VICTORIAS MILLING COMPANY, INC.

February 19, 2013

THE DISCLOSURE DEPARTMENT
The Philippine Stock Exchange, Inc.
3F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

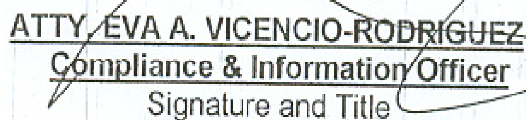
Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:

Please find attached hereto Victorias Milling Company, Inc.'s Amended Quarterly Report (SEC Form 17-Q) for quarter ending November 30, 2012, which has been submitted with the Securities and Exchange Commission today, February 19, 2013.

Thank you.

Very truly yours,



VICTORIAS MILLING COMPANY, INC.

February 13, 2013

HON. JUSTINA F. CALLANGAN
Acting Director, Corporate Finance Department
The Securities & Exchange Commission
6TH floor, SEC Bldg., EDSA, Greenhills,
Mandaluyong City, Metro Manila

Dear Hon. Callangan:

This has reference to the letter of the Honorable Commission dated January 23, 2013 which we received on February 6, 2013, relative to Victorias Milling Company, Inc.'s (VMC) Quarterly Report (SEC Form 17-Q), which was duly filed with the Commission on January 14, 2013.

In the said letter, the Commission informed VMC that the filing of its SEC Form 17-Q is materially incomplete and the report is considered as deemed not filed. VMC was then directed to file a complete Quarterly Report in accordance with the Commission's Checklist and show cause why it should not be held liable for violation of SRC Rule 17.1 (1) (A) (ii) within ten (10) business days from its actual receipt thereof.

We would like to respectfully inform the Honorable Exchange that VMC's omission of the Company and its subsidiaries' top five (5) key performance indicators as well as the schedule showing financial soundness in two (2) comparable periods from its SEC Form 17-Q was due to inadvertence. In all good faith, VMC never intended to violate the SRC Rule.

Moreover, VMC did not include a list of disclosure not made under SEC Form 17-C under Pat II – Other Information of the report because all of its corporate disclosures as of quarter ending November 30, 2012 have already been duly reported to the Honorable Commission through SEC Form 17-C.

With all due respect, VMC believed in good faith that the signatures of its Compliance and Information Officer as well as its External Auditor in the said report would already suffice, as this has always been the case with the previous submissions by VMC of its SEC Forms 17-Q.

In view thereof and in line with VMC's commitment to faithfully comply with all the reportorial requirements of the Honorable Commission, the Company is

FACTORY HEAD OFFICE
Victorias City, Negros Occidental
P.O. Box 171, 6100 Bacolod City, Philippines
Telefax: (034)-399-3675

MANILA OFFICE
c/o Tanduay Distillers, Inc.
348 J. Nepomuceno St.
San Miguel District, Manila
Tel: (02)733-8075; Fax (02) 733-8070

hereby submitting herewith its Amended SEC Form 17-Q as of November 30, 2012, which was accomplished in accordance with the Commission's Checklist.

VMC therefore hereby pleading for the kind understanding of the Honorable Commission to consider the above-stated reasons and not hold it liable under the cited Rules.

Thank you very much.

Very truly yours,

ATTY. JERRY T. OPINION
Chief Finance Officer

EAVR/SGMG

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COVER SHEET

P W - 3 6 4

S.E.C. Registration Number

V I C T O R I A S   M I L L I N G   C O M P A N Y , I N C .

(Company's Full Name)

V I C T O R I A S   C I T Y ,
N E G R O S   O C C I D E N T A L

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

EVA A. VICENCIO-RODRIGUEZ

Contact Person

(034) 399-3588

Company Telephone Number

0 8 | 3 1

Month *Day*

Fiscal Year

AMENDED SEC FORM 17-Q

FORM TYPE

First Tuesday of February

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.
Number/Section

Amended Articles

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
AMENDED 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 **November 30, 2012**
2. Commission identification number **364**
3. BIR Tax Identification No **076-000-270-220**

4. Exact name of issuer as specified in its charter

VICTORIAS MILLING COMPANY, INC.

5. Province, country or other jurisdiction of incorporation or organization

Plant site: Victorias City, Negros Occidental

6. Industry Classification Code: (SEC Use Only)

7. Address of registrants office Postal Code

Victorias City, Negros Occidental 6119

8. Registrant's telephone number, including area code

(034) 399-3588 Fax# (034) 399-3588

9. Former name, former address and former fiscal year, if changed since last report
Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Common stock	**Par value of 1.00 each**
Authorized	**2,563,035,708 shares**
Subscribed and paid up	**2,024,616,452 shares**

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

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE, INC. COMMON SHARES

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

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

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex C".

PART II—OTHER INFORMATION

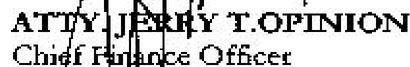
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

All corporate disclosures as of quarter ending November 30, 2012 have been previously reported through SEC Form 17-C.

SIGNATURES

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 thereunto duly authorized.

VICTORIAS MILLING COMPANY, INC.



Date: **February 13, 2013**

VICTORIAS MILLING COMPANY, INC.
AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As at and for Three Months Ended November 30, 2012
(With Comparative Audited Consolidated Financial Position Figures as at August 31, 2012 and Unaudited Interim Consolidated Statement of Comprehensive Income, Unaudited Interim Consolidated Statement of Changes in Equity, and Unaudited Interim Consolidated Statement of Cash Flows for Three Months Ended November 30, 2011)

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
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Makati City 1226, Metro Manila, Philippines

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Branches: Bacolod · Cebu · Iloilo · Subic

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Victorias Milling Company, Inc. and Subsidiaries
VICMICO Compound, Victorias City
Negros Occidental, Philippines

We have audited the accompanying interim consolidated financial statements of Victorias Milling Company, Inc. (the "Parent Company") and Subsidiaries (collectively referred hereinafter as the "Group") which comprise the interim consolidated statement of financial position as at November 30, 2012, and the related interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for three months ended November 30, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information. We have also audited the accompanying consolidated statement of financial position of the Group as at August 31, 2012.

Management's Responsibility for the Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

Manabat Sanagustin & Co., CPAs, a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Registration No. 0003, Group A, valid until December 31, 2013
SEC Accreditation No. 0004-FR-3, Group A, valid until November 22, 2014
IC Accreditation No. F-0040-R, Group A, valid until September 11, 2014
BSP Accredited, Group A, valid until December 17, 2014

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the interim consolidated financial statements present fairly, in all material respects, the interim consolidated financial position of Victorias Milling Company, Inc. and Subsidiaries as at November 30, 2012, and its interim consolidated financial performance and its interim consolidated cash flows for three months ended November 30, 2012, in accordance with PAS 34.

Emphasis of a Matter

Without qualifying our opinion, we draw attention to Notes 1, 2, 16 and 17 to the interim consolidated financial statements which indicate that the Parent Company is still under rehabilitation and debt restructuring programs. Although, the Parent Company has been in compliance with the debt restructuring program, its continued compliance is ultimately dependent on the sustainability of its profitable operations. This condition indicates a material uncertainty that may cast significant doubt on the Parent Company's ability to continue as a going concern.

As disclosed in Note 1, the actions made by management during the past several periods to improve its operations and its financial position achieved the following:

- Generated net income of P147 million for three months ended November 30, 2012, P556 million for the year ended August 31, 2012, P400 million for the year ended August 31, 2011, P310 million for the year ended August 31, 2010; and P1 billion for the past four years;

- Significant reduction of the deficit for the past seven years by a total of P3 billion (i.e. from August 31, 2005 deficit balance of P3.8 billion to that of November 30, 2012 of P0.8 billion);

- Significant improvement in the capital structure of the Parent Company which is from a net capital deficiency of P1.8 billion as of August 31, 2005 to a net equity of P2.0 billion as of November 30, 2012;

- Issuance of shares of stock for the conversion of certain convertible notes to equity, in accordance with the Debt Restructuring Agreement, of P119 million in 2012 and P310 million in 2011; and

- Resumption of the trading of the Parent Company's shares in the Philippine Stock Exchange (PSE) on May 21, 2012 following the lifting by the Securities and Exchange Commission and PSE of the temporary suspension of the trading of its shares.

Management's plans to achieve continuing successful and sustainable profitable operations and its effective implementation of the provisions of the rehabilitation and debt restructuring programs are also indicated in Note 1 to the interim consolidated financial statements. We conducted sufficient audit procedures to verify the existence of these management plans.

Other Matter

We draw attention to the fact that we have not audited the accompanying comparative interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity, and interim consolidated statement of cash flows for three months ended November 30, 2011, or any of the related notes and accordingly, we do not express an opinion on them.

MANABAT SANAGUSTIN & CO., CPAs

VIRGILIO D. MANGUILIMOTAN
Partner
CPA License No. 0035026
SEC Accreditation No. 0047-AR-3, Group A, valid until March 28, 2015
Tax Identification No. 112-071-561
BIR Accreditation No. 08-001987-11-2010
Issued June 30, 2010; valid until June 29, 2013
PTR No. 3174017MA
Issued January 2, 2012 at Makati City

January 11, 2013
Makati City, Metro Manila

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	**November 30 2012**	August 31 2012
ASSETS			
Current Assets			
Cash and cash equivalents	*6*	**P1,026,530**	P1,086,492
Trade and other current receivables - net	*7*	**250,979**	133,194
Inventories - net	*8*	**489,556**	349,190
Advances to an unconsolidated subsidiary	*27*	**25,659**	25,722
Prepayments and other current assets	*9*	**34,333**	40,347
Total Current Assets		**1,827,057**	1,634,945
Noncurrent Assets			
Investments in unconsolidated subsidiary and in associate - net	*10*	**15,680**	15,680
Property, plant and equipment - net	*11*	**3,825,572**	3,831,193
Investment properties	*12*	**1,009,631**	1,009,631
Other noncurrent assets - net	*13*	**1,884,257**	1,796,981
Total Noncurrent Assets		**6,735,140**	6,653,485
		P8,562,197	P8,288,430
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other current payables	*14*	**P597,379**	P371,702
Current portion of long-term debts	*16*	**357,108**	358,834
Income tax payable		**146,372**	88,710
Total Current Liabilities		**1,100,859**	819,246
Noncurrent Liabilities			
Provisions	*15*	**566,467**	554,340
Long-term debts - net of current portion	*16*	**4,312,960**	4,468,073
Retirement benefit obligation	*26*	**85,764**	88,781
Due to a stockholder	*27c*	**6,000**	6,000
Deferred tax liabilities - net	*25*	**525,248**	533,683
Total Noncurrent Liabilities		**5,496,439**	5,650,877
Total Liabilities		**6,597,298**	6,470,123

Forward

	Note	**November 30 2012**	August 31 2012
Equity	*31*		
Capital stock	*17*	**P2,024,627**	P2,024,627
Convertible notes awaiting conversion	*16*	**658,183**	658,183
Additional paid-in capital	*16*	**62,130**	62,130
Revaluation increment on property, plant and equipment	*11,17*	**27,813**	41,166
Deficit	*17*	**(808,391)**	(968,336)
Conversion feature on convertible notes	*16*	**548**	548
Treasury stock	*17*	**(11)**	(11)
Total Equity		**1,964,899**	1,818,307
		P8,562,197	P8,288,430

See Notes to the Interim Consolidated Financial Statements.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THREE MONTHS ENDED NOVEMBER 30, 2012
(With Comparative Figures for Three Months Ended November 30, 2011)
(Amounts in Thousands, Except Earnings Per Share Data)

	Note	**2012**	2011 (Unaudited)
REVENUE FROM OPERATIONS	*20*	**P1,008,700**	P1,051,741
COST OF GOODS SOLD AND SERVICES	*21*	**644,730**	778,348
GROSS PROFIT		**363,970**	273,393
OTHER INCOME	*22*	**31,529**	21,366
		395,499	294,759
OPERATING EXPENSES	*23*		
Selling		**21,126**	21,798
General and administrative		**54,406**	54,727
		75,532	76,525
OTHER EXPENSES	*24*	**16,871**	23,231
		92,403	99,756
INCOME FROM OPERATIONS		**303,096**	195,003
FINANCE COST	*16b3*	**84,161**	103,835
INCOME BEFORE INCOME TAX		**218,935**	91,168
INCOME TAX EXPENSE	*25*	**72,343**	37,632
NET INCOME		**P146,592**	P53,536
TOTAL COMPREHENSIVE INCOME		**P146,592**	P53,536
Earnings Per Share	*18*		
Basic		**P0.07**	P0.03
Diluted		**P0.04**	P0.02

See Notes to the Interim Consolidated Financial Statements.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THREE MONTHS ENDED NOVEMBER 30, 2012
(With Comparative Figures for Three Months Ended November 30, 2011)
(Amounts in Thousands)

	2012							
	Capital Stock (Note 16 and 17)	**Convertible Notes Awaiting Conversion** (Note 16)	**Additional Paid-in Capital** (Note 16)	**Revaluation Increment on Property, Plant and Equipment** (Notes 11 and 17)	**Deficit** (Note 17)	**Conversion Feature on Convertible Notes** (Note 16)	**Treasury Stock** (Note 17)	**Total**
Balance at September 1, 2012	**P2,024,627**	**P658,183**	**P62,130**	**P41,166**	**(P968,336)**	**P548**	**(P11)**	**P1,818,307**
Total comprehensive income for the period:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income for the period	**-**	**-**	**-**	**-**	**146,592**	**-**	**-**	**146,592**
Transfer of revaluation increment to deficit representing depreciation and impairment on appraisal increase - net of deferred tax	**-**	**-**	**-**	**(13,353)**	**13,353**	**-**	**-**	**-**
	-	**-**	**-**	**(13,353)**	**159,945**	**-**	**-**	**-**
Balance at November 30, 2012	**P2,024,627**	**P658,183**	**P62,130**	**P27,813**	**(P808,391)**	**P548**	**(P11)**	**P1,964,899**

Forward

	2011 (Unaudited)							
	Capital Stock (Note 16 and 17)	Convertible Notes Awaiting Conversion (Note 16b2ii)	Additional Paid-in Capital (Note 16)	Revaluation Increment on Property, Plant and Equipment (Notes 11 and 17)	Deficit (Note 17)	Conversion Feature on Convertible Notes (Note 16)	Treasury Stock (Note 17)	Total
Balance September 1, 2011	P1,905,999	P525,075	P -	P96,975	(P1,580,325)	P666	(P11)	P948,379
Total comprehensive income for the period:								
Net income for the period	-	-	-	-	53,536	-	-	53,536
Transfer of revaluation increment to deficit representing depreciation on appraisal increase - net of deferred tax	-	-	-	(9,629)	9,629	-	-	-
	-	-	-	(9,629)	63,165	-	-	53,536
Balance at November 30, 2011	P1,905,999	P525,075	P -	P87,346	(P1,517,160)	P666	(P11)	P1,001,915

See Notes to the Interim Consolidated Financial Statements.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2012

(With Comparative Figures for Three Months Ended November 30, 2011)

(Amounts in Thousands)

	Note	**2012**	2011 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P218,935**	P91,168
Adjustments for:			
Finance cost	*16b3*	**84,161**	103,835
Depreciation	*11*	**67,551**	63,606
Amortization of discount on provisions	*15, 24*	**12,127**	11,152
Impairment losses	*24*	**540**	-
Net unrealized foreign exchange losses (gains)		**(4,222)**	17,053
Retirement benefit cost	*26*	**2,018**	1,936
Interest income	*22*	**(19,187)**	(16,843)
Operating income before working capital changes		**361,923**	271,907
Decrease (increase) in:			
Trade and other current receivables		**(115,198)**	63,713
Inventories		**(140,385)**	190,645
Prepayments and other current assets		**6,014**	(5,087)
Increase in trade and other current payables		**223,594**	43,769
Cash generated from operations		**335,948**	564,947
Interest received		**16,600**	13,109
Retirement benefit paid	*26*	**(5,034)**	(3,250)
Income taxes paid		**(23,116)**	(23,012)
Net cash provided by operating activities		**324,398**	551,794
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	*11*	**(62,451)**	(94,592)
Increase in other noncurrent assets		**(87,276)**	(350,289)
Net cash used in investing activities		**(149,727)**	(444,881)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease (increase) in advances to an unconsolidated subsidiary		**63**	(2,569)
Payments of long-term debts		**(179,276)**	(147,812)
Decrease in due to a stockholder		**-**	2,708
Finance cost paid		**(55,420)**	(75,094)
Net cash used in financing activities		**(234,633)**	(222,767)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(59,962)**	(115,854)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**1,086,492**	923,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P1,026,530**	P807,178

See Notes to the Interim Consolidated Financial Statements.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except When Otherwise Stated)

1. Reporting Entity and Status of Operations

Reporting Entity

Victorias Milling Company, Inc. (hereinafter referred to as the "Parent Company" or "VMC") was organized and registered originally on May 7, 1919 with the Philippine Securities and Exchange Commission (SEC) with an original corporate life of 50 years or until May 7, 1969. The corporate life was extended for an additional period of 50 years or until May 7, 2019. The primary purpose of the Parent Company is to operate mill and refinery facilities for sugar and allied products, as well as engineering services. In November 2011, under testing stage VMC started the production of distilled and denatured alcohol using molasses, a by-product from its sugar milling operations.

The Parent Company and the following subsidiaries and associate (collectively herein referred to as the "Group") were incorporated in the Philippines (see Note 10):

		Percentage of Effective Ownership	
	Nature of Business	Direct	Indirect
Victorias Foods Corporation (VFC)	Food Processing and Canning	100	-
Victorias Agricultural Land Corporation (VALCO)	Agricultural Land Leasing and Cultivation	100	-
Canetown Development Corporation (CDC)	Real Estate Development and Selling	88	12
Victorias Golf and Country Club, Inc. (VGCCI)	Non-profit Golf Facilities	81	-
Victorias Quality Packaging Company, Inc. (VQPC)	Manufacture of Bags and Packaging Materials	55	-
Victorias Industrial Gases Corporation (VIGASCO)	Gas Dealership	30	-

In June 2012, the Board of Directors (BOD) of VQPC approved to cease VQPC's operations effective July 2012. The Company's percentages of ownership for the above subsidiaries and associate are the same as of November 30, 2012 and August 31, 2012.

