Group has recognized an impairment loss on its financial assets using specific assessment amounting to ₱99.4 million, ₱1.5 million and ₱2.0 million for the years ended September 30, 2012 and June 30, 2011 and 2010, respectively, and ₱0.3 million for the three months ended September 30, 2011 (see Note 5).

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 and, thus, have no impact on the consolidated cash flows in the next 12 months.

Interest rate risk

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

Fair value interest rate risk

As of September 30, 2012 and 2011 and June 30, 2011, the Group is exposed to fair value interest rate risk arising from its fixed rate long-term borrowings, which were originally issued at variable rates

(see Note 15). Borrowings issued at fixed rate expose the Group to fair value interest rate risk.

Cash flow interest rate risk

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

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

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

Foreign currency risk

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

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

The Group's foreign-currency denominated cash in banks and cash equivalents as of September 30, 2012 and 2011 and June 30, 2011 amounted to US\$0.1 million, US\$2.4 million, and US\$3.1 million, respectively. As of September 30, 2012 and 2011 and June 30, 2011 and 2010, the exchange rates were P41.70, P43.72, P43.33 and P46.37 per US\$1.00, respectively.

Net foreign exchange gains or losses recognized in the consolidated statements of income amounted to P7.8 million loss, P5.3 million loss and P2.7 million gain for the three years ended September 30, 2012, June 30, 2011 and 2010, respectively, and P4.8 million gain for the three months ended September 30, 2011 (see Note 23).

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

	Movement in US\$-Philippine peso exchange rates	Effect on income (loss) before income tax
		<i>(In Thousands)</i>
September 30, 2012 (One Year)	6.76%	(P354)
	-6.76%	354
September 30, 2011 (Three Months)	+4.45%	(6,067)
	-4.45%	6,067
June 30, 2011 (One Year)	+3.75%	(4,008)
	-3.75%	4,008

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 the carrying amount and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of:

	September 30					
	2012		2011		June 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In Thousands)</i>					
Financial Assets						
<i>Cash on hand</i>	₱6,898	₱6,898	₱2,051	₱2,051	₱1,943	₱1,943
<i>Loans and receivables:</i>						
Cash in banks and short-term placements	192,270	192,270	357,131	357,131	401,336	401,336
Trade receivables	592,615	592,615	377,823	377,823	562,466	562,466
Due from related parties	137,501	137,501	84,502	84,502	82,721	82,721
Due from employees	58,609	58,609	33,547	33,547	34,410	34,410
Other receivables	86,119	86,119	54,787	54,787	32,131	32,131
<i>Available-for-sale financial assets</i>	8,223	8,223	8,229	8,229	8,229	8,229
	₱1,082,235	₱1,082,235	₱918,070	₱918,070	₱1,123,236	₱1,123,236
Financial Liabilities:						
<i>Other financial liabilities:</i>						
Short-term borrowings	₱1,638,000	₱1,638,000	₱2,831,000	₱2,831,000	₱3,286,500	₱3,286,500
Accounts payable and accrued expenses	597,519	597,519	546,970	546,970	511,906	511,906
Due to related parties	64,936	64,936	50,591	50,591	46,356	46,356
Dividends payable	39,230	39,230	20,517	20,517	20,522	20,522
Long-term borrowings	6,221,984	6,221,984	6,863,506	6,863,506	7,096,714	7,096,714
	₱8,561,669	₱8,561,669	₱10,312,584	₱10,312,584	₱10,961,998	₱10,961,998

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

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

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

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

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

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

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

30. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the BOD, 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 is 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 is engaged in the business of producing, marketing and selling raw and refined sugar, molasses and other related products or by-products and offers tolling services to traders and planters. It has a raw sugar milling and refinery plant located in Nasugbu, Batangas with daily cane capacity of 18,000 metric tons as of September 30, 2012 and 2011 and 13,000 metric tons as of June 30, 2011 and 2010. CADPI's raw sugar milling is involved in the extraction of juices from the canes to form sweet granular sugar which is light brown to yellowish in color. Canes are sourced from both district and non-district planters and are milled by CADPI under a production sharing agreement. 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 produces raw sugar and molasses and trades the same on wholesale/retail basis. It also sells refined sugar upon tolling its raw sugar with other sugar mills. Its sugar milling plant, which has a similar process with CADPI and has a daily cane capacity of 13,000 metric tons as of September 30, 2012 and 2011 and June 30, 2011, is located in La Carlota, Negros Occidental.
- RBC was established to engage in the business of producing, marketing and selling of bio-ethanol fuel, both hydrous and anhydrous products from sugarcane and related raw materials. Its plant facility is located in La Carlota, Negros Occidental.

- CFSI was 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 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 a per company basis and are not allocated to operating segments.

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

The segment information of the Group is disclosed in the annual consolidated financial statements as at September 30, 2012.

31. The Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows that are Unusual Because of their Nature, Size or Incidence

Other than those disclosed in the each notes to the unaudited interim condensed consolidated financial statements, if any, there are no assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents,.