The Parent Company's shares of stock are listed in the Philippine Stock Exchange (PSE) but the trading of its shares was temporarily suspended in 1997 on the ground of alleged fraudulent misrepresentation of material information in the financial statements as well as in the continuing disclosures of the Company. The Company is currently under SEC receivership. In 2012, the SEC and the PSE have lifted its order of suspension of the trading of the Company's shares. Consequently, on May 21, 2012, the trading resumed.

The corporate office of the Parent Company, its manufacturing plant and head office are in VICMICO Compound, Victorias City, Negros Occidental.

VFC

VFC was registered and incorporated with the SEC on February 24, 1983 primarily to operate factories and other manufacturing facilities for the processing, preservation and packaging food products and selling the same at wholesale and retail. The corporate office and production plant of VFC is located at VICMICO Compound, Victorias City, Negros Occidental.

VALCO

VALCO was incorporated and registered with the SEC on June 30, 1987 primarily to acquire and own agricultural and other real estate properties, by purchase, lease or otherwise to improve and develop the same, and to plant thereon all kinds of farm products. The registered address of VALCO is at VICMICO Compound, Victorias City, Negros Occidental.

CDC

CDC was incorporated and registered with the SEC on February 19, 1974 primarily to purchase, develop, lease, exchange and sell real estate. CDC is effectively a wholly-owned subsidiary of the Parent Company through the 88% direct ownership and the 12% indirect ownership through VALCO. The registered address of CDC is at VICMICO Compound, Victorias City, Negros Occidental.

VGCCI

VGCCI is a non-profit corporation registered with the SEC on October 8, 1992 primarily to engage exclusively in social, recreational and athletic activities on a non-profit basis among its stockholders, the core of which will be the acquisition and maintenance of a golf course and tennis courts, residential and other similar facilities.

The financial statements of VGCCI are currently undergoing audit and have not been finalized. VGCCI's unaudited total assets and revenues are less than two percent (2%) of the consolidated total assets and consolidated total revenues. Due to its immateriality, it is not included in the consolidation pending the finalization of the audit of its financial statements. Accordingly, the investment is carried in the interim consolidated financial statements at cost and presented in the interim consolidated statement of financial position as part of "Investments in unconsolidated subsidiary and in associate" account (see Note 10).

The registered office of VGCCI is located in VICMICO Compound, Victorias City, Negros Occidental.

VQPC

VQPC was incorporated and registered with the SEC on June 4, 1990 primarily to engage in the manufacture and sale of polyethylene bags, boxes, packages and special packaging products. The registered address and production plant of VQPC is at VICMICO Compound, Victorias City, Negros Occidental.

VQPC has accumulated deficit of P48.57 million and P48.18 million and has capital deficiency of P16.09 million and P15.35 million as of November 30, 2012 and August 31, 2012, respectively. Due to this, the non-controlling interest was already insufficient to absorb the share in the accumulated losses. Accordingly, all the accumulated losses in the prior years were charged to the retained earnings attributable to the equity holders of the Parent Company.

All subsequent profits generated by VQPC, if any, will be credited to the retained earnings of the equity holders of the Parent Company until the non-controlling interest's share of losses previously absorbed by the former has been recovered.

VIGASCO

VIGASCO, a 30%-owned associate, was incorporated and registered with the SEC on November 19, 1992 primarily to engage in importing, exporting, buying and selling, at wholesale or at retail, of gases, particularly oxygen, acetylene, hydrogen, liquefied pertroleum gas and any types of gases.

Due to the capital deficiency of VIGASCO resulting from operating losses, the investment is fully provided with allowance for impairment (see Note 10).

Going Concern Issue and Management's Assessment and Plan to Address

These interim consolidated financial statements of the Parent Company have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. As disclosed in Notes 2 and 16, the Parent Company is still under rehabilitation and debt restructuring programs.

Although the Parent Company has been in compliance with the Debt Restructuring Program (DRA), its continued compliance is ultimately dependent on the sustainability of the Parent Company's profitable operations. This condition indicates a material uncertainty that may cast significant doubt on the Parent Company's ability to continue as a going concern.

The actions made by management during the past several periods to improve its operations and its financial position achieved the following:

- Generated net income of P147 million for three months ended November 30, 2012, P556 million for the year ended August 31, 2012, P400 million for the year ended August 31, 2011, P310 million for the year ended August 31, 2010; and P1 billion for the past four years;

- Significant reduction of the deficit for the past seven years by a total of P3 billion (i.e. from August 31, 2005 deficit balance of P3.8 billion to that of November 30, 2012 of P0.8 billion);

- Significant improvement in the capital structure of the Parent Company which is from a net capital deficiency of P1.8 billion as of August 31, 2005 to a net equity of P2.0 billion as of November 30, 2012;

- Issuance of shares of stock for the conversion of certain convertible notes to equity, in accordance with the DRA of P119 million in 2012 and P310 million in 2011; and

- Resumption of the trading of the Parent Company's shares in the Philippine Stock Exchange (PSE) on May 21, 2012 following the lifting by the SEC and PSE of the temporary suspension of the trading of its shares.

The interim consolidated financial statements do not include any adjustment relating to the recoverability and classification of assets and the settlement of liabilities that may be necessary should the Group be unable to continue under a going concern basis.

In its efforts to achieve continuing successful operations and effective implementation of the provisions of the rehabilitation plan, the Parent Company has continuously focused its corporate objectives, goals, strategies, and measures to attain sustainable financial stability through, among others: (a) synchronization of the refined sugar and raw sugar operations; (b) expansion of the boiling house to balance capacity with that of the A and C mills; (c) enhancement of mill efficiency; (d) increase profitability by addressing cost efficiency (which includes, among others, trimming down of corporate overtime expenses, minimizing contracted labor/services, and sourcing out and maximizing use of cheaper fuel substitutes instead of bunker fuel) and improving tolling fees; and (e) ongoing program of rightsizing manpower.

Moreover, the Parent Company's management has undertaken the following action plans to improve its financial position and its corporate governance structure:

1. Recapitalization and quasi-reorganization to reduce the deficit through reduction in capital stock and application of appraisal increment as discussed in Note 17.

2. Conversion of debt into equity as discussed in Note 16.

3. Conversion of debt into convertible notes and ultimately, conversion of certain convertible notes to equity as disclosed in Note 16.

4. Improvement of cash flows.

   As provided for in Section 13 of the Debt Restructuring Agreement (DRA), in the event that VMC's net cash flows at the end of a crop year exceeds the projected net cash flows for that particular crop year, VMC shall prepay in inverse order the restructured loans without penalty equal to 75% of the incremental net cash flows (defined as net income after tax plus depreciation and other non-cash charges), as provided for in the Alternative Rehabilitation Plan (ARP).

5. Composition of the BOD and appointment of MANCOM by SEC.

   Effective December 16, 2002, the new BOD (which replaced the MANCOM) consists of the following: three representatives from the existing stockholders, one representative from the secured creditors, six representatives from the unsecured creditors, and one strategic partner. Presently, the slot for the strategic partner is automatically given to the elected president. Further, the SEC issued an Order dated January 27, 2003 appointing Atty. Luis Ma. G. Uranza as the Rehabilitation Receiver to monitor, together with the new Board elected every year, the implementation of the ARP.

   Every year thereafter, new sets of Board of Directors and Committees were elected in accordance with the provisions of the ARP and DRA.

2. Rehabilitation and Debt Restructuring Programs

Discussed below are the series of events leading to the finalization of the rehabilitation and debt restructuring programs.

Application for Suspension of Payment to Creditors

On July 4, 1997, VMC filed with the SEC a Petition for the (a) Declaration of Suspension of Payment to Creditors, (b) Approval of a Rehabilitation Plan, and (c) Appointment by SEC of a MANCOM which was tasked to submit a feasible and viable rehabilitation plan for VMC.

Rehabilitation plans and amendments thereto:

1. Rehabilitation Plan as of September 25, 1998, subject to the terms of the First Addendum to the Rehabilitation Plan dated February 5, 1999 and of the Second Addendum to the Rehabilitation Plan dated July 22, 1999, as approved by the SEC in its orders dated August 17 and 19, 1999, respectively, (herein collectively referred to as the "Original Rehabilitation Plan" or "ORP").

   The salient features of the ORP follow:

   i. Reduction in the authorized capital stock of VMC from P2.7 billion consisting of 270 million shares of common stock at P10 par value per share to P2.563 billion consisting of 2.563 billion shares of common stock at P1 par value per share (see Note 17C.1);

   ii. Fresh capital infusion of around P567 million through a public bidding which was declared a failure for the reason that the deadline of submission of bids had expired without any bid having been submitted;

   iii. The stockholders shall have no pre-emptive right to the increase of 1.5 billion shares of common stock or any shares to be issued to accommodate the conversion of any interests earned on the convertible notes to common shares;

   iv. VMC shall honor its contractual obligations to the MJ Ossorio Pension Fund retirees;

   v. Implementation of a business strategy for operating improvements, which include manpower reduction, upgrading of certain mills and other equipment, and divestment of non-profitable business units;

   vi. Sale of non-strategic assets and subsidiaries;

   vii. Restructuring of loans from banks; and

   viii. Debt-to-equity conversion.

2. Alternative Rehabilitation Plan (ARP) as of May 11, 2000, as approved by the SEC in its Order dated November 29, 2000.

   In view of the failure of the public bidding to raise fresh capital of around P567 million, the MANCOM, as mandated by ORP, submitted an ARP on May 11, 2000 which was approved by the SEC on November 29, 2000.

The basic features of the ARP follow:

i. Increase in the authorized capital stock from P2.563 billion consisting of 256 million shares of common stock at P10 par value per share to P4.605 billion consisting of 4.605 billion shares of common stock at P1 par value per share (see Note 17C.3). The new capital stock of P4.605 billion will be allocated among the initial paid-in capital of P1.596 billion, conversion of a portion of unsecured loan into convertible notes of VMC in the amount of P2.4 billion, and contingent Refined Sugar Invoice/Delivery Orders (RSDOs) of P609 million representing the principal amounts of alleged loans obtained;

ii. Conversion into equity of all unpaid interest and part of the principal of the unsecured loan amounting to P1.1 billion;

iii. Conversion of a portion of unsecured loan into convertible notes amounting to P2.4 billion;

iv. Restructuring of the secured and unsecured loans amounting to P4.4 billion over a period of fifteen years, including a 3-year grace period as to the principal, at 10% annual interest for peso loans and 6% for dollar loans; and,

v. Call for an acceptable joint venture partner to provide additional cash of approximately P300 million, payable in three years with annual interest rate of 1.5% and an option to manage VMC during the three-year life of the loan.

All other terms and conditions of the ORP which have been previously approved by the SEC remain. The 15-year DRA took effect on September 1, 2003 (see Note 16).

As of November 30, 2012, no further updates or revisions were made on the ORP, ARP and DRA.

Actions by Former Management and Others

The Parent Company's former management, in its comments and replies filed with the SEC, manifests its strong opposition to the ARP. Also, three creditor banks, on various dates, filed their opposition to the ARP.

In the Order dated February 28, 2001, the SEC denied the appeal of VMC's former management and accordingly, the MANCOM, through its appointed Chief Operating Officer, took over the management of VMC on March 7, 2001.

On August 23, 2001, the SEC came out with an Omnibus Order affirming, among others, the SEC Orders dated November 29, 2000 and February 28, 2001 and directed the MANCOM to continue with the implementation of the MANCOM's ARP. The SEC Orders were affirmed by the Court of Appeals (CA) on February 11, 2002. On July 3, 2002, VMC's former management filed a petition for review of the said decision of the CA with the Supreme Court.

On May 5, 2004, VMC filed a manifestation informing the Supreme Court that VMC's former management participated and voted their shares in the election of the members of the Parent Company's Board of Directors for the year 2004 during VMC's Annual Stockholders' Meeting on April 30, 2004, which election was in accordance with the ARP, the same ARP which has been assailed by the Parent Company's former management. On May 31, 2004, the Supreme Court noted the said manifestation of the Parent Company.

In a Resolution dated April 27, 2005, the Supreme Court duly noted the Manifestation dated April 11, 2005 filed by VMC informing the Court that at the Annual Stockholders' Meeting of VMC held on April 1, 2005, the members of the Board of Directors of VMC for 2005 were duly elected pursuant to the ARP as approved by the SEC.

Moreover, in the Manifestation filed by VMC on July 26, 2005, it informed the Supreme Court that one of the bank creditors has already withdrawn its opposition to VMC's ARP and has signed the DRA as well as other documents relative thereto.

In its separate Manifestations dated January 25, 2006 and May 15, 2006, VMC informed the Supreme Court of unsecured creditors' participation in the ARP as well as their execution of the DRA and other documents relative thereto.

In the Resolution dated June 5, 2006, the Supreme Court noted the foregoing manifestations by VMC.

In its Resolution dated May 28, 2010, the Supreme Court denied the petition filed by Mr. Mañalac, *et al.* for failure to show any reversible error in the challenged decision and resolution as to warrant the exercise of its discretionary appellate jurisdiction. With the denial of the petition, there is no more legal impediment in the continued implementation of the ARP as approved by the SEC.

3. Basis of Preparation

Statement of Compliance
The interim consolidated financial statements of the Group as at and for three months ended November 30, 2012 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

The Group's interim consolidated financial statements as at and for three-month period ended November 30, 2012 were approved and authorized for issue by the Board of Directors (BOD) on January 11, 2013.

Basis of Measurement
These interim consolidated financial statements have been prepared on the historical cost basis except for property, plant and equipment which are carried at revalued amounts and investment properties which are carried at fair value.

Functional and Presentation Currency
These interim consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All financial information in Philippine peso has been rounded off to the nearest thousands, except when otherwise stated.

Use of Estimates and Judgments
The preparation of the interim consolidated financial statements in conformity with Philippine Financial Reporting Standards (PFRSs) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the interim consolidated financial statements are discussed in Note 5.

4. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements.

Adoption of New or Revised Standards, Amendments and Improvements to Standards and Interpretations

The Financial Reporting Standards Council approved the adoption of revised standards, amendments and improvements to standards, and interpretations as part of PFRSs.

Accordingly, the Group changed its accounting policies in the following areas:

Adopted as of September 1, 2012

- *Disclosures - Transfers of Financial Assets* (Amendments to PFRS 7), require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Earlier application is permitted. Entities are not required to provide the disclosures for any period that begins prior to July 1, 2011.

- *Deferred Tax: Recovery of Underlying Assets* (Amendments to PAS 12) introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40, *Investment Property*. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3, *Business Combinations* provided the acquirer subsequently measure these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation SIC-21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into PAS, 12 *Income Taxes*, and as a result Philippine Interpretation SIC-21 has been withdrawn. The effective date of the amendments is for periods beginning on or after January 1, 2012 and is applied retrospectively. Early application is permitted.

- PIC Q&A No. 2011-03 *Accounting for Inter-company Loans* provides guidance on how should an interest free or below market rate loan between group companies be accounted for in the separate/ stand-alone financial statements of the lender and the borrower (i) on the initial recognition of the loan; and (ii) during the periods to repayment.

The adoption of the above improvements did not have any material impact on the interim consolidated financial statements.

New Standards, Amendments and Improvements to Standard and Interpretation Not Yet Adopted

A number of new standards, amendments and improvements to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these interim consolidated financial statements. None of these is expected to have a significant effect on the interim consolidated financial statements of the Group, except for PFRS 9, *Financial Instruments*, which becomes mandatory for the Group's 2015 interim consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

The Group will adopt the following new standards, amendments and improvements to standards and interpretations in the respective effective dates:

To be Adopted on September 1, 2013

- *Presentation of Items of Other Comprehensive Income* (Amendments to PAS 1). The amendments:

  - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;

  - do not change the existing option to present profit or loss and other comprehensive income in two statements; and

  - change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

  The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities* (Amendments to PFRS 7). These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

  - offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements

  They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. These amendments will be effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods and are to be applied retrospectively.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.

An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is re-assessed as facts and circumstances change.

PFRS 10 supersedes PAS 27 (2008) and Philippine Interpretation SIC-12 *Consolidation - Special Purpose Entities.*

▪ PFRS 12, *Disclosure of Interests in Other Entities*

PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities; and

- the effects of those interests on the entity's financial position, financial performance and cash flows.

▪ *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*

The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

▪ PFRS 13, *Fair Value Measurement*

PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PAS 19, *Employee Benefits* (Amended 2011)

  The amended PAS 19 includes the following requirements:

  - actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and

  - expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- PAS 27, *Separate Financial Statements* (2011)

  PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- PAS 28, *Investments in Associates and Joint Ventures* (2011)

  PAS 28 (2011) supersedes PAS 28 (2008) *Investments in Associates*. PAS 28 (2011) makes the following amendments:

  - PFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and

  - on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

- *Annual Improvements to PFRSs 2009 - 2011 Cycle - various standards* contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the interim separate financial statements of the Company:

- PAS 1, *Presentation of Financial Statements* - Comparative Information beyond Minimum Requirements. This is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRSs.
  For example, if an entity elects to present a third statement of comprehensive income, then this additional statement should be accompanied by all related notes, and all such additional information should be in accordance with PFRSs. However, the entity need not present:

  - other primary statements for that additional comparative period, such as a third statement of cash flows; or

  - the notes related to these other primary statements.

- PAS 1, *Presentation of the Opening Statement of Financial Position and Related Notes*. This is amended to clarify that:

  - the opening statement of financial position is required only if:
    - a change in accounting policy;
    - a retrospective restatement; or
    - a reclassification

    has a material effect upon the information in that statement of financial position;
  - except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and
  - the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements.

  The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial statements are different, because the underlying objectives are different. Consequential amendments have been made to PFRS 1 and PAS 34 *Interim Financial Reporting*.

- PAS 16, *Property, Plant and Equipment* - Classification of Servicing Equipment. This is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in PAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using PAS 2 *Inventories*.

- PAS 32, *Financial Instruments Presentation* - Income Tax Consequences of Distributions. This is amended to clarify that PAS 12 *Income Taxes* applies to the accounting for income taxes relating to:

  - distributions to holders of an equity instrument; and
  - transaction costs of an equity transaction.

  This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss.

  A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2 *Members' Share in Co-operative Entities and Similar Instruments.*

- PAS 34, *Interim Financial Reporting* - Segment Assets and Liabilities. This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in PFRS 8 *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets *and* liabilities for a particular reportable segment. In addition, such disclosure is only required when:

  - the amount is regularly provided to the chief operating decision maker; and
  - there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

To be Adopted on September 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that:

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle

These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

To be Adopted on September 1, 2015

- PFRS 9, *Financial Instruments (2010),* PFRS 9 *Financial Instruments (2009)*

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  PFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

Further deferral of the local implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate,* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts,* or PAS 18, *Revenue*, and the timing of revenue recognition.

Under the prevailing circumstances, the adoption of the above new and revised standards and amendments to standards and interpretations is not expected to have any material effect on the Group's interim consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements.

Principles of Consolidation

The interim consolidated financial statements include the accounts of the Parent Company, as well as those of its subsidiaries enumerated in Note 1 of the notes to the interim consolidated financial statements.

Subsidiaries are entities controlled by the Parent Company. The financial statements of the subsidiaries are included in the interim consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. All significant intercompany balances and transactions have been eliminated in the interim consolidated financial statements.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when a parent company owns, directly or indirectly through its subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.

The interim consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Investments in Subsidiaries and Associate

A subsidiary is an entity that is controlled by a company while an associate is an entity in which a company has significant influence, but no control, over the financial and operating policies.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when a parent company owns, directly or indirectly through its subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It is presumed to exist when another entity holds between 20 to 50 percent of the voting power of an entity.

Investments in subsidiaries and in associate are recognized at cost in the Group's interim consolidated financial statements, less any impairment loss. If there is objective evidence that the investments in subsidiaries will not be recovered, an impairment loss is provided. Impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial assets. The amount of the impairment loss is recognized in the profit or loss.

Non-controlling Interests

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Group and are presented separately in the interim consolidated statement of comprehensive income and within equity in the interim consolidated statement of financial position, separately from Parent Company's equity, if positive. However, if losses applicable to the non-controlling interests exceeded the non-controlling interest in the subsidiary's equity, the excess, and any further losses applicable to the non-controlling interests, are allocated against the majority interest, except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the non-controlling interest's share of losses previously absorbed by the majority has been recovered.

VQPC, the only partially owned subsidiary that is included in the consolidation, has accumulated deficit of P48.57 million and P48.18 million and has capital deficiency of P16.09 million and P15.35 million as at November 30, 2012 and August 31, 2012, respectively. Due to this, the non-controlling interest was already insufficient to absorb the share in the accumulated losses. Accordingly, all the accumulated losses in the prior years were charged to the retained earnings attributable to the equity holders of the Parent Company. All subsequent profits generated by VQPC, if any, will be credited to the retained earnings of the equity holders of the Parent Company until the non-controlling interest's share of losses previously absorbed by the former has been recovered.

Segment Reporting

Operating segments provide services that are subject to risks and returns that are different from those of other operating segments. The Group's businesses are operated and organized according to the nature of business provided, with each segment representing a strategic business unit.

Operating results of the Group's operating segments are reviewed by the BOD, the chief operating decision maker (CODM) of the Group, to make decisions about resources to be allocated to each segment and assess its performance, and for which discrete financial information is available. The business units and their corresponding principal activities are as follows:

Sugar Milling

Revenue from sugar milling comes from sales of raw sugar and molasses (mill share), sale of refined sugar, and tolling fees. For its raw sugar and molasses operations, VMC operates a raw sugar mill with a daily capacity of 15,000 metric tons. Cane supply is sourced from both district and non-district planters who have milling contracts with VMC. The production sharing agreement is 69.5% for planters and 30.5% for VMC.

VMC also operates a refinery plant with a daily capacity of 25,000 Lkg (1 Lkg = 50 kilograms). To ensure maximum utilization of the refinery, VMC also provides toll refinery services to traders and planters for their raw sugar milled by other sugar centrals.

Food Processing

This segment is involved primarily in processing canned sardines and bangus in different variants such as tomato-based and chili-based, among others. In December 2002 and January 2003, this segment introduced the luncheon meat and lechon paksiw product lines, respectively. Moreover, in May 2003, this segment re-operated its slaughterhouse operations which had been closed for years.

Real Estate
This segment is involved in the development and sale of subdivision and memorial lots. Among its projects are Phases I to III of Canetown Subdivision and the St. Joseph Memorial Garden which are both located in Victorias City. These projects were initially intended to provide for the housing and personal needs of the officers and employees of the Group. In recent years, however, certain lots had also been made available to the general public.

Leasing
This segment derives income from the lease of certain parcels of land to planters.

Engineering Operations
The engineering services are divided into two business units, namely construction and engineering works. The construction division handles construction projects, road improvements, and structural works for VMC plant operations, fabrication, and production of concrete product; and manages the operations of trucks and heavy equipment, among others. Since crop year 1997-1998, the construction division has limited its activities to servicing only the requirements of the VMC's sugar operations. On the other hand, the engineering works division operates two engineering shops: (a) foundry shop, which produces metal castings; and (b) machine shop, which handles mechanical works / machining jobs.

The Group's only reportable geographical segment is the Philippines.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates, and represents amounts receivable for goods and services provided in the normal course of business. The following specific recognition criteria must also be met before revenue is recognized:

- *Sales of Raw and Refined Sugar and Molasses*
  Revenue is recognized upon invoicing which coincides with endorsement and transfer of quedans and molasses warehouse receipts, respectively, when the customer has accepted the products, and collectibility of the related receivables is reasonably assured.

- *Tolling Revenues*
  Revenue is recognized when the tolling services have been rendered based on the tolling agreement.

- *Sale of Alcohol*
  Revenue is recognized upon invoicing which coincides with the delivery of the alcohol.

- *Engineering Contracts*
  Revenue is recognized based on the agreed progress billings, which normally correspond to the progress of the work, or upon completion of the work.

- *Interest Income*
  Interest is recognized as interest accrues, taking into account the effective yield of the asset.

- *Rental Income*
  Rental income is recognized on a straight-line basis over the lease term for non-cancellable leases and the terms of the lease for cancellable leases.

- *Other Income*
  Other income such as income from scrap sales, gains from disposal, among others, is recorded when earned.

Cost and Expense Recognition
Costs and expenses are recognized in profit or loss upon utilization of the service or at the date they are incurred. Borrowing costs not capitalized are charged to income in the period in which they are incurred using the effective interest rate method.

Financial Assets
The Group recognizes a financial asset in the interim consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial assets are categorized under loans and receivables.

Loans and Receivables
Loans and receivable are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale or are not classified as held for trading (HTM), available-for-sale (AFS) financial assets or financial assets at fair value through profit or loss (FVPL). These are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less allowance for impairment loss. These are included as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Group's financial assets categorized under loans and receivables include cash and cash equivalents and receivables [presented in the interim consolidated statements of financial position as "Trade and other current receivables" (excluding advances to suppliers) and "Advances to an unconsolidated subsidiary" accounts, and as part of "Other noncurrent assets" account representing the cash and cash equivalents reserve for debts repayment].

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments with original maturities of three months or less, which are subject to insignificant risk of change in value and are used by the Group in management of its short-term commitments.

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. These are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Receivables are initially recognized at fair value, representing the original invoice amount. Receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment losses, if any. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset maybe impaired. A financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Financial Assets at Amortized Cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a business period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial Assets Carried at Cost

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

Derecognition
A financial asset is derecognized when:

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

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

Financial Liabilities
These are recognized when the Group becomes a party to the contractual agreements of the instrument, normally in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. The Group's financial liabilities are categorized as other financial liabilities.

Other Financial Liabilities
These include non-derivative liabilities that are not carried at fair value through profit or loss (FVPL) and are recognized initially at fair value and carried at amortized cost with the amortization determined using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are discharged as well as through the amortization process.

The Group's financial liabilities categorized under other financial liabilities include long-term debts and other financial liabilities (presented in the interim consolidated statement of financial position as "Trade and other current payables", and "Due to a stockholder" accounts.

Long-term debts
Long-term debts include interest-bearing bank loans and convertible notes which are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, these are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are in profit or loss when the liabilities are derecognized as well as through the amortization process.

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

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

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

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV).

Costs incurred in bringing each product to its present location or condition, are accounted for as follows:

Sugar Inventory, Alcohol Inventory and Manufactured and Fabricated Products - determined using weighted average method; cost includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity.

Unbilled Tolling Cost - consists mainly of direct labor and overhead components based on normal operating capacity, and are determined on weighted average method.

Real Estate Held for Sale - determined using specific identification method; cost includes purchase price of subdivision and memorial park lots plus development cost.

Jobs in Progress - determined using the specific identification method; cost includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity.

Materials and Supplies - cost includes purchase and other directly attributable costs determined based on their original purchase price.

For sugar inventory, alcohol inventory and manufactured and fabricated products, unbilled tolling costs, real estate held for sale and jobs in progress, NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. For materials and supplies, the NRV is the current replacement cost.

The Group considers any deterioration, damage, breakage, age and technological changes in estimating the NRV.

Property, Plant and Equipment
Property, plant and equipment, except for projects under construction (which are carried at cost less accumulated impairment losses), are carried at revalued amounts less accumulated depreciation and impairment losses, if any. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluation is performed by an independent firm of appraisers with sufficient regularity to ensure that the carrying amount of the asset does not differ materially from that which would be determined using fair values at the reporting date. The net appraisal increase resulting from the revaluation is credited to "Revaluation increment on property, plant and equipment" account (net of corresponding deferred tax liability) in the interim consolidated statements of financial position and interim consolidated statements of changes in equity. The amount of revaluation increment absorbed through depreciation and revaluation increment approved by the SEC for quasi-reorganization are transferred directly to deficit.

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

All costs that were directly and clearly associated with the construction of certain property, plant and equipment, including borrowing costs, were capitalized.

Projects under construction, included in property, plant and equipment, represent structures under construction and are stated at cost. These include cost of construction and other direct costs. Projects under construction are not depreciated until such time as the relevant assets are completed and put into operational use.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Estimated future dismantlement costs of items of property, plant and equipment arising from legal or constructive obligations are recognized as part of property, plant and equipment and are measured at present value at the time when the obligation was incurred.

Depreciation is computed using the straight-line method over the assets' estimated useful lives. The estimated useful lives are as follows:

	Number of Years
Land improvements	12.5
Buildings and structures	20
Community buildings and equipment	20
Machinery and equipment	3 - 20

The estimated useful lives, as well as the depreciation method, are reviewed at each reporting date to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from those assets.

Stand-by equipment should be depreciated from the date it is made available for use over the shorter of the life of the stand-by equipment or the life of the asset the stand-by equipment is part of, while major spare parts should be depreciated over the period starting when it is brought into service, continuing over the lesser of its useful life and the remaining expected useful life of the asset to which it relates.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

The carrying amount of the Group's property, plant and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount. The recoverable amount of the Group's property, plant and equipment is the higher between their fair values less cost to sell and value in use.

If the carrying amount of the Group's asset is decreased as a result of revaluation, this decrease is recognized as other comprehensive loss to the extent of any credit balance existing in the revaluation increment in respect of that asset. The excess of such decrease over the existing balance in the revaluation increment is recognized in the interim consolidated statement of comprehensive income.

An increase in the carrying amount of the Group's property, plant and equipment is recognized in the interim consolidated statements of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognized in interim consolidated statement of comprehensive income.

Investment Properties

Investment properties composed of land and building, which are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value with any change therein recognized in the interim consolidated statement of comprehensive income following the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment property is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the period of retirement or disposal.

Transfers are made to investment property only when there is a change in use evidenced by ending of owner-occupation or commencement of an operating lease to another party.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Transfers from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in accordance with PAS 16, *Property, plant, and equipment*, or PAS 2, *Inventories*, shall be its fair value at the date of change in use.

Impairment of Nonfinancial Assets

The carrying amount of the Group's nonfinancial assets which include property, plant and equipment are reviewed for at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of the asset's fair value less costs to sell and value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. An impairment loss of a revalued asset is recognized in the same way as a revaluation decrease. All other impairment losses are recognized in profit or loss.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. A reversal of an impairment loss in respect of a revalued asset is recognized in the same way as a revaluation increase. All other reversals of impairment are recognized in profit or loss.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Capital stock is classified as equity and is determined using the nominal value of shares that have been issued. Additional paid-in capital (APIC) includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

When capital stocks are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings, after considering any remaining APIC related to treasury stock, if any.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to capital stock at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Earnings per Share (EPS)
The Group presents both basic and diluted EPS. Basic EPS is computed by dividing the interim consolidated net income applicable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for treasury stock, and with retroactive adjustments for stock splits. Diluted EPS is computed in the same manner as basic EPS except that the net income attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares. The Group's potential common shares comprise of convertible notes.

Borrowing Costs
Borrowing costs are generally recognized as expense in the period in which these costs are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

Leases - Operating Lease
Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a Lessor
Lease income under operating leases is recognized as income in the interim consolidated statements of comprehensive income on a straight-line basis over the lease term.

Group as a Lessee
Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

Retirement Benefit
The Group has an unfunded, non-contributory retirement plan covering all qualified permanent employees. The plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses exceed 10% of the higher of the present value of defined benefit obligation and the fair value of plan assets at the end of the previous reporting year. These gains and losses are recognized over the expected average remaining working lives of the employees covered.

The liability recognized in the interim consolidated statements of financial position in respect of defined pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, if any, together with adjustments for unrecognized actuarial gains or losses and past service cost, if any.

Termination Benefits
Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term Employee Benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid such as those for salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Foreign Currency Transactions and Translation
Transactions in foreign currencies are translated into Philippine peso using the exchange rates prevailing at the time of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates prevailing at reporting date. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

Income Tax
Income tax expense comprises of current and deferred income taxes. Current income tax and deferred income tax are recognized in the interim consolidated statement of comprehensive income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current income tax payable also includes any tax liability arising from the declaration of dividends.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary difference related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related Parties

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

Transactions between related parties are based on terms similar to those offered to non-related parties in an economically comparable market, except for the non-interest bearing advances to its wholly owned subsidiary with no definite repayment terms.

Events After the Reporting Date

The Group identifies post period-end events as events that occurred after the reporting date but before the date when the interim consolidated financial statements were authorized for issue. Any post period-end events that provide additional information about the Group's interim consolidated financial position at the reporting date (adjusting events) are recognized in the interim consolidated financial statements. Events that are not adjusting events are disclosed in the notes to the interim consolidated financial statements when material.

Provisions and Contingencies

A provision is a liability of uncertain timing or amount. It is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is an asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. This is not recognized in the interim consolidated financial statements but disclosed when an inflow of economic benefit is probable.

5. Accounting Estimates and Judgments

The interim consolidated financial statements prepared in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect amounts reported in the interim consolidated financial statements and related disclosures. In preparing these interim consolidated financial statements, the management made its best judgments and estimates of certain amounts, giving due consideration to materiality. The Group believes that the following represents a summary of these significant estimates and judgments and related impact and associated risks in the interim consolidated financial statements.

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of goods and services and the cost of these goods and services.

Operating Lease Commitments
The Group has leased out certain investment properties to a related party and to third parties under the operating lease arrangements. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the Group (see Notes 12 and 28).

Estimating Impairment Losses on Receivables
The Group maintains an allowance for impairment losses on receivables consisting of trade and other current receivables, and advances to subsidiaries at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with its customers, their payment behavior and known market factors.

The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance on continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates.

As of November 30, 2012 and August 31, 2012, the carrying amount of the Group's trade and other current receivables amounted to P250.98 million and P133.19 million, respectively (see Note 7).

Determining the NRV of Inventories
In determining the NRV of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Group's business is subject to changes which may cause inventory obsolescence and the nature of the Group's inventories is susceptible to physical deterioration, damage, breakage and technological changes. Moreover, future realization of the carrying amounts of inventories is affected by price changes in the market. These aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial period.

The carrying amount of inventories as of November 30, 2012 and August 31, 2012 amounted to P489.56 million and P349.19 million, respectively (see Note 8).

Estimating Useful Lives of Property, Plant and Equipment
The Group estimates useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews regularly the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information.

It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation and decrease noncurrent assets.

As of November 30, 2012 and August 31, 2012, the aggregate carrying amount of the Group's property, plant and equipment amounted to P3.83 billion (see Note 11).

Determination of the Appraised Value and Fair Value
The appraised value of the Group's property, plant and equipment and the fair value of the Group's investment properties are determined from market-based evidence by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Group's property, plant and equipment and investment properties. However, management believes that the carrying amounts of property, plant and equipment and investment properties as of November 30, 2012 and August 31, 2012 do not differ materially from that which would be determined using appraised value and fair value at reporting date.

As of November 30, 2012 and August 31, 2012, the aggregate carrying amount of the Group's property, plant and equipment amounted to P3.83 billion (see Note 11).