32. The Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Period of the Current Year or Changes in Estimates of Amounts Reported in Prior Years, if those Changes Have a Material Effect in the Current Interim Period

There are no significant changes in estimates reported in prior interim periods of the current year or changes in estimates reported in prior years, which are considered to have material effect on the unaudited interim condensed consolidated financial statement.



A N N E X “B”

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Third Quarter Ending June 30, 2013 and 2012

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

INTERIM RESULTS – 3rd QUARTER FY 2012-2013 VS. FY 2011-2012

In December, 2011, the Management started to implement new business strategies and action plans to improve operations and ensure long-term viability of the business. Management directed all cost and profit centers to implement cost efficiency measures which resulted in a reduction in certain overhead expenses by at least 10% from last year and an increase in margins for this fiscal year 2013.

Results of Operations

Batangas Operations

The mill operation of Central Azucarera Don Pedro, Inc. (CADPI) started 10 days late than last year. This resulted in decrease in cane tonnage by 9% as of June 30, 2013. Total tonnage went down to 1.42 million MT from last year's 1.55 million MT, accordingly reducing raw sugar production to 2.706 million Lkg. from 2.803 million Lkg. despite increase in recovery of 1.906 Lkg/TC from 1.86 Lkg/TC.

Refined production for the same period ending June 30, 2013 is 2.402 million Lkg. Which is 4% higher than the 2.3 million Lkg. production for the same period last year.

Negros Operations

Central Azucarera de la Carlota, Inc. (CACI) has a good start in its milling operation is September 17, 2013. Cane tonnage was up this year with the 1.921 million MT, a 8.5% increase from 1.770 million MT last crop year. Coupled with a higher production yield this period with 2.127 Lkg/TC versus last year of 1.99 Lkg/TC. Raw production likewise surge to a record high of 4.118 million Lkg from previous year's 3.518 million Lkg.

Revenue

The Group's consolidated revenues as of June 30, 2013 amounted to ₱ 4.034 billion. This is 31% lower than the ₱5.876 billion revenues generated for the same period last year due to lower selling prices of refined and raw sugar and lower volume of raw alcohol. Consolidated raw sugar sales for the period amounted to ₱1.28 billion while refined sugar sales totaled ₱2.235 billion. The rest came from sale of alcohol, molasses and real estate and sugar refining services.

Cost of sales amounted to ₱2.774 billion, 38% lower than last year's ₱4.473 billion. This is due to lower sales, lower production costs and lower cost of raw sugar..

As a result, gross profit amounted to ₱1.260 billion with improved gross profit rate of 31% against last year's 24%.

Selling and Operating expenses for the period amounted to ₱554.2 million. This is 37% better than last year's ₱872.8.million. The decrease is due to the redundancy program which resulted to curtailment of losses of the retirement fund, provision for doubtful account, profit sharing and implementation of cost efficiency measure implemented by the Management.

Equity in net earnings of affiliates amounted to ₱22.4 million, 37% better than last year's ₱16.4 million.

Net Interest costs amounted to ₱309.2 million, 20% lower than the ₱387.5 million reported last year. This is due to reduction in debts levels debts levels and lower interest rates.

Other income went down to ₱42.6 million, 59% lower than ₱103.5 million in 2012. This is largely attributed to the insurance claims received and sugar and molasses handling fees earned last year.

The group registered a consolidated net income of ₱271.4 million, 28% lower than last year's ₱375.5 million.

Financial Condition

Consolidated total assets of the Group as of June 30, 2013 stood at ₱22.08 billion, 13% higher than the restated audited September 30, 2012 balance of ₱19.5 billion. Current Assets increased by 115% from ₱2.687 billion in September 2012 to ₱5.782 billion as of June 30, 2013. This is due to the increase of inventories and receivables from the crop milling season.

Real estate for sale and development increased from ₱340.5 million to ₱382.7 million as of June 2013 due to development costs incurred for the on-going real estate projects.

Prepayment increased by 21% from ₱479.1 million to ₱578.2.8 million as of June 2013 due to higher input VAT and prepaid taxes generated during the nine months of the fiscal year.

Non-current assets slightly decreased from ₱16.8 billion to ₱16.3 billion as of June 30. This is due mainly to the effects of depreciation of property, plant and equipment, coupled by dividends received from affiliated company and application of deferred taxes to current period.

Short-term borrowings increased by 24% from ₱1.638 billion to ₱2.035 billion due to borrowings for working capital requirements..

Accounts payable and accrued expenses went up by 86% from ₱767.0 million to ₱1.425 billion as of June 2013 due to accrual of some offseason costs and purchases of raw sugar.

Customers' deposits also increased by 146% from ₱72.6 million to ₱179 million due to deposits received from sugar and real estate buyers.

Total Long-term borrowings amounted to ₱7.434 billion, an increase of 19% from the September 2012 balance of ₱6.222 billion due to conversion of short term loans.

The net pension benefit obligation of the sugar subsidiaries decreased to ₱25.7 million due to payments under the redundancy program implemented by the company since 2011.

Total consolidated equity amounted ₱10.161 billion, 3% higher than the ₱9.89 billion restated balance as of September 2012. This is due to the consolidated income for the period.