The aggregate carrying amount of investment properties amounted to P1.01 billion as of November 30, 2012 and August 31, 2012, respectively (see Note 12).

Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred tax assets. Any deferred tax asset will be re-measured if it might result to derecognition in cases where the expected tax law to be enacted will impose a possible risk on its realization.

As of November 30, 2012 and August 31, 2012, the Group's recognized deferred tax assets amounted to P206.19 million and P202.21 million, respectively (see Note 25).

Retirement Benefit

The determination of the Group's obligation and cost of retirement benefits is dependent on the Group's selection of certain assumptions used by an actuary in calculating such amounts. In accordance with PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are accumulated and amortized over the future periods and therefore, generally affect the Group's recognized expense and recognized obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's retirement benefit obligation.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting dates. Other key assumptions are based in part on current market conditions. Details of the assumptions used in the calculation are described in Note 26 to the interim consolidated financial statements.

Net retirement benefit cost amounted to P2.02 million and P1.93 million in November 30, 2012 and 2011, respectively. Retirement benefits obligation amounted to P85.76 million and P88.78 million as of November 30, 2012 and August 31, 2012, respectively (see Note 26).

Revenue Recognition

The Group's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the carrying amount of an asset may be impaired. If such indication exists, the Group makes an estimate of the assets' recoverable amount. At the reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As of November 30, 2012 and August 31, 2012, the carrying amounts of the Group's property, plant and equipment amounted to P3.83 billion (see Note 11).

Provisions and Contingencies
The Group is currently involved in various legal proceedings and has received assessments from the government regulatory bodies which are still pending resolution. Estimates of probable costs for the resolution of these claims have been developed in consultation with outside counsel handling the defense in these matters and are based upon an analysis of potential results.

Except for the cases related to the claims of creditors related to refined sugar delivery orders (RSDOs) for which the Group recognized provisions, and for decided cases against the Group for which the Group accrued the corresponding liabilities (see Note 14), the Group's management and legal counsel have made judgment that the position of the Group is sustainable and, accordingly, believe that the Group does not have a present obligation (legal or constructive) with respect to its assessments and claims (see Note 29).

The Group discounts its provisions over the period which such provisions are expected to be settled. The discount rate used by the Group is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the provisions at the time these provisions have been determined and recognized. Specifically, this discount rate represents a risk-free rate plus a risk premium. The risk-free rate is derived from Philippine treasury bill rate and the risk premium is calculated by making reference to the volatility of market lending rates published by the *Bangko Sentral ng Pilipinas* (BSP).

The carrying amount of the provisions recognized as of November 30, 2012 and August 31, 2012 amounted to P566.47 million and P554.34 million, respectively (see Note 15).

The Group estimated that the total liability (including imputed finance cost) to be incurred at the end of the rehabilitation program on the claims on RSDOs is P917 million (see Note 15).

It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Group's strategies relating to the foregoing proceedings.

6. Cash and Cash Equivalents

Details of this account are as follow (in thousands):

	November 30 2012	August 31 2012
Cash on hand and in banks	**P196,439**	P279,963
Cash equivalents	**830,091**	806,529
	P1,026,530	P1,086,492

Cash in banks earns interest at the respective bank deposit rates.

Cash equivalents are composed of short-term placements with maturities ranging from 30 to 90 days, and bear annual interest rates ranging from of 1.3% to 4.1875% in 2012 and 2.0% to 4.6875% in 2011. Cash in bank and short-term placements earmarked principally as reserves for debt repayment are presented as part of "Other noncurrent assets" account (see Note 13).

Total interest income on cash and cash equivalents, including those earmarked principally as reserves for debt repayment, amounted to P19.19 million and P16.84 million as of November 30, 2012 and 2011, respectively (see Notes 13 and 22).

7. Trade and Other Current Receivables

Details of this account follow (in thousands):

	November 30 2012	August 31 2012
Trade	**P226,144**	P133,060
Advances to suppliers	**27,839**	7,447
Advances to planter's association	**4,275**	2,551
Advances to officers and employees	**1,121**	647
Others	**9,989**	7,878
	269,368	151,583
Less allowance for impairment losses	**18,389**	18,389
	P250,979	P133,194

The average credit period taken on sale of goods and services is from 60 to 90 days. No interest is being charged on receivables even if they exceed the normal credit period.

Others consist of receivables from a financial institution, receivable from installment contracts and loaned lots to buyers of one subsidiary, accrued interest receivables, cash in a closed bank and other non-trade receivables from other companies. The cash in a closed bank amounting to P500 thousand is expected to be recovered from the Philippine Deposit Insurance System (PDIC) and is presented net of amount not recoverable (see Notes 13 and 23).

Movements in the allowance for impairment losses on receivables follow (in thousands):

	November 30 2012	August 31 2012
Balance, beginning of period	**P18,389**	P18,374
Impairment losses for the period	**-**	15
	P18,389	P18,389

8. Inventories

Details of this account follow (in thousands):

	November 30 2012	August 31 2012
Sugar	**P235,472**	P59,973
Materials and supplies	**167,154**	176,662
Unbilled tolling cost	**49,949**	72,066
Real estate held for sale	**20,156**	20,180
Alcohol	**17,919**	24,726
Manufactured and fabricated products	**4,813**	4,279
Jobs in progress	**3,611**	803
	499,074	358,689
Less allowance to reduce materials and supplies to NRV	**9,518**	9,499
	P489,556	P349,190

The movements in the allowance to reduce materials and supplies to NRV follow (in thousands):

	November 30 2012	August 31 2012
Balance at beginning of period	**P9,499**	P8,394
Provision for the period	**19**	3,711
Recovery during the period	**-**	(2,606)
	P9,518	P9,499

The cost of inventories recognized as an expense is presented as "Cost of goods sold and services" account and includes decrease in inventories of P137.57 million in 2012 and increase in inventories of P192.48 million in 2011, respectively (see Note 21).

Materials and supplies were stated at NRV which were lower than their corresponding costs. Management believes that the recorded allowance to reduce materials and supplies to NRV is adequate.

9. Prepayments and Other Current Assets

Details of this account as follow (in thousands):

	November 30 2012	August 31 2012
Input value-added tax (VAT)	**P19,760**	P31,953
Prepaid insurance	**10,494**	-
Creditable withholding tax	**-**	796
Other prepayments	**4,079**	7,598
	P34,333	P40,347

Prepayments consist of advance payments for insurance, real property tax, and other supplies.

10. Investments in Unconsolidated Subsidiary and in Associate

The Group's investments in unconsolidated subsidiary and in associate are as follow (in thousands):

	Note	**November 30 2012**	August 31 2012
Subsidiary:			
VGCCI	*1*	**P15,680**	P15,680
Associate:			
VIGASCO	*1*	**5,727**	5,727
		21,407	21,407
Less allowance for impairment loss on investment in VIGASCO	*1*	**5,727**	5,727
		P15,680	P15,680

VGCCI

VGCCI, an 81%-owned subsidiary, is a non-profit corporation registered with the SEC on October 8, 1992 primarily to engage exclusively in social, recreational and athletic activities on a non-profit basis among its stockholders, the core of which will be the acquisition and maintenance of a golf field course and tennis courts, residential and other similar facilities.

The financial statements of VGCCI are currently undergoing audit and have not been finalized. VGCCI's unaudited total assets and revenues are less than two percent (2%) of the interim consolidated total assets and interim consolidated total revenues. Due to its immateriality, it is not included in the consolidation pending the finalization of the audit of its financial statements.

VIGASCO

VIGASCO, a 30%-owned associate, was incorporated and registered with the SEC on November 19, 1992 primarily to engage in importing, exporting, buying and selling, at wholesale or at retail, of gases, particularly oxygen, acetylene, hydrogen, liquefied pertroleum gas and any types of gases.

Due to the capital deficiency of VIGASCO resulting from operating losses, the investment is fully provided with allowance for impairment.

11. Property, Plant and Equipment

Movements in this account are as follows (in thousands):

	Land and Land Improvements	Buildings and Structures	Community Buildings and Equipment	Machinery and Equipment	Projects Under Construction	Total
Cost						
Balance, August 31, 2011	P108,459	P636,013	P28,206	P3,980,111	P216,237	P4,969,026
Additions	-	-	-	28	454,347	454,375
Retirements disposals	-	-	-	(898)	-	(898)
Impairment losses	-	(1,902)	-	(8,310)	-	(10,212)
Transfer from investment property	146	658	-	-	-	804
Completed projects	-	12,855	-	154,953	(167,808)	-
Balance, August 31, 2012	108,605	647,624	28,206	4,125,884	502,776	5,413,095
Additions	-	-	-	2,097	60,354	62,451
Impairment losses	-	-	-	(3)	-	(3)
Balance, November 30, 2012	**108,605**	**647,624**	**28,206**	**4,127,978**	**563,130**	**5,475,543**
Accumulated depreciation and impairment losses - cost						
Balance, August 31, 2011	77,034	449,595	21,145	2,304,654	-	2,852,428
Depreciation	4,972	21,512	550	169,370	-	196,404
Retirements/disposals	-	-	-	(698)	-	(698)
Impairment losses	-	(1,052)	-	(8,383)	-	(9,435)
Balance, August 31, 2012	82,006	470,055	21,695	2,464,943	-	3,038,699
Depreciation	1,216	5,024	134	42,623	-	48,997
Balance, November 30, 2012	**83,222**	**475,079**	**21,829**	**2,507,566**	-	**3,087,696**
Appraisal increase						
Balance, August 31, 2011	501,273	27,666	130,978	1,942,347	-	2,602,264
Impairment losses	-	-	-	(1,897)	-	(1,897)
Transfer from investment property	7,112	-	-	-	-	7,112
Balance, August 31, 2012	508,385	27,666	130,978	1,940,450	-	2,607,479
Impairment losses	-	-	-	(518)	-	(518)
Balance, November 30, 2012	**508,385**	**27,666**	**130,978**	**1,939,932**	**-**	**2,606,961**
Accumulated depreciation and impairment losses - appraisal increase						
Balance, August 31, 2011	93,219	106,486	116,600	756,548	-	1,072,853
Depreciation	1,221	307	764	76,161	-	78,453
Impairment losses	-	-	-	(624)	-	(624)
Balance, August 31, 2012	94,440	106,793	117,364	832,085	-	1,150,682
Depreciation	305	77	191	17,981	-	18,554
Balance, November 30, 2012	**94,745**	**106,870**	**117,555**	**850,066**	**-**	**1,169,236**
Carrying Amount At November 30, 2012	**P439,023**	**P93,341**	**P19,800**	**P2,710,278**	**P563,130**	**P3,825,572**
Carrying Amount At August 31, 2012	P440,544	P98,442	P20,125	P2,769,306	P502,776	P3,831,193

Certain land and building of VMC that were formerly leased by a third party are now being utilized by VMC for its distillery operations which started in November 2011. Accordingly, these assets which have carrying values of P7.92 million were transferred to property, plant equipment from investment properties (see Note 12).

The Group's property, plant and equipment were appraised by an independent appraiser. The latest appraisal was conducted on August 12, 2010.

The carrying values of the Group's property, plant and equipment approximate their fair value. Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

The carrying value of property, plant and equipment is net of allowance for impairment losses amounting to P416.85 million which relates to the following (in thousands):

	Note	Machinery and Equipment	Land and Land Improvements	Building and Structures	Total
Balance, August 31, 2011		P331,774	P2,065	P80,438	P414,277
Impairment loss recognized		1,200	-	850	-
Balance, August 31, 2012		332,974	2,065	81,288	416,327
Impairment loss recognized	*24*	521	-	-	521
Balance, November 30, 2012		**P333,495**	**P2,065**	**P81,288**	**P416,848**

The carrying amounts of the Group's property, plant and equipment had these been carried at cost less accumulated depreciation and impairment losses, follow (in thousands):

	Land and Land Improvements	Buildings and Structures	Community Buildings and Equipment	Machinery and Equipment	Projects Under Construction	Total
At November 30, 2012	**P25,383**	**P172,545**	**P6,377**	**P1,620,412**	**P563,130**	**P2,387,847**
At August 31, 2012	P26,599	P177,569	P6,511	P1,660,941	P502,776	P2,374,396

A summary of depreciation on cost and on appraisal increase and the distribution follows (in thousands):

	Note	For Three months Ended November 30	
		2012	2011 (Unaudited)
Depreciation on:			
Cost		**P48,997**	P49,852
Appraisal increase		**18,554**	13,754
		P67,551	P63,606
Depreciation charged to:			
Cost of goods manufactured and sold	*21*	**P61,616**	P56,933
Selling expenses	*23*	**2,979**	2,657
General and administrative expenses	*23*	**2,956**	4,016
		P67,551	P63,606

The amount of the Parent Company's commitment for acquisition or construction and installation of certain air and water pollution control devices to comply with the order of the Department of Environment and Natural Resources (DENR) amounted to P30 million as of November 30, 2012 and August 31, 2012 (see Note 29b).

Substantially all of the Parent Company's property, plant and equipment are used as mortgage for their loans under the Mortgage Trust Indenture (MTI) (see Note 16b2).

12. Investment Properties

The details of this account as follow (in thousands):

	Land	Building	Total
Balance, August 31, 2011	P953,193	P64,354	P1,017,547
Transfer to property, plant and equipment	(7,258)	(658)	(7,916)
Balance, August 31, 2012	945,935	63,696	1,009,631
Fair value change	-	-	-
Balance, November 30, 2012	**P945,935**	**P63,696**	**P1,009,631**

Certain land and building of VMC that were formerly leased by a third party are now being utilized by VMC for its distillery operations which started in November 2011. Accordingly, these assets which have carrying values of P7.92 million were transferred to property, plant equipment from investment properties (see Note 11).

The Group's investment properties were appraised by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The latest appraisal was conducted on August 12, 2010.

The carrying values of the Group's investment properties approximate their fair value. Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

The cost of the investment properties as of November 30, 2012 and August 31, 2012 amounted to P65.48 million.

Of the total investment properties, P895.03 million has been leased out under several short-term and cancellable operating leases to third parties and related parties and the P122.52 million is deemed held for capital appreciation. The total rental income earned from the investment properties for the three months ended November 30, 2012 and 2011 amounted to P1.83 million and P1.76 million, respectively (see Note 22).

No direct expenses were incurred for the Group's investment properties in for three months ended November 30, 2012 and 2011.

13. Other Noncurrent Assets

Details of this account follow (in thousands):

	Note	**November 30 2012**	August 31 2012
Cash and cash equivalents reserve for debt repayment		**P1,858,111**	P1,770,892
Cash surety bonds	*7, 29g*	**34,039**	33,982
		1,892,150	1,804,874
Less allowance for impairment loss		**7,893**	7,893
		P1,884,257	P1,796,981

Cash and cash equivalents reserved for debt repayment consist of cash in bank and short-term placements earmarked for payment to creditors as disclosed in Note 16. Total interest income on cash and cash equivalents, including those earmarked principally as reserves for debt repayment, amounted to P19.19 million and P16.84 million in November 30, 2012 and 2011, respectively (see Notes 6 and 22).

Cash surety bonds pertain to cash collateral for the labor cases against the Parent Company (see Note 29g). It included cash in a closed bank totaling P8.39 million of which P500 thousand is expected to be recovered from the PDIC and is presented as part of "Trade and other current receivables" account (see Note 7). The balance of P7.89 million was fully provided with allowance for impairment.

14. Trade and Other Current Payables

This account is composed of the following (in thousands):

	Note	**November 30 2012**	August 31 2012
Trade suppliers		**P351,666**	P184,130
Customers' deposits		**88,899**	27,634
Accrued:			
Interest on bank loans	*16b3*	**50,786**	54,978
Litigation losses	*29f*	**20,341**	32,862
Real property tax		**14,582**	14,582
Other accrued expenses		**1,792**	2,156
VAT, withholding and other taxes and employer share contributions		**25,279**	15,275
Social amelioration fund		**22,895**	25,091
Liens payable		**10,271**	7,303
Retention payable		**6,792**	6,005
Association dues		**1,093**	1,545
Others		**2,983**	141
		P597,379	P371,702

Others consist of liens payable, association dues, and other current liabilities. Management considers that the carrying amount of trade and other current payables approximates fair value due to their short-term maturities.

15. Provisions

Movements in this account are as follow (in thousands):

	Note	**November 30 2012**	August 31 2012
Balance at beginning of period		**P554,340**	P509,734
Amortization of discount	*24*	**12,127**	44,606
Ending balance		**P566,467**	P554,340

This refers to the probable liability on the allegedly issued RSDOs by the Parent Company which was used by North Negros Marketing Co., Inc. (NONEMARCO) to avail of bank loans totaling to about P630 million as disclosed in Note 16b5 and Note 29a.

The undiscounted amount and the related unamortized discounts follow (in thousands):

	November 30 2012	August 31 2012
Undiscounted amount	**P917,000**	P917,000
Unamortized discount	**(350,533)**	(362,660)
	P566,467	P554,340

16. Long-term Debts

a. *Composition of Parent Company's Long-term Debts*

As to currency denomination (in thousands)

	Note	**November 30 2012**	August 31 2012
Bank loans			
Foreign currency denominated		**P295,657**	P331,514
Philippine peso denominated		**1,846,993**	2,000,910
		2,142,650	2,332,424
Convertible notes	*16b2*	**1,520,878**	1,520,878
Accrued interest on convertible notes	*16b2*	**1,232,589**	1,202,171
		4,896,117	5,055,473
Less unamortized interest and discounts	*16b2*	**226,049**	228,566
		4,670,068	4,826,907
Less current portion		**357,108**	358,834
		P4,312,960	P4,468,073

As to security (in thousands)

	November 30 2012	August 31 2012
Secured	**P929,364**	P1,006,811
Unsecured	**3,966,753**	4,048,662
	P4,896,117	P5,055,473

b. *Debt Restructuring Agreement*

As discussed in Note 2, a key element of the ARP is the restructuring of the above loans from banks and financial institutions. Consequently, VMC and the secured and unsecured creditors executed a DRA dated April 29, 2002. As stated in the DRA, secured creditors are VMC creditors who are holding on to valid Mortgage Participation Certificates (MPC) to the extent of the amount loaned to VMC and covered by said MPCs while all other VMC creditors shall be deemed as unsecured creditors, provided, however, that loan facilities and/or credit accommodations granted by the secured creditors to VMC that are not directly collateralized, secured, or covered by the MPC shall, for all intents and purposes, be considered unsecured loan facilities and/or credit accommodations of the unsecured creditors. This DRA took effect on September 1, 2003 and which provides, among others, for the following:

1. Conversion of P1.1 billion loans into equity.

   On October 9, 2002, loans from unsecured creditors of P1.1 billion were converted into common stock of VMC at a ratio of P1 of debt to P1 of common shares with a par value of P1.

2. Conversion of P2.4 billion loans into convertible notes.

   i. Features of the convertible notes

      On September 1, 2003, the unsecured creditors proportionately converted, on a mandatory basis, P2.4 billion of their principal loans into convertible notes. The convertible notes bear an annual interest of 8% which is cumulative and payable only in respect of those convertible notes which have not been actually converted into common stock of the Parent Company. The conversion resulted to the recognition of an equity component of the convertible feature (presented in the interim consolidated statements of financial position as "Conversion feature on convertible notes" account). This will be reclassified to "Additional paid-in capital" upon conversion of the related convertible notes.

      Starting August 31, 2004, annual interest of 8% has been accrued in respect of all outstanding convertible notes. The convertible notes provide for a term of payment of 15 years from the effectivity date of the DRA (herein referred to as the "restructuring date"). These unsecured creditors shall have second mortgage on the Parent Company's fixed assets (excluding identified non-core assets for disposal), under the secondary MTI pursuant to the terms and conditions of the DRA. The secured creditors would still maintain their first mortgage on the Parent Company's fixed assets (excluding identified non-core assets for disposal) under the MTI, pursuant to the terms and conditions of the DRA.

The convertible notes shall be converted at the option of the holders thereof into common shares of the Parent Company at the ratio of one (1) convertible note to one (1) common share of the Parent Company. The aggregate amount of convertible notes that may be converted into common shares of the Parent Company shall not exceed 20% of the original issue amount of the convertible notes for each year covering the conversion beginning the third year to the sixth year from the issue date of the convertible notes. For the period beginning the eight year to the fourteenth year, the annual aggregate amount of convertible notes that may be converted into common shares of the Parent Company shall not exceed 13% of the outstanding unconverted notes. The Parent Company may redeem the convertible notes at any time at issue price plus accrued interest beginning at the end of the third year from issue date and ending on redemption date which is at the end of the fifteen years from issue date. Also, under the DRA, the buyer of the convertible note from the original holder shall convert the notes into common shares of the Parent Company in accordance with the schedule of the convertibility feature of Section 16 (h) of the DRA. Section 16 (g) of the DRA further provides that interest is payable only at the final redemption date and in respect only to those convertible note which have not been actually converted to common shares of the Parent Company.

ii. Actual transfers and conversions to common shares

The Parent Company has made actual conversions to common shares of certain convertible notes amounting to P118.63 million in 2012 and amounting to P310.05 million in 2011 (see Note 17b) in accordance with the schedule of the convertibility feature of Section 16 (h) of the DRA. The conversion in 2012 resulted to the recognition as “Additional paid-in capital” the P62.01 million related accrued interest payable.

Moreover, certain convertible notes and the related accrued interest payable with the total amount of P658.18 million as of November 30 and August 31, 2012 were recognized as equity as they are considered mandatorily convertible notes in accordance with provision of Section 16 (K) of the DRA which requires that all transferred/sold convertible notes are to be converted to common shares in accordance with the schedule of the convertibility feature of Section 16 (h) of the DRA. These are presented in the interim consolidated statement of financial position as “Convertible notes awaiting conversion” account.

The breakdown of this account as of November 30, 2012 and August 31, 2012 follows (in thousands):

	November 30 2012	August 31 2012
Principal amount of convertible notes transferred to another noteholder	**P459,401**	P459,401
Accrued interest payable	**198,782**	198,782
	P658,183	P658,183

Subsequently, on December 14, 2012, convertible notes with principal amount of P256.31 million were converted to common shares.

These convertible notes and related accrued interest payable are no longer recognized as financial liability as the Parent Company has ceased to have a present obligation as the DRA provides for mandatory conversion upon transfer/sale of convertible notes. These will be converted to common shares as soon as the schedule of the convertibility feature of Section 16 (h) of the DRA permits the conversion.

The outstanding balance of the convertible notes is carried at present value using effective interest of 5.397%. Total finance costs accrued on convertible notes for the quarter ending November 30, 2012 and 2011 amounted to P30.42 million and P43.12 million, respectively. As of November 30, 2012 and August 31, 2012, the balance of the accrued interest on the convertible notes amounted to P1.23 billion, P1.20 billion, respectively.

3. Restructuring of the remaining balance of the loans (herein referred to as "Restructured loans")

   On April 29, 2002, the unsecured and secured creditors restructured the remaining balance of their loans (after the debt-to-equity conversion and the debt conversion to convertible notes), with annual interest of 10% for Philippine peso-denominated loans and 6% for the U.S. dollar-denominated loans payable quarterly in arrears. The restructuring provides for a term of payment of 15 years from September 1, 2003, the restructuring date, with a 3-year grace period from the restructuring date.

   Details of finance cost as follow (in thousands):

	For Three months Ended November 30	
	2012	2011 (Unaudited)
Interest on bank loans	**P51,227**	P60,712
Interest on convertible notes	**32,934**	43,123
	P84,161	P103,835

   The outstanding balance of the accrued interest on bank loans amounted to P50.79 million and P54.98 million as of November 30, 2012 and August 31, 2012, respectively (see Note 14).

4. Secured creditors and/or unsecured creditors who are actually and physically holding legitimate and valid VMC sugar quedans as a form of security as of restructuring date shall be considered as other secured creditors to the extent of the valid sugar quedans they are physically and legitimately holding.

   The outstanding principal loans, including interest, held by these creditors holding sugar quedans as collateral shall have the same terms and conditions as that of the restructured loans of the unsecured creditors under the DRA, including a restructuring period of 15 years.

5. Restructuring of the Refined Sugar Delivery Orders Claims, arising from Refined Sugar Delivery Orders (RSDOs) purportedly issued by VMC which was used by NONEMARCO, Inc. and pending litigation before the SEC, under the same terms and conditions as that of the unsecured creditors once VMC is found liable by final judgment. The carrying value of the provision as of November 30, 2012 and August 31, 2012 amounted to P566.47 million and P554.34 million, respectively (see Note 15).

6. Restructuring of the trade liabilities as follows: 25% during the first year of rehabilitation, 37.5% during the second year of rehabilitation, and 37.5% during the third year of rehabilitation.

The DRA became effective on September 1, 2003 (also known as the restructuring date) upon the occurrence of the following conditions as per Section 36 of the DRA, among others:

1. Conversion of P1.1 billion loans into equity;
2. Conversion of P2.4 billion loans into convertible notes;
3. Generation of the required minimum cash capital infusion of P300 million;
4. Election of a new Board of Directors; and
5. Receipt of certain documents by the creditors as provided for in the DRA (i.e. promissory notes, etc.).

c. *Cash Infusion by a Strategic Investor*

As part of the provision of the rehabilitation program, the Parent Company obtained a P300 million loan from a strategic investor, Tanduay Holdings, Inc.. The loan was fully paid in 2008 in accordance with the terms of the loan.

d. *Compliance with the DRA*

As of November 30, 2012 and August 31, 2012, the Parent Company is in compliance with the provisions of the DRA. No further updates or revisions were made on the ORP, ARP and DRA as of the reporting date.

17. Capital Management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return on the investments of stockholders. The Parent Company is governed by its ARP as submitted and approved by SEC. The details of these plans or programs are disclosed in Note 2.

The capital structure of the Group consists of equity attributable to the stockholders comprising of the capital stock and deficit while debt is defined as long and short-term borrowings, as disclosed in Note 16.

a. *Debt to Total Asset Ratio*

The debt to total assets ratio of the Group, which has been within the Group's acceptable range as set by the BOD, is calculated as follows:

	November 30 2012	August 31 2012
	(In Thousands Except	*Ratio Information)*
Debt	**P4,670,068**	P4,826,907
Total assets	**8,562,197**	8,288,430
	0.55:1	0.58:1

b. *Capital Stock*

Details of the capital stock of the Parent Company follow (in thousands):

	Note	**November 30 2012**	August 31 2012
Common shares - P1 par value 2,563,035,708 shares		**P2,563,036**	P2,563,036
Issues and outstanding:			
Balance at beginning of period – 2,024,626,981 shares in November 30, 2012 and 1,905,998,732 in August 31, 2012		**P2,024,627**	P1,905,999
Conversions of convertible notes:	*16b2*		
Conversion to 118,628,250 shares at P1 per share by certain secondary note holders in 2012		**-**	118,628
		P2,024,627	P2,024,627

Except for the conversion of certain convertible notes to common shares as disclosed above, there was no other movement on capital stock for the periods ended November 30, 2012 and August 31, 2012. The conversion of certain convertible notes to common shares is provided for in the DRA.

On November 15, 1993, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange. However, the trading was suspended on October 9, 1997. In 2012, the SEC and the PSE have lifted its order of suspension of the trading of the Parent Company's shares. Consequently, on May 21, 2012, the trading resumed.

c. *Recapitalization and Quasi-reorganization*

On October 2, 2002, the SEC approved the following recapitalization programs:

1. The authorized capital stock was reduced initially from P2.7 billion consisting of 270 million shares with par value of P10 per share to P495,957,670 consisting of 170,432,189 shares with par value of P2.91 per share.

2. The reduction in par value likewise resulted in the reduction of the subscribed capital stock from P1,704,321,890 consisting of 170,432,189 shares with a par value of P10 per share to P495,957,670 consisting of 170,432,189 shares with a par value of P2.91 per share. The par value of the capital stock was then further reduced from P2.91 to P1, simultaneous thereto, the subscribed capital stock was increased from P170,432,189 consisting of 170,432,189 shares at par value of P1 per share to P495,957,670 consisting of 495,957,670 shares at par value of P1 per share through a stock split. The resulting reduction surplus of P1,208,364,220 (P1,704,321,890 less P495,957,670) was used to partially wipe out the deficit of the Parent Company.

3. SEC issued a certificate of filing of certificate of increase in capital stock dated October 2, 2002 approving the Parent Company's increase in the authorized capital stock from P495,957,670 consisting of 495,957,670 common shares at par value of P1 per share to P2,563,035,708 consisting of 2,563,035,708 shares of common stock at par value of P1 per share. The increase in the authorized capital stock was a partial implementation by the Parent Company of the ARP's provision on the increase in authorized capital stock as approved by the SEC on November 29, 2000 (see Note 2.2.i). However, the approval by the SEC on the increase in authorized capital stock was subject to condition that the Parent Company shall submit to the SEC all duly executed deeds of assignment evidencing the creditors' assignment of a portion of their unpaid loans as payment for the subscription of the increase in the Parent Company's authorized capital stock. On June 17, 2009, which was within the extended period requested for submission of all the duly executed deeds of assignment, the Parent Company submitted the required documents to the SEC.

   In an order dated March 26, 2009, the SEC's Company Registration and Monitoring Department revoked the Parent Company's certificate of increase in capital stock dated October 2, 2002 due to alleged non-compliance with the conditions provided in the grant of the same. On December 20, 2012, the SEC granted the Parent Company's petition for lifting the order of revocation.

d. Partial Wipe-out of Deficit

On September 2, 2002, the SEC approved the quasi-reorganization of the Parent Company through the application of revaluation increment and the reduction of the subscribed capital stock of P3,195,367,390 to partially wipe out the deficit of P7,823,474,147 as of August 31, 2002.

For purpose of dividend declaration, any retained earnings of the Parent Company shall be restricted to the extent of deficit wiped out by the revaluation increment and reduction of the subscribed capital stock.

e. Conversion of Debt into Equity

As discussed in Note 16, the unsecured creditors converted proportionately P1.1 billion of their loans into common stock of the Parent Company at a ratio of P1 of debt to P1 of common stock. The said conversion resulted in a change in management control of the Parent Company effective October 9, 2002, whereby the creditor controls 69% of the ownership of the Parent Company while the existing stockholders prior to the conversion was reduced to 31%. Due to the conversion of the P310 million convertible notes to common stock in 2011 (see Note 16b2), the creditors now control 74% of the ownership of the Parent Company.

f. Treasury Stock

The Parent Company had an Employees Stock Ownership Plan (ESOP) which was administered by a Board of Administrators appointed by the former Board of Directors of the Group. The ESOP allocated approximately 18 million shares from the Group's authorized and unissued shares of capital stock. This ESOP gave permanent and regular employees the right to subscribe to a minimum of 100 shares and to a maximum of 5,000 shares at a discounted prevailing market value price. Since August 19, 1998, the implementation of the ESOP has been permanently suspended.

The treasury shares as of November 30, 2012 and August 31, 2012, represented the ESOP shares withdrawn, decrease in treasury shares due to recapitalization, and investments of the consolidated subsidiaries in the Group, as follows:

	November 30 2012	August 31 2012
	(In Thousands)	
ESOP shares withdrawn	**P54**	P54
Decrease in shares held in treasury due to retirement	**(4)**	(4)
Decrease in treasury shares due to recapitalization	**(39)**	(39)
	P11	P11

The Group's overall capital management strategy remains unchanged from 2011. The Group is not subject to externally-imposed capital requirements.

18. Earnings Per Share

a. Basic Earnings Per Share (EPS)

	Note	For Three Months Ended November 30	
		2012	2011 (Unaudited)
		(In Thousands, Except Per Share Data)	
Net income for the period		**P146,592**	P53,536
Beginning shares of stock outstanding	*17b*	**2,024,627**	1,905,999
Treasury stock	*17f*	**(11)**	(11)
Total weighted average number of shares of stock outstanding after conversion of convertible notes		**2,024,616**	1,905,988
Basic EPS		**P0.07**	P0.03

b. Diluted EPS

	Note	For Three Months Ended November 30	
		2012	2011 (Unaudited)
		(In Thousands, Except Per Share Data)	
Net income for the period		**P146,592**	P53,536
Add back interest expense on convertible notes	*16b3*	**32,934**	43,123
Net income after adjustment		**179,526**	96,659
Total weighted average number of shares of stock outstanding after conversion of convertible notes		**2,024,616**	1,905,988
Add: Assumed issued common shares through conversion of convertible notes		**1,980,279**	2,098,907
Total weighted average number of shares actually issued and assumed issued through conversion of remaining convertible notes		**4,004,895**	4,004,895
Diluted EPS		**P0.04**	P0.02

The Company has outstanding convertible notes, including notes awaiting conversion, amounting to P2 billion as of November 30, 2012 and P2.1 billion as of November 30, 2011 which have been considered as dilutive potential common shares for 2012 and 2011 as their conversion to common shares would decrease the basic EPS from continuing ordinary operations for these years.

The convertible notes which have outstanding balance of P1.52 billion at November 30, 2012 and August 31, 2012, respectively, have been recorded in the books of account in accordance with the terms of the DRA as discussed in Note 16b2.

19. Operating Segment Data

Operating Segments
The Group is organized into the following operating units - sugar milling, food processing, real estate, leasing, engineering, and distillery operations. A detailed description of each segment is set below:

Sugar Milling
Revenues from sugar milling consist of the following:

a. sale of raw sugar and molasses (mill share)
b. sale of refined sugar
c. tolling fees

For its raw sugar and molasses operations, the Parent Company operates a raw sugar mill with a daily capacity of 15,000 metric tons. Cane supply is sourced from both district and non-district planters who have milling contracts with VMC. The production sharing agreement is 69.5% for planters and 30.5% for VMC.

The Parent Company also operates a refinery plant with a daily capacity of 27,000 Lkg. (1 Lkg = 50 kilograms). To ensure maximum utilization of the refinery, VMC also provides toll refinery services to traders and planters for their raw sugar milled by other sugar centrals.

Total sales to two external customers to whom the Parent Company made sales equal to or more than 10% of the total reported revenues amounted to P602 million and P787 million three months ended November 30, 2012 and 2011, respectively.

Food Processing
This segment is involved primarily in processing canned sardines and bangus in different variants such as tomato-based and chili-based, among others. In December 2002 and January 2003, this segment introduced the luncheon meat and lechon paksiw product lines, respectively. Moreover, in May 2003, this segment re-operated its slaughterhouse operations which had been closed for years.

Real Estate
This segment is involved in the development and sale of subdivision and memorial lots. Among its projects are Phases I to III of Canetown Subdivision and the St. Joseph Memorial Garden which are both located in Victorias City. These projects were initially intended to provide for the housing and personal needs of the officers and employees of the Group. In recent years, however, certain lots had also been made available to the general public.

Leasing
This segment derives income from the lease of certain parcels of land to planters.

Engineering Operations
The Parent Company has engineering and manufacturing divisions which are not reported consolidated in the schedules above because majority of their revenues are not from external customers.

The engineering operations are divided into two business units, namely construction and engineering works. The construction division handles construction projects, road improvements, and structural works for the Parent Company plant operations, fabrication, and production of concrete product; and manages the operations of trucks and heavy equipment, among others. Since crop-year 1997-1998, the construction division has limited its activities to servicing only the requirements of the Parent Company's sugar operations. On the other hand, the engineering works division operates two engineering shops: (a) foundry shop which produces metal castings and (b) machine shop which handles mechanical works/machining jobs.