Current ratio improved as of June 2013 to 1.52:1 from 1:1 in September 2012.

The Groups leverage position remained within the limits of existing loan covenants. Debt-to-equity ratio stood at 1.17:1 in June 2013 from 0.97:1.00 in September 2012. Unused working capital lines as of June 30, 2013 and September 30, 2012 from local banks amounted to ₱2.536 billion and ₱ 892 million, respectively. Book value per share slightly increased to ₱3.49 from ₱3.46 in September due to the earnings generated during the period.

There are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;

- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
- Significant elements of income or loss that arose from continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

Top Five Performance Indicators – Sugar Related Businesses

As maybe concluded in the foregoing description of the business of the Group, the Company's financial performance is determined to a large extent by the following key results:

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

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

Performance Indicator	Nine months Oct 2012- June 2013	Full year Oct 2011-Sept 2012	Full year Oct 2010-Sept 2011
Raw sugar production	6.825 M bags	6.491 M bags	6.109 M bags
Refined sugar production	2.402 M bags	2.258 M bags	2.137 M bags
Milling recovery	2.04 Lkg/TC	1.895 Lkg/TC	1.880 Lkg/TC
EBITDA	₱1,273 million	₱1.615 Billion	₱793 million
Return on equity	5.35%	11%	-7%

Top Five Performance Indicators – Property Group

As maybe concluded in the foregoing description of the business of Roxaco, the company's financial performance is determined to a large extent by the following key results:

- Income from sale of developed real estate (lots only). This is recognized in full when the collection of the total contract price reached 25%. At this stage, it is reasonably assured that the risks and rewards over the developed assets have been transferred to the lotbuyer.
- Number of lots sold. The lot sold and its terms of sale will determine when would be recognized and how much is the potential income to the Company.
- Collection efficiency on trade receivables. Income recognition is a factor of collection, plus the interest income component.
- Earnings before interest, taxes and depreciation - This is the measure of cash income from operations.
- Return on Equity – denotes the capability of the Company to generate returns for the shareholders.

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

Performance Indicator	Nine months Oct 2012- June 2013	Full year Oct 2011-Sept 2012	Full year Oct 2010-Sept 2011
Realized gross profit on real estate sales	₱39.4 Million	₱ 54.3 Million	₱ 25.0 Million
Number of lots sold / reserved	81 residential lots / 150 memorial lots	85 residential/ 127 memorial lots	194 lots
Collection efficiency	98%	99%	98%
EBITDA	₱6.031 million	₱25.5 million	₱15.10 million
Return on equity	Nil	2.35%	1.95%

Key Variable and Other Qualitative and Quantitative Factors

- 1) The company is not aware of any known trends, events, or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.
- 2) The company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- 3) The company is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- 4) Description of material commitments for capital expenditures.

The Sugar Group had an allocation of P393 million in capital expenditures for crop year 2012-2013 of which P139 million is for CADPI for the integrated mill and refinery

operations, P128 million for CACI and P124 million for RBC.

For 2012-2013, the Property Group has projected development costs for new and ongoing projects in the amount of ₱ 217 million.

In addition, RLC has projected ₱ 1.6 million regular capital expenditures which includes replacement of office equipment and transportation equipment

5) The company is not aware of any known trend, events or uncertainties that will have material impact on sales.

6) The company is not aware of causes for any material changes from period to period in the financial statements.

Plan of Operation- Sugar Group

In line with the continuing efforts to improve the profitability of the sugar operations, ensure the continuing viability of the business and address the adverse effects of the volatility of the sugar and alcohol prices, the Group's Management has implemented the following strategies, among others:

- Carrying our marketing programs to generate revenues from sales of alcohol, sugar, and allied products and services.
- Increasing mill share to minimize sourcing of raw sugar from third parties.
- Implementing cost reduction programs in its plants, such as but not limited to the reduction of fuel costs by reducing downtime, improving plant facilities to enable efficient plant utilization and maximizing the use of cheaper fuel alternatives, etc.

Plan of Operation – Property Group

To ensure the Property Group viability, the management intends to push through with the following plans and activities:

- Continue the development of on-going projects namely: Landing Townhomes, Orchards Phase 2 and Anya residential lots.
- Continue and improve the marketing the sales and marketing efforts to sell the existing lot inventories.
- Launch phase 2 of Anya
- Continue to explore the market for available and sustainable developments in the CALABARZON and Metro Manila areas.

ROXAS AND COMPANY, INC AND SUBSIDIARIES
 FINANCIAL SOUNDNESS INDICATORS

	<u>June 30, 2013</u>	<u>September 30, 2012</u>
1. LIQUIDITY RATIO		
Current Ratio	1.52 : 1.00	1 : 1
2. SOLVENCY RATIO		
Debt to Equity ratio	1.17 : 1.00	0.97 : 1
3. Asset to Equity Ratio	2.17	1.97
4. Interest Rate Coverage Ratio*	3.89	3.21
5. PROFITABILITY RATIOS		
Return on Assets	1.23%	3%
Return on Equity	2.67%	6%
Book Value per share	3.49	3.46