Distillery Operations
The Parent Company has an alcohol distillery division which started its testing operations on November 2011. Full operation is targeted to start March 2013. As of the November 30, 2012, revenue from distillery operations pertains to sale of specially denatured alcohol.

For its operations, the division operates an alcohol production with an actual daily capacity of 20,000 liters and with molasses as the primary raw material. Molasses is sourced from sugar operations which produces it as a by-product. As of end of reporting date, the division has still one customer which is an ethyl alcohol manufacturer.

Segment Revenue and Expense
The sugar operations production output is limited to servicing the needs of the domestic market. Its customers consist of sugar traders, sugar centrals, distributors, among others, which are generally situated in various parts of the Philippines, particularly the provinces of Negros Occidental, Iloilo and Metro Manila.

Joint revenues and expenses are allocated to the various business segments. All other segment revenues and expenses are directly attributable to the segments.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, prepayments, and property, plant and equipment, net of related allowance and depreciation. The carrying amount of certain assets used jointly by the various segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals, value added tax and other taxes, and customers' deposits.

Segment assets and liabilities do not include deferred income taxes.

Inter-segment Transfers
Segment revenues, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices for similar goods, except for inter-departmental services being performed by the engineering division which are charged at cost. These transfers are eliminated in the consolidation of the accounts.

The following table presents the revenue and profit information regarding operating segments for the quarters ended November 30, 2012 and 2011 and certain asset, liability and other information regarding operating segments as of November 30, 2012 and August 31, 2012:

	November 30, 2012								November 30, 2011
	(In Millions)								
	Sugar Milling	**Food Processing**	**Real Estate**	**Leasing**	**Engineering Operations**	**Distillery Operations**	**Elimination Items**	**Total**	
REVENUE									
Sales	**P994**	**P5**	**P1**	**P -**	**P -**	**P8**	**P -**	**P1,008**	P1,052
Inter-segment sales	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
Total	**P994**	**P5**	**P1**	**P -**	**P -**	**P8**	**P -**	**P1,008**	P1,052
RESULT									
Segment result	**P344**	**(P2)**	**P1**	**P -**	**P -**	**P -**	**P -**	**P343**	P251
Unallocated corporate expenses	**(51)**	**(2)**	**(1)**	**-**	**-**	**-**	**-**	**(54)**	(55)
Operating profit	**293**	**(4)**	**-**	**-**	**-**	**-**	**-**	**289**	196
Interest expense	**(84)**	**-**	**-**	**-**	**-**	**-**	**-**	**(84)**	(104)
Interest income	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**19**	17
Net foreign exchange gains (losses)	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	(11)
Income tax benefit (expense)	**(74)**	**1**	**-**	**-**	**-**	**-**	**-**	**(73)**	(38)
Miscellaneous	**(15)**	**-**	**-**	**-**	**-**	**-**	**-**	**(15)**	(6)
Net income for the period	**P150**	**(P3)**	**P -**	**P -**	**P -**	**P -**	**P -**	**P147**	P54
OTHER INFORMATION									
Segment assets	**P8,159**	**P78**	**P207**	**P118**	**P -**	**P -**	**P -**	**P8,862**	P8,288
Segment liabilities	**P6,395**	**P66**	**P108**	**P28**	**P -**	**P -**	**P -**	**P6,597**	P6,470

20. Revenue from Operations

This account consists of (in thousands):

	For Three Months Ended November 30	
	2012	2011 (Unaudited)
Raw sugar sales	**P561,028**	P693,890
Tolling revenues	**374,464**	288,204
Molasses	**58,634**	49,710
Alcohol sales	**8,400**	-
Engineering contracts	**-**	12,202
Others	**6,174**	7,735
	P1,008,700	P1,051,741

21. Cost of Goods Sold and Services

This account consists of (in thousands):

		For Three months Ended November 30	
	Note	**2012**	2011 (Unaudited)
Cost of hauling		**P298,223**	P216,360
Repairs and maintenance		**159,316**	95,994
Materials and supplies	*8*	**98,385**	59,930
Professional fees and contracted services		**64,483**	60,302
Depreciation	*11*	**61,616**	56,933
Fuel and transportation		**42,279**	41,734
Light and water		**20,312**	17,061
Input tax allocable to exempt sales		**18,847**	15,629
Taxes and licenses		**11,945**	12,792
Direct labor	*26*	**1,239**	1,440
Rental	*28*	**733**	2,927
Others		**4,924**	4,757
Total cost of goods manufactured		**782,302**	585,859
Decrease (increase) in inventories		**(137,572)**	192,489
		P644,730	P778,348

Cost of hauling pertains to cane trucking, hauling allowances and other incentives to encourage planters to mill with the Parent Company.

22. Other Income

This account consists of (in thousands):

		For Three months Ended November 30	
	Note	**2012**	2011 (Unaudited)
Interest income	*6, 13*	**P19,187**	P16,843
Foreign exchange gain		**10,502**	-
Rental income	*12*	**1,829**	1,760
Gain on extinguishment of liabilities		**-**	2,379
Others		**11**	384
		P31,529	P21,366

23. Operating Expenses

This account consists of the following (in thousands):

Selling Expenses

		For Three months Ended November 30	
	Note	**2012**	2011 (Unaudited)
Freight and handling		**P4,935**	P4,301
Taxes and licenses		**4,202**	4,839
Repairs and maintenance		**4,162**	5,427
Materials and supplies	*8*	**3,926**	2,924
Depreciation	*11*	**2,979**	2,657
Salaries and other employee benefits	*26*	**566**	502
Others		**356**	1,148
		P21,126	P21,798

General and Administrative Expenses

		For Three months Ended November 30	
	Note	**2012**	2011 (Unaudited)
Professional fees and contracted services		**P29,310**	P28,023
Travel and transportation		**4,527**	5,009
Salaries and other employee benefits	*26*	**4,196**	3,547
Taxes and licenses		**3,426**	4,095
Depreciation	*11*	**2,956**	4,016
Representation and entertainment		**2,306**	2,820
Retirement benefit	*26*	**1,927**	1,672
Repairs and maintenance		**1,711**	1,883
Others		**4,047**	3,662
		P54,406	P54,727

24. Other Expenses

This account consists of (in thousands):

	Note	For Three months Ended November 30, 2012 2012	2011 (Unaudited)
Amortization of discount on provisions	*15*	**P12,127**	P11,152
Bank charges		**3,562**	503
Impairment loss on property, plant and equipment		**521**	-
Foreign exchange loss		**57**	11,091
Loss on retirement and disposal of property, plant and equipment		**-**	93
Others		**604**	392
		P16,871	P23,231

25. Income Taxes

The breakdown of income tax expense follows (in thousands):

	For Three Months Ended November 30 2012	2011 (Unaudited)
Recognized in profit or loss		
Current	**P80,779**	P50,227
Deferred	**(8,436)**	(12,595)
	P72,343	P37,632

The reconciliation of income tax expense computed at the applicable statutory rates to the tax expense is as follows (in thousands):

	For Three Months Ended November 30 2012	2011 (Unaudited)
Income before income tax	**P218,935**	P91,168
Tax expense at 30%	**P65,680**	P27,351
Effect of non-deductible and non-taxable items:		
Non-deductible interest expense	**12,189**	14,962
Other non-deductible expenses	**3**	-
Increase in unrecognized deferred taxes	**228**	372
Interest income subject to final tax	**(5,757)**	(5,053)
	P72,343	P37,632

The composition of "Deferred tax liabilities - net" account as reported in the interim consolidated statement of financial position follows (in thousands):

	November 30 2012	August 31 2012
Deferred tax liabilities	**P731,438**	P735,893
Deferred tax assets	**(206,190)**	(202,210)
Net deferred tax liabilities	**P525,248**	P533,683

The following are the composition of deferred tax liabilities (in thousands):

	November 30 2012	August 31 2012
Net appraisal increase on property, plant and equipment	**P431,319**	P437,040
Unrealized fair value gain on investment properties	**274,915**	274,915
Unrealized gain on foreign exchange	**25,204**	23,938
	P731,438	P735,893

The following are the composition of the recognized deferred tax assets of the Group (in thousands):

	Note	**November 30 2012**	August 31 2012
Provisions for RSDO claims	*15*	**P169,940**	P166,302
Retirement benefit obligation		**25,729**	26,633
Allowance for impairment losses on receivables, allowance to reduce materials and supplies to NRV and impairment losses on investments		**6,813**	6,813
NOLCO		**3,529**	2,285
MCIT		**177**	177
		P206,190	P202,210

The Group expects that it will have sufficient taxable profits for which it can use the subsequent benefits of the deferred tax assets related to the provision for RSDO claims, retirement benefit obligation and allowances for impairment losses on receivables, and allowance to reduce materials and supplies to NRV and impairment losses on investments, which are expected to reverse in the foreseeable future.

The unrecognized deferred tax assets are attributable to the following deductible temporary differences (in thousands):

	November 30 2012	August 31 2012
Interest on convertible notes	**P1,006,540**	P973,605
NOLCO	**537**	329
MCIT	**273**	252
Allowance for impairment losses on receivables, allowance to reduce materials and supplies to NRV and impairment losses on investments	**5,581**	5,571
	P1,012,931	P979,757

Details of NOLCO are as follows (in thousands):

Year incurred	Expiry Date	At September 1, 2012	Addition	Expiration/ Application	At November 30, 2012
2011	2014	P1,303	P -	P -	P1,303
2012	2015	1,311	-	-	1,311
2013	2016	-	1,452	-	1,452
		P2,614	P1,452	P -	P4,066

Details of MCIT are as follows (in thousands):

Year incurred	Expiry Date	At September 1, 2012	Addition	Expiration	At August 31, 2012
2010	2013	P88	P -	P -	P88
2011	2014	41	-	-	41
2012	2015	300	-	-	300
2013	2016	-	21	-	21
		P429	P21	P -	P450

26. Personnel Costs and Expenses

a. Composition of Personnel Costs and Expenses

The following are the details of the personnel costs and expenses and the distribution (in thousands):

	Note	**November 30 2012**	November 30 2011 (Unaudited)
Cost of goods manufactured and sold:			
Direct labor	*21*	**P1,239**	P1,440
Selling expense:			
Salaries and other employee benefits	*23*	**566**	502
General and administrative expense:	*23*		
Salaries and other employee benefits		**4,196**	3,547
Retirement benefit		**1,927**	1,672
		P7,928	P7,161

b. Voluntary Attrition Program

In 2010, the Parent Company implemented a voluntary attrition program (VAP) affecting all of its employees. As a result of the VAP, the Parent Company outsources its production, finance and administration, except for certain number of key personnel which are retained by the Parent Company as regular employees.

c. Retirement Benefit

The Parent Company and certain subsidiaries have their unfunded, non-contributory, defined benefit plan covering substantially all of its permanent employees and in accordance with the provisions of the Miguel J. Ossorio Pension Foundation, Inc. and the provisions of the supplementary retirement plan. The most recent actuarial valuation of the present value of the defined benefit obligation of the Parent Company was carried out at August 31, 2012 by a qualified independent actuary.

The present values of the defined benefit obligation, the related current service cost and past service cost of the Group were measured using the projected unit credit method.

The reconciliation of the retirement benefit obligation shown in the interim consolidated statement of financial position is as follows (in thousands):

	November 30 2012	August 31 2012
Present value of defined benefit obligations, end	**P117,386**	P120,796
Unrecognized actuarial gains	**(31,622)**	(32,015)
Retirement benefits liability at end of period	**P85,764**	P88,781

Movements in the present value of defined benefit obligation are as follows (in thousands):

	November 30 2012	August 31 2012
Present value of defined benefit obligation at beginning of period	**P120,796**	P98,283
Interest cost	**1,604**	6,800
Service cost	**20**	195
Actuarial loss	**-**	31,364
Curtailment	**-**	6,642
Benefits paid	**(5,034)**	(22,488)
Present value defined benefit obligation at end of period	**P117,386**	P120,796

The remaining retirement benefit obligation pertains to the retirement payable to retired employees who did not opt for the lump sum payment of retirement benefit at the time of their retirement.

The amounts recognized as net of retirement benefit cost in the interim consolidated statements of comprehensive income in respect of this defined benefit plan are as follows (in thousands):

	For Three Months Ended November 30	
	2012	2011 (Unaudited)
Interest cost	**P1,604**	P1,770
Service cost	**20**	64
Amortization of unrecognized actuarial loss	**394**	102
	P2,018	P1,936

The key assumptions used in determining the Group's retirement benefit expense and liability follow:

	Valuation at	
	2012	2011
Discount rate	**5.33%**	7.31%
Expected rate of salary increases	**3.00%**	3.00%

The historical information on actuarial losses (gains) due to changes in actuarial assumptions and experience adjustments and the present value of defined benefit obligation as of November 30, 2012 and as of August 31, 2012, 2011, 2010, and 2009 are as follows (in thousands):

	November 30 2012	August 31 2012	2011	2010	2009
Present value of defined benefit obligation	**P117,386**	P120,796	P98,283	P103,177	P240,934
Experience adjustments on plan liabilities	**-**	6,482	-	68,131	(20,363)
Changes in actuarial assumptions	**-**	24,436	-	6,636	(13,697)

27. Related Party Transactions

Identity of Related Parties

The Parent Company's related parties include its subsidiaries, associate and key management personnel.

Significant Transactions with Related Parties

a. The Parent Company made cash advances to its subsidiaries as the need arises. Outstanding receivable arising from cash advances to VGCCI (presented as "Advances to an unconsolidated subsidiary" account in the interim consolidated statements of financial position) amounted to P25.66 million as of November 30, 2012 and P25.72 million as of August 31, 2012.

   The outstanding advances are non-interest bearing, unsecured and have no definite maturities.

b. Remuneration of Key Management Personnel

   The remuneration of key management personnel of the Group is set out below in aggregate for each of the categories specified in PAS 24, Related Party Disclosures (in thousands).

	For Three months Ended November 30	
	2012	2011 (Unaudited)
Short-term employee benefits	**P14,115**	P11,999

c. Due to a Stockholder

   Due to a stockholder amounting to P6.0 million as of November 30, 2012 and August 31, 2012 pertains to advances of VQPC, an unconsolidated subsidiary, from its non-controlling stockholder. The advances are unsecured, non-interest bearing and have no definite payment terms.

28. Agreements and Commitments

The significant agreements at November 30, 2012 and August 31, 2012 were as follows:

a. Milling contracts with various planters provide for a 69.5% share to the planters (including related parties) and 30.5% share to the Parent Company of sugar and molasses produced from sugar canes milled. The milling contracts are renewed annually.

b. As of November 30, 2012 and August 31, 2012 the Parent Company had in its custody sugar owned by several quedan holders and sugar traders of approximately 0.77 million Lkg and 0.60 million Lkg, respectively. The estimated market values of these sugar inventories amounted to P1.42 billion and P1.31 billion, respectively. These sugar inventories are not reflected in the interim consolidated statements of financial position since these are not assets of the Parent Company. The Parent Company is accountable to both quedan holders and sugar traders for the value of these trusteed sugar or their sales proceeds.

c. In 2005, the Parent Company has entered into a deed of assignment and exchange of shares of stock with VGCCI for the latter to issue shares of stock with a total par value of P224 thousand in exchange for the Parent Company's land with an appraised value of P13,205,970, the difference of P12,981,970 to be accounted for as additional paid-in capital of the Parent Company to VGCCI.

   As provided for in the agreement, VGCCI is in possession of the above-mentioned land without any consideration yet until such time that the assignment of the aforementioned land is completed. As at August 31, 2010, the certificate of title has not yet been transferred in the name of VGCCI since the land to be transferred is covered by the mortgage trust indenture of the Parent Company with various creditor banks as disclosed in Note 16.

d. In an Order dated May 21, 2010, DOLE approved and adopted the Joint Motion to Approve Compromise Agreement of VMC and VIWA as the final disposition of all labor controversies pending before the Office and the DOLE Regional Office No. VI. The Order further states, that all cases pending before the Office of the Secretary and the DOLE Regional Office No. VI be terminated and dropped from their respective business calendars.

e. The Group leases certain machineries and equipment from third parties for terms of one year, subject to yearly renewal. Total rental charged to cost of goods sold and services amounted to P0.73 million and P2.93 million for the three-months ended November 30, 2012 and 2011, respectively.

29. Provisions and Contingencies

a. North Negros Marketing Co., Inc. (NONEMARCO) used refined sugar invoice/delivery orders (RSDOs) allegedly issued by VMC to avail of bank loans totaling to about P630 million. Several creditor banks filed collection cases against NONEMARCO aggregating to P1.19 billion. Further, these creditor banks have asked VMC to either make a delivery of the sugar covered by the RSDOs or absorb the debts of NONEMARCO.

VMC denied liability as these RSDOs were not backed up with actual sugar and that the officers who issued them acted fraudulently; hence, VMC took the position that these accounts should be paid by NONEMARCO. The proceedings of the case are still pending with the SEC.

VMC estimated that the total liability (including imputed finance cost) to be incurred at the end of the rehabilitation program on the claims on RSDOs is P917 million. The amortized cost of this liability which is presented as "Provisions" account in the interim consolidated statements of financial position amounted to P566.47 million and P554.34 million as of November 30, 2012 and August 31, 2012, respectively, (see Note 15).

b. On September 22, 2003, VMC received an order issued by the Pollution Adjudication Board (PAB) directing the former to permanently seal the opening of the underground canal leading to Malihao river; provide protective lining in the pond immediately; and, show cause within five (5) days from receipt of order why a cease and desists order should not be imposed on VMC by the Department of Environment and Natural Resources (DENR) for non-compliance with both water and air standards. On September 26, 2003, VMC has filed a manifestation and compliance certification in response to the September 22, 2003 order.

   The Management of VMC has placed the handling of pollution problems on its priority list and is now addressing it in a manner which is within the financial resources of VMC. VMC is expected to address air pollution problems to comply with the Clean Air Act.

   Moreover, VMC is now in compliance with the water pollution standards of the DENR after the upgraded waste water treatment plant has been successfully commissioned in February 2003.

   VMC has not yet obtained the permanent lifting order with respect to water pollution. Management believes that said fine will have no significant impact on the Group's interim consolidated financial statements.

   On February 8, 2005, VMC received a copy of the resolution/order from PAB dated December 21, 2004, concerning the pending case of VMC on air pollution. The order was addressed to VMC to comply with the following requirements: (i) a surety bond equivalent to 25% of the total cost of the proposed Air Pollution Control Device (APCD); (ii) board resolution approving the construction of the proposed APCD; (iii) certificate of availability of funds for the construction of the APCD; and (iv) a notarized undertaking to comply with the conditions set forth in the order.

   On February 18 and 21, 2005, VMC filed very urgent motions for reconsideration of the order. On a hearing conducted by PAB on these motions filed by VMC, PAB directed VMC to submit appropriate pleading with the SEC for the inclusion of the APCD cost as part of the rehabilitation plan which VMC filed before SEC a motion for leave to allow inclusion of the cost of compliance with the order as part of rehabilitation plan on April 14, 2005.

In response, SEC issued on August 11, 2005 an order deferring resolution on the motions of VMC and directing VMC to submit an itemized cost to be incurred for the (i) acquisition, fabrication, installation and maintenance of APCD; (ii) statutory/ regulatory fines imposed upon VMC and the amounts thereof as computed by PAB; (iii) expenses needed to comply with the December 21, 2004 order; and (iv) financial presentation which clearly show the source of funds and VMC's ability to service its indebtedness under the terms of the DRA.

On January 27, 2009, VMC filed an urgent motion/application for an extension of the Temporary Lifting Order (TLO) that was previously issued by DENR. This urgent motion was received by PAB secretariat on April 29, 2009. On January 30, 2009, the PAB had resolved to issue a three (3) months TLO instead of the original eighteen (18) months TLO that VMC had originally requested. However, on August 13, 2009, VMC filed another motion/application for extension of the said TLO for a period of one year from September 4, 2009 to September 4, 2010.

Incidentally, in order to minimize the pollution problems that VMC's management had encountered, it had allotted approximately P30 million for the installation of wet gas scrubbers for the two boilers (JTA and Yoshimine), which are already operational as of August 31, 2009.

Moreover, as part of VMC's regular pollution control program, VMC had also met with foreign consultants who are willing to look at VMC's pollution concerns in relation to its carbon credits program and activities in the country. Initial visits by representatives of a foreign company to the millsite have been made but no further developments have resulted yet.

On June 21, 2010, PAB directed VMC to show cause within 10 days from receipt of the Order why no Cease and Desist Order shall be issued against it for its alleged violation of law and DENR rules. On July 29, 2010, VMC filed its position paper.

On October 22, 2010, PAB issued an Order directing VMC to "SHOW CAUSE" why no Cease and Desist Order shall be issued for its violators under P.D. 984, R.A. 9275, R.A. 8749 and its implementing Rules and Regulations. On November 19, 2010, VMC filed its Position Paper, praying that VMC be granted an extension of the Temporary Lifting Order.

On July 5, 2011, the technical conference was held where VMC directed to submit commitment letter. VMC submitted the required commitment letter.

On January 11, 2012, VMC received PAB's order dated July 5, 2011, granting VMC's motion for extension of TLO but only for three (3) months or from January 11, 2012 to April 11, 2012. Likewise, VMC was required to submit management-approved program of work concerning the installation of additional control device for the five (5) remaining boilers. Regional office may issue a "permit to operate", co-terminus with the effectivity of TLO.

On April 3, 2012, VMC filed compliance and urgent motion for extension of temporary lifting order of PAB dated July 5, 2011. VMC prayed that its compliance be duly noted by PAB and an order be issued, granting VMC an extension of the TLO for a period of one (1) year or from April 11, 2012 to April 12, 2013.

c. In August 1999, SGS Yarsley International Certification Services issued an ISO 9002 certification to VMC. As of November 25, 2003, VMC has upgraded its ISO certification to ISO 9001:2000 version. On October 21-23, 2009 SGS Philippines conducted the stage 2 of the on-site audit and concluded that VMC has established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products or services within the scope and the organization's policy and objectives.VMC is recommended for recertification and upgrading from ISO 9001:2000 to ISO 9001:2008 version.

d. In a letter to the SEC dated October 8, 1997, the predecessor auditors withdrew their reports on the 1996 and prior years' financial statements of VMC and those of its subsidiaries as a consequence of matters the predecessor auditors described in their aforementioned letter. In several letters to the SEC, VMC and its then MANCOM objected to the predecessor auditors' withdrawal of audit reports and requested the SEC not to allow it. On September 7, 1998, the SEC ruled that all reports/filings officially submitted to the SEC form an integral part of the corporate records of VMC and cannot be detached, modified or amended except through subsequent filings.

e. The agricultural land of VALCO, with carrying amount of P90.8 million, is subject to the Comprehensive Agrarian Reform Law which requires, among others, the redistribution of land that exceeds the retention limit.

f. Judgments against the Parent Company were rendered on certain cases ordering the Parent Company to pay/deliver certain bags of sugar to the plaintiff. The Parent Company recorded accruals related to these liabilities (see Note 14).

g. There are various lawsuits and claims such as labor cases, collection disputes and assessments filed by third parties against VMC which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are in the process of being determined. Relative to this, VMC is required to put up cash surety bonds (see Note 13).

Except for the claims of the several creditors involving the collection cases against NONEMARCO as discussed in letter a above which is properly and sufficiently accrued as provision, in the opinion of the management of the Group and in consultation with legal counsels, the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or financial performance of the Group.

30. Financial and Capital Risk Management

The Group's financial instruments comprise of cash and cash equivalents, trade and other current receivables, advances to and from an unconsolidated subsidiary, other noncurrent assets, trade and other current payables, long-term debts and due to a stockholder. The main purpose of these financial instruments is to raise finances for the Group's operations.

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

The BOD of the Parent Company has overall responsibility for the establishment and oversight of the Group's risk management framework. Moreover, market and credit risk management is carried out by the Group's Treasury Group. The objective is to minimize potential adverse effects on its financial performance due to unpredictability of financial markets.

Credit Risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The amounts presented in the interim consolidated statements of financial position are net of allowances for impairment losses on receivables, estimated by the Group's management based on prior experience and their assessment of the prevailing economic environment at any given time.

As of November 30, 2012 and August 31, 2012, the aging profile of the Group's financial assets is as follows (in thousands):

November 30, 2012	**Total**	**Neither Past Due nor Impaired**	**Past Due but not Impaired**				**Past Due and Impaired**
			< 30 Days	**31-60 Days**	**61-90 Days**	**> 90 Days**	
Trade and other current receivables*	**P241,529**	**P83,148**	**P127,461**	**P2,247**	**P258**	**P8,519**	**P19,896**
Advances to unconsolidated subsidiary	**89,116**	**31,028**	**-**	**-**	**-**	**-**	**58,088**
Other noncurrent assets	**1,892,150**	**1,884,257**	**-**	**-**	**-**	**-**	**7,893**
	P2,222,795	**P1,998,433**	**P127,461**	**P2,247**	**P258**	**P8,519**	**P85,877**

** Excluding advances to suppliers*

August 31, 2012	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			< 30 Days	31-60 Days	61-90 Days	> 90 Days	
Trade and other current receivables*	P143,140	P116,594	P3,363	P121	P140	P4,094	P18,828
Advances to unconsolidated subsidiary	25,722	25,722	-	-	-	-	-
Other noncurrent assets	1,804,874	1,796,981	-	-	-	-	7,893
	P1,973,736	P1,939,297	P3,363	P121	P140	P4,094	P18,828

** Excluding advances to suppliers*

At the reporting date, there were no significant concentrations of credit risk as the Group's receivables are actively monitored.

As of November 30, 2012 and August 31, 2012, the Group's maximum credit exposure is equal to the carrying value of the following financial assets (in thousands):

	Note	**November 30 2012**	August 31 2012
Cash and cash equivalents	*6*	**P1,026,530**	P1,086,492
Trade and other current receivables - net*	*7*	**226,144**	133,194
Advances to unconsolidated subsidiary	*27a*	**25,659**	25,722
Other noncurrent assets	*13*	**1,884,257**	1,796,981
		P3,162,590	P3,042,389

** Excluding advances to suppliers and net of impairment loss*

Liquidity Risk

Liquidity risk is the risk of not meeting obligations as these become due because of an inability to liquidate assets or obtain adequate funding.

The Group monitors and maintains a level of cash deemed adequate by the management to finance the Parent Company's operations and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained from related party advances.

The following tables summarize the maturity profile of the Group's financial liabilities as of November 30, 2012 and August 31, 2012 based on contractual undiscounted payments (in thousands):

November 30, 2012	**Total Carrying Value**	**Contractual Undiscounted Payments**				
		Total	**On Demand**	**< 1 Year**	**1 to 5 Years**	**> 5 Years**
Trade and other current payables*	**P614,713**	**P614,713**	**P362,122**	**P252,591**	**P -**	**P -**
Long-term debts	**4,670,068**	**4,896,117**	**-**	**357,108**	**1,428,432**	**3,110,577**
Due to a stockholder	**6,000**	**6,000**	**6,000**	**-**	**-**	**-**
	P5,290,781	**P5,516,830**	**P368,122**	**P609,699**	**P1,428,432**	**P3,110,577**

** Excluding payables to government*

August 31, 2012	Total Carrying Value	Contractual Undiscounted Payments				
		Total	On Demand	< 1 Year	1 to 5 Years	> 5 Years
Trade and other current payables*	P341,916	P341,916	P227,013	P114,903	P -	P -
Long-term debts	4,826,907	5,055,473	-	358,834	1,435,336	3,261,303
Due to a stockholder	6,000	6,000	6,000	-	-	-
	P5,174,823	P5,403,389	P233,013	P473,737	P1,435,336	P3,261,303

** Excluding payables to government*

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group's market risk exposures and its risk management strategies as of November 30, 2012 and August 31, 2012 are as follows:

a. *Interest Rate Risk*

   Interest rate risk is the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to the risk changes in market interest rates relates primarily to the Group's interest-bearing bank loans and interest-bearing short-term placements.

   The Group minimizes its spread exposure by ensuring that surplus cash is available to either offset debt or by matching maturity dates of assets and liabilities. By these management approaches, possible market rate fluctuations would have no significant impact on the Group's net income.

   The Group, however, has no significant interest rate risk considering that the Group has no significant financial instruments that bear variable interest rate.

b. *Price Risk*

   The Group is exposed to commodity price risk with respect to sugar produced. To manage this risk, the Parent Company monitors prices with the Sugar Regulatory Administration (SRA) to plan its transactions. As of November 30, 2012 and August 31, 2012, management assessed that the Group's exposures to commodity price risk were insignificant.

   Sensitivity Analysis
   The following table demonstrates the sensitivity of the results of operations and the reported equity in regards to the Parent Company's sugar inventory and SRA's sugar prices. It assumes a 15% increase as of November 30, 2012 and August 31, 2012, respectively and 8% decrease as of November 30, 2012 and August 31, 2012, respectively, of the SRA sugar prices per year. These percentages have been determined based on average market volatility in sugar prices in the previous year for the twelve month period ended August 31, 2012, respectively.

   The sensitivity analysis includes only sugar inventory denominated monetary items (in thousands) at period end and adjusts their value at the period end for the following percentage change in sugar prices.

November 30, 2012	**+15%**	**-8%**
Net income	**P35,321**	**(P18,838)**
Equity	**35,321**	**(18,838)**

August 31, 2012	+15%	-8%
Net income	P8,996	(P4,798)
Equity	8,996	(4,798)

c. Foreign Currency Risk

The Group's currency risk occurs because of its US Dollar (USD) denominated loans and bank deposits. The financial assets and liabilities of the Group that are foreign currency denominated are a portion of the Group's cash and cash equivalents and portion of its bank loans.

The Group's exposures to foreign currency risk based on notional amounts are as follows (in thousands):

November 30, 2012	**In USD**	**In PHP**
Financial Assets		
Cash in bank	**$48**	**P1,962**
Financial Liability		
Bank loans	**(7,232)**	**(295,657)**
Net Foreign Currency Exposure	**($7,184)**	**(P293,695)**

August 31, 2012	In USD	In PHP
Financial Assets		
Cash in bank	$48	P2,031
Financial Liability		
Bank loans	(7,834)	(331,514)
Net Foreign Currency Exposure	($7,786)	(P329,483)

The Group recognized a net unrealized loss of P4.22 million for the three months ended November 30, 2012 and a net unrealized loss of P17.05 million for the three months ended November 30, 2011 arising from the re-measurement of these foreign currency-denominated financial instruments.

The following exchange rates were applied during the period:

	November 30, 2012	
	Average Rate	**Reporting Date Spot Rate**
Philippine peso to 1 US $	**P41.12**	**P40.88**

	August 31, 2012	
	Average Rate	Reporting Date Spot Rate
Philippine peso to 1 US $	P42.90	P42.32

	November 30, 2011	
	Average Rate	Reporting Date Spot Rate
Philippine peso to 1 US $	P43.25	P43.81

Sensitivity Analysis
The following table demonstrates the sensitivity of the results of operations for the periods and the reported equity in regards to the Group's financial assets and financial liabilities and the US dollar-Philippine peso exchange rate. It assumes a 1.74% strengthening as of November 30, 2012 and August 31, 2012, respectively and 2.32% weakening as of November 30, 2012 and August 31, 2012, respectively, of the Philippine peso against the US dollar exchange rate. These percentages have been determined based on average market volatility in exchange rates in the previous year for the twelve month periods ended August 31, 2012.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items (in thousands) and adjusts their translation at the period end for the following % change in foreign currency rates.

November 30, 2012	**+1.74%**	**-2.32%**
Net income	**P5,110**	**(P6,814)**
Equity	**5,110**	**(6,814)**
August 31, 2012	+1.74%	-2.32%
Net income	P5,733	(P7,644)
Equity	5,733	(7,644)

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency-denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

Fair Value of Financial Assets and Liabilities
The carrying values of cash and cash equivalents, trade and other current receivables and trade and other current payables approximate their fair values due to the short-term maturity of these instruments.

The carrying value of long-term debts approximates its fair value and is calculated by discounting the expected future cash outflows at prevailing effective interest rate. The carrying values of advances to and from an unconsolidated subsidiary and due to stockholder approximate their fair values because they represent the expected cash flow should they be settled or realized at the reporting date.

31. Equity as of August 31, 2012

The reconciliation of the equity as of August 31, 2012 follows:

		2012							
	Note	**Capital Stock** (Notes 16 and 17)	**Convertible Notes Awaiting Conversion** (Note 16b2ii)	**Additional Paid-in Capital** (Note 16b2ii)	**Revaluation Increment on Property, Plant and Equipment** (Notes 11 and 17)	**Deficit** (Note 17)	**Conversion Feature on Convertible Notes** (Note 16b2i)	**Treasury Stock** (Note 17)	**Total**
Balance at September 1, 2011		**P1,905,999**	**P525,075**	**P -**	**P96,975**	**(P1,580,325)**	**P666**	**(P11)**	**P948,379**
Conversion of convertible notes	*16, 17*	**118,628**	**(180,640)**	**62,130**	**-**	**-**	**(118)**	**-**	**-**
Convertible notes awaiting conversion during the year		**-**	**313,748**	**-**	**-**	**-**	**-**	**-**	**313,748**
Total comprehensive income for the year:									
Net income for the year		**-**	**-**	**-**	**-**	**556,180**	**-**	**-**	**556,180**
Transfer of revaluation increment to deficit from depreciation on appraisal increase - net of deferred tax		**-**	**-**	**-**	**(55,809)**	**55,809**	**-**	**-**	**-**
		118,628	**133,108**	**62,130**	**(55,809)**	**611,989**	**(118)**	**-**	**869,928**
Balance at August 31, 2012		**P2,024,627**	**P658,183**	**P62,130**	**P41,166**	**(P968,336)**	**P548**	**(P11)**	**P1,818,307**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

FOR THE FIRST QUARTER, AS OF NOVEMBER 30, 2012– CROP YEAR 2012-2013

FINANCIAL CONDITION as of November 30, 2012 in comparison with August 31, 2012

1. **Cash and cash equivalent** decreased by P60 million (6%) due to cash used on additions to property plant and equipment at P62 million, the transfer to cash reserved for debt repayment at P87 million and the payment of long-term loans and finance cost amounting to P235 million this quarter. Cash provided by operations is at P324 million.

2. **Trade and other current receivable** increased by P118 million (88%) mainly due to the increase in trade receivables by P93 million from sales of sugar and molasses. In addition, advances to suppliers increased by P20 million pertaining to the supply contract of sugar bags for this crop year.

3. **Inventories** increased by P140 million (40%) mainly due to increase in sugar inventories and unbilled tolling fees attributed from this quarters' production.

4. **Other Current Assets** decreased by P6 million (15%) mainly due to the decrease in input value added taxes by 38%, which was claimed against the output tax on vatable sales for this quarter.

5. **Property Plant and Equipment** decreased by P7 million due to this quarter's depreciation at P68 million. Additions to property plant and equipment is at P62 million, P2 million on machineries and P60 million on project under construction.

   Major addition for this quarter represents slip rings for Siemens Generator for P1.1 million.

   Increase in project-under-construction this quarter is mainly incurred from the following projects:

Rehabilitation of Manapla Distillery	P 19 M
Various upgrading projects in Sugar Manufacturing Area	P 41 M

6. **Other Noncurrent Assets** increased by P87 million (5%) mainly due to surplus cash generated from operations that was earmarked and classified as reserve for debt repayment for this quarter.

7. **Trade and other current payables** increased by P226 million (61%) mainly due to increase in liabilities to trade suppliers by P168 million (91%) and customers' deposits from sale of sugar and molasses by P61 million.

8. **Provision** increased by P12 million (2%) due to the amortization of discount. Provision is discounted over the period, which such provisions are expected to be settled.

9. **Income tax payable** increased to P146 million from P89 million due to the income tax payable for this quarter at P58 million.

10. **Long-term debts - net of current portion** decreased by P155 million mainly due to principal payments on peso restructured loans and FCDU loans amounting to P179 million combined with the accrual of interest on convertible notes this quarter by P24 million.

11. **Deferred Tax Liabilities - net** decreased by P8 million (2%) mainly due to the 30% tax effect of depreciation on appraisal increase and the amortization of provision on sugar liabilities.

12. **Retirement benefit obligation** decreased by P3 million (3%) representing actual payment of pensions to retired employees.

13. **Total Stockholder's Equity** has now a balance of P1.965 billion, the increase amounting to P147 million (8%) is due to this quarter's net income of P147 million.

Top five (5) key financial performance indicators for the Parent Company.

Ratio	November 30, 2012	August 31, 2012
Current Ratio	1.66	1.88
Debt Equity Ratio	3.36	3.95
Asset-to-Equity Ratio	4.21	4.55
Interest coverage ratio	3.60	3.24
Return on Equity (%)	7.46%	33.42%

Current Ratio: Total current assets divided by total current liabilities. This ratio is a rough indication of a company's ability to service its current obligations. Generally, the higher the current ratio is, the greater the "cushion" between current obligations and a company's ability to pay them.

Debt Equity Ratio: Total liabilities divided by total stockholders' equity. This ratio expresses the relationship between capital contributed by creditors and that contributed by owners. It expresses the degree of protection provided by the owners for the creditors. The higher the ratio, the greater the risk being assumed by creditors. A lower ratio generally indicates greater long-term financial safety.

Asset-to-Equity Ratio: Total assets divided by total stockholder's equity. The asset-to-equity ratio shows the relationship of the total assets of the company to the portion owned by shareholders, also known as owners' equity. The asset-to-equity ratio indicates a company's leverage, the amount of debt used to finance the company.

Interest coverage ratio: A ratio used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period

Return on Equity: Net income divided by total stockholders' equity. This ratio reveals how much profit a company earned in comparison to the total amount of shareholders equity found on the balance sheet. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. For the most part, the higher a company's return on equity compared to its industry, the better.

RESULTS OF OPERATIONS For the Three Month Period Ending November 30, 2012 in comparison with November 30, 2011

Total consolidated revenues for the quarter is at P 1.009 billion, higher by P43 million or (4%) compared to previous year's P1.052 billion of the same quarter due to the following factors:

VICTORIAS MILLING CO., INC. (Parent Company)

REVENUES

1. **Raw sugar revenues** is lower by P79 million (12%) attributed to the decrease on volume sold this quarter by 20%. Average selling price is also slightly lower by 1% this quarter.

2. **Tolling revenues** increased by P86 million (30%) mainly due to the increase in volume tolled/sold by 29% this quarter. The increase is due to higher market demand of refined sugar this quarter.

3. **Molasses revenues** increased by P9 million (18%) mainly due to the increase in average selling price by 35% this quarter, although volume of molasses sold decreased by 13% this quarter.

4. **Distillery operations revenues** at P8 million representing denatured alcohol sold. The distillery started its operations last November 2011 last year.

5. **Engineering Revenues** is zero for this quarter. Last year, the management has decided to discontinue the engineering operations for outside jobs.

OTHER INCOME

Other income increased by P10 million (48%) mainly due to this quarters' net foreign exchange gain of P10.5 million. Last year, there is a net foreign exchange loss amounting to P11 million.

COST OF GOODS SOLD AND SERVICES

Total Cost of Goods Sold and Services for this quarter amounted to P644 million is lower by 21% compared to last year's P778 million. The decrease is due to the following factors:

1. On sugar operations, the average raw sugar production cost per LKG decreased by 19% and the average refining cost per LKG also decreased by 28%. Raw sugar production is also higher by 44% as a result of the early startup of milling schedule this year, increase in volume of canes delivered and the improvement on the quality of canes. The refined sugar production has also increased its production due to the early startup and the improvement in the efficiency of refining process.

2. Engineering operations servicing to outside customers were discontinued by the management last year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

1. Selling and Marketing expenses is lower by P0.7 million (3%) compared to last year mainly due to lower repairs and maintenance by 24% this quarter.

2. General and administrative expenses are higher by P1.5 million (3%) because of the provision for impairment loss amounting to P1.5 million on advances to a subsidiary.

OTHER EXPENSES

Other expenses decreased by P7 million (30%) mainly due to last year's net foreign exchange loss amounting to P11 million. This year the there is net foreign exchange gain amounting to P10.5 million.

NET INCOME

Net Income for the quarter is higher by P92 million (163%) mainly due to higher income from sugar operations.

Operating Performance

Production Performance Indicator	As of Nov. 30, 2012	As of Nov. 30, 2011	As of Aug. 31, 2012
Tons Cane Milled	1.087 M	0.929 M	3.100 M
Raw Sugar Production (LKg)	2.331 M	1.865 M	6.400 M
Refined Sugar Production (LKg)	1.647 M	1.389 M	6.032 M
Milling Recovery (LKG/TC)	2.14	2.01	2.06

Canes milled for the first quarter increased by 17% compared to same period last year, mainly due to early start-up this year by two weeks and improved milling efficiencies. Likewise, raw sugar production volume rose by 25% as a result of higher milling tonnage and improvement in sugar recovery (LKG/TC) by 7% versus previous year's first quarter. Favorable weather condition resulting in good quality canes and better factory efficiencies contributed to higher LKG/TC during this period in review.

On the Company's refined sugar production, an increase this period by 19% against same period last year is mainly attributed to the major upgrading undertaken on Refinery's machineries to improve process performance and efficiencies.

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 material effect on the financial condition or results of operations.

COMMITMENTS FOR CAPITAL EXPENDITURES THAT WOULD ADDRESS PAST PROBLEMS AND HAVE AN IMPACT ON FUTURE OPERATIONS:

For crop year 2012-2013, the Company has allocated a total capital expenditure budget of P278 Million for this year's replacement of defective machineries and equipment and for the upgrading of facilities to further enhance operational performance and efficiencies.

Major upgrading and modernization projects for raw sugar production budgeted at P 240 Million are also put in line this year to strengthen the Company's competitiveness in the sugar industry and as part of our preparation for the full implementation of the ASEAN Free Trade Agreement on sugar tariffs on 2015.

On the Company's commitment on environmental compliance with government standards, it endeavors to install three (3) air pollution control devices (APCD) this crop year on the remaining three (3) boilers with no APCDs.

All of the aforementioned capital expenditure requirements will be sourced out from the funds generated from operations.

VICTORIAS MILLING CO., INC. MAJORITY-OWNED SUBSIDIARIES

Top five (5) key performance indicators for Majority-owned Subsidiaries.

1. **Sales growth** – measures the percentage change in sales over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.

2. **Net income growth** – measures the percentage change in net income over a designated period of time.

3. **Net income rate** – computed as percentage of net income to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs

4. **Return on investment** – the ratio of net income to total assets - measures the degree of efficiency in the use of resources to generate net income

5. **Current ratio** – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables are divided by current liabilities].

VICTORIAS GOLF & COUNTRY CLUB, INC. (VGCCI)

1. Sales Growth – 24% for quarter ended Nov 2012 and 56% for quarter ended Nov 2011

Sales were composed of membership fees and golf service fees. Sales for quarter ended Nov 2012 were registered at 24% higher than quarter ended Nov 2011 amounting to P3,370,841 and P2,727,910 for 2012 and 2011, respectively. The growth in sales is attributed to the increased in proceeds for sponsorship and tournament.

2. Net income growth – 164% for quarter ended Nov 2012 and 357% for quarter ended Nov 2011

Net income for this year amounting to P941,184 reflects an increase of 164% compared with last year amounting to P356,470. The growth in net income is primarily due to net effect of significant factors particularly with sales growth of 24% as reduced somehow by increase of total expense of 2% and decrease in other income of 8%. The increase of total expense is due to increase in security and other outside services. Moreover, the decrease in other income is attributed primarily to the decline in interest income and golf cart commission.

3. Net income rate – 28% for quarter ended Nov 2012 and 13% for quarter ended Nov 2011

For this year, total sales of P3,370,841 generates a net income amounting to P941,184 compared to previous year total sales of P2,727,910 which generates a net income amounting to P356,470. Total expenses for this year is P2,476,765 (P2,422,525 for 2011) and total other income is P47,108 for 2012(P51,085 for 2011).

4. Return on Investment – 0.84% for quarter ended Nov 2012 and 0.32% for quarter ended Nov 2011

Total assets for the quarter ended November 30, 2012 amounting to P112,025,404 yield a net income of P941,184 while for the quarter ended November 30, 2011 total assets is P111,063,810 yield a net income of P356,470.

5. Current Ratio – 0.36:1 for quarter ended Nov 2012 and 0.31:1 for quarter ended Nov 2011

Current assets for the quarter ended November 30, 2012 is P10,744,472 and current liabilities is P29,634,110. Last quarter ended November 30, 2011 current assets is P9,300,198 and current liabilities is P29,693,700.

VICTORIAS FOODS CORPORATION (VFC - a wholly-owned subsidiary VMC)

1. **Sales Growth – (21%) for quarter ended Nov 2012 and (26%) for quarter ended Nov 2011**

Sales for quarter ended November 2012 were registered at 21% lower than 2011 amounting to P4,964,853 and P6,274,348 for 2012 and 2011, respectively. The drop in sales was attributed to lesser revenue on canned fish and processed meat as compared with last year. Canned fish sold for 2012 and 2011 is 66,609 and 129,453 cans, respectively and processed meat collectively sold for 2012 and 2011 3,606.12 and 4,513.65 kilos, respectively.

2. **Net income growth – (77%) for quarter ended Nov 2012 and (37%) for quarter ended Nov 2011**

Net loss reported for this quarter amounting to (P3,211,586) shows a drop of 77% compared with previous quarter net loss amounting to (P1,819,465). The dropped on income of VFC is primarily due to net effect of significant factors particularly with decline in sales of canned fish and processed meat with corresponding decrease in cost of goods sold. However, operating expenses went high primarily because of retirement of Company's general manager with as remuneration given to him on 2nd month of the first quarter. Other income also went down merely due to discontinuance of lease for the storage and the Company received lower slaughtering fee and fewer scrap sales this year.

3. **Net income rate – (65%) for quarter ended Nov 2012 and (29%) for quarter ended Nov 2011**

For this quarter, total sales of P4,964,853 generates a net loss amounting to (P3,211,586) compared to previous quarter total sales of P6,274,348 which generates a net loss amounting to (P1,819,465). Total expenses for this quarter is P8,475,988 (P8,512,168 for 2011) and total other income is P299,549 for 2012 (P418,355 for 2011).

4. **Return on Investment – (4%) for quarter ended Nov 2012 and (2%) for quarter ended Nov 2011**

Total assets for the quarter ended November 30, 2012 amounting to P71,946,851 incurred a net loss of (P3,211,586) while for the quarter ended November 30, 2011 total assets is P76,323,552 incurred a net loss of (P1,819,465).

5. **Current Ratio – 16.23:1 for quarter ended Nov 2012 and 31.12:1 for quarter ended Nov 2011**

Current assets for the quarter is P45,786,050 and current liabilities is P2,820,736. Last year's current assets is P76,323,552 and current liabilities is P2,452,659.

VICTORIAS QUALITY PACKAGING CORPORATION (VQPC)

1. **Sales Growth – nil for quarter ended Nov 2012 and (10%) for quarter ended Nov 2011**

VQPC is under the process of liquidation and the operation ceased during the year ended August 31, 2012. There were no sales for quarter ended 2012. Sales reported for the quarter ended Nov 2011 is P12,878,572.

2. **Net income growth – nil for quarter ended Nov 2012 and (375%) for quarter ended Nov 2011**

VQPC is under the process of liquidation and the operation ceased during the year ended August 31, 2012. For the first quarter ended November 30, 2012, there are still expenses incurred amounting in total of P201,985 for 2012 and P15,425,448 for 201. Other income for 2012 is P3,833 composed solely of interest income from bank deposit. Last quarter other income is reported at P481,685 composed of interest income and scrap sales.

3. **Net income rate – nil for quarter ended Nov 2012 and (16%) for quarter ended Nov 2011**

VQPC is under the process of liquidation and the operation ceased during the year ended August 31, 2012. Expenses incurred with offset of interest income from bank deposit generate a net loss for this quarter November 2012 amounting to P(198,152) compared to previous quarter total sales of P12,878,572 which generates a net loss also amounting to P(2,065,191).

4. **Return on Investment – nil for quarter ended Nov 2012 and (9%) for quarter ended Nov 2011**

VQPC is under the process of liquidation and the operation ceased during the year ended August 31, 2012. For the quarter ended November 30, 2011 total assets is P23,782,073 generates a net loss of P(2,065,191).

5. **Current Ratio – nil for quarter ended Nov 2012 and 0.67:1 for quarter ended Nov 2011**

VQPC is under the process of liquidation and the operation ceased during the year ended August 31, 2012. Current assets for the quarter ended November 30, 2012. Last quarter's current assets is P14,142,944 and current liabilities is P21,066,060.

CANETOWN DEVELOPMENT CORPORATION (CDC - a wholly-owned subsidiary of VMC)

1. **Sales Growth – (32%) for quarter ended Nov 2012 and 36% for quarter ended Nov 2011**

Sales for 2012 were registered at 32% lower than 2011 amounting to P821,544 and P1,207,653 for 2012 and 2011, respectively. The decline in sales is attributed to falloff on sale of real estate held for sale (most of which were sale of memorial lot) offset by an increase in proceeds received from land rental.

2. **Net income growth – (171%) for quarter ended Nov 2012 and 43% for quarter ended Nov 2011**

The Company incurred a net loss for this quarter amounting to (P182,422), which shows significant decline of 171% compared with last quarter net income amounting to P257,811. The decline on operations of CDC is primarily due to net effect of significant factors particularly with increase in costs and expenses. This increase is due to increase in contracted services, light and water consumption, professional fee, materials and supplies and security services.

3. **Net income rate – (22%) for quarter ended Nov 2012 and 21% for quarter ended Nov 2011**

For this quarter, total sales of P821,544 incurred a net loss amounting to (P182,422) compared to previous quarter total sales of P1,207,653 which generates a net income amounting to P257,811. Total expenses for this quarter is P1,366,116 (P1,277,859 for 2011) and total other income is P362,150 for 2012 (P328,017 for 2011).

4. **Return on Investment – (0.09%) for quarter ended Nov 2012 and 0.13% for quarter ended Nov 2011**

Total assets for the quarter ended November 30, 2012 amounting to P206,977,140 incurred a net loss of P182,422 while for the quarter ended November 30, 2011 total assets is P205,377,499 yields a net income of P257,811.

5. **Current Ratio – 0.69:1 for quarter ended Nov 2012 and 0.72:1 for quarter ended Nov 2011**

Current assets for the quarter ended November 30, 2012 is P42,601,471 and current liabilities is P61,578,861. Last quarter's current assets is P40,871,045 and current liabilities is P56,691,017.

VICTORIAS AGRICULTURAL LAND CORPORATION – (VALCO - a wholly-owned subsidiary of VMC)

1. **Sales Growth – (24%) for quarter ended Nov 2012 and 51% for quarter ended Nov 2011**

Sales for quarter ended November 30, 2012 were registered at 24% lower than 2011 amounting to P252,912 and P333,762, respectively. The decline in sales is attributed to the lower sugar price as rental income received by the Company is based on the production produced by LKG multiplied by sugar price.

2. **Net income growth – (1%) for quarter ended Nov 2012 and 476% for quarter ended Nov 2011**

Net income for this quarter amounting to P215,678 reflects an minimal decrease of 1% compared with last year amounting to P217,208. Although sales were registered lower than previous quarter, the growth in net income is primarily due to net effect of significant factors particularly with lower provision for depreciation. As an addition, interest income from bank deposit increased by 71%.

3. **Net income rate – 85% for quarter ended Nov 2012 and 65% for quarter ended Nov 2011**

For this quarter, total sales of P252,912 generates a net income amounting to P215,678 compared to previous year total sales of P333,762 which generates a net income amounting to P217,208. Total expenses for this quarter is P224,469 (P225,846 for 2011) and total other income is P187,235 for 2012(P109,292 for 2011).

4. **Return on Investment – 0.19% for quarter ended Nov 2012 and Nov 2011**

Total assets for the quarter ended November 30, 2012 amounting to P118,243,783 yield a net income of P215,678 while for the quarter ended November 30, 2011 total assets is P117,746,688 yield a net income of P217,208.

5. **Current Ratio – 14.42:1 for quarter ended Nov 2012 and 7.33:1 for quarter ended Nov 2011**

Current assets for the quarter is P27,405,783 and current liabilities is P1,899,972. Last quarter's current assets is P13,672,720 and current liabilities is P1,864,511.

---------- Forwarded message ----------
From: <no-reply@pse.com.ph>
Date: Tue, Feb 19, 2013 at 7:20 PM
Subject: ODiSy - Disclosure Status
To: disclosure@pse.com.ph

Dear Sir/Madam:

We would like to inform you that as of FEB 19, 2013 11:20:18 AM today,

Reference Number: WLIST__2013000023081
Company Name: Victorias Milling Company, Inc.
Disclosure Subject: Amended Quarterly Report for period ended November 30, 2012
Status: APPROVED

Should you need further assistance, please e-mail us at odisy@pse.com.ph.