



VICTORIAS MILLING COMPANY, INC.

9 January 2020

HON. JUSTINA F. CALLANGAN
Director, Corporate Governance
and Finance Department
Securities and Exchange Commission
11th Flr., SEC Bldg., EDSA, Greenhills,
Mandaluyong City

Dear Hon. Callangan:

Victorias Milling Company, Inc. (VMC) is hereby filing the Company's Quarterly Report (SEC Form 17-Q) for quarter ending 30 November 2019.

Thank you.

Very truly yours,


EVA A. VICENCIO-RODRIGUEZ
Compliance & Information Officer

COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

SEC FORM 17-Q

S.E.C. Registration Number

| | | | | | | | | | |
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Company Name

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Principal Office (No./Street/Barangay/City/Town/Province)

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COMPANY INFORMATION

Company's Email Address

Company's Telephone Number

034-488-7900

Company's Facsimile Number

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-488-7900

Facsimile Number/s

Contact Person's Address

J.J. Ossorio Street, Barangay XVI, Victorias City, Negros Occidental

To be accomplished by CRMD Personnel

| | Date | Signature |
|---------------------------|-------|-----------|
| Assigned processor: _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

Document I.D.

Received by **Corporate Filing and Records Division (CFRD)** _____

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| <input type="checkbox"/> | Green Lane Unit | _____ | _____ |
| <input type="checkbox"/> | Financial Analysis and Audit Division | _____ | _____ |
| <input type="checkbox"/> | Licensing Unit | _____ | _____ |

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q



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

1. For the quarterly period ended **30 November 2019**
2. Commission identification number **PW-364**
3. BIR Tax Identification No **000-270-220-000**

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 registrant's office Postal Code

**VMC Compound, J.J. Ossorio St.,
Brgy. XVI, Victorias City,
Negros Occidental 6119**

8. Registrant's telephone number, including area code

(034) 488-7900

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 | 3,042,061,094 shares |
| Subscribed and paid up | 3,042,061,094 shares |

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

Yes 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 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 30 November 2019 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.


EVA A. VICENCIO-RODRIGUEZ
Compliance and Information Officer


KRISTINE D. CABUGASON
Chief Finance Officer

Date: 09 January 2020

Victorias Milling Company, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As at November 30, 2019 (with comparative Audited Figures
as at August 31, 2019) and
for the three months ended November 30, 2019 and 2018

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in Thousands

| | Note | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) |
|--|------|-------------------------------------|---------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 2 | ₱724,885 | ₱657,653 |
| Trade and other receivables | 3 | 442,068 | 378,155 |
| Investments in Unit Investment Trust Fund | 4 | 94,549 | 109,437 |
| Inventories | 5 | 894,344 | 729,745 |
| Other current assets | 6 | 763,941 | 493,861 |
| Total current assets | | 2,919,787 | 2,368,851 |
| Non-current Assets | | | |
| Property, plant and equipment | 7 | 5,892,986 | 5,861,700 |
| Investment properties | 8 | 580,322 | 585,791 |
| Other non-current assets | | 115,114 | 269,558 |
| Total non-current assets | | 6,588,422 | 6,717,049 |
| | | ₱9,508,209 | ₱9,085,900 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Trade payables and other current liabilities | 9 | ₱890,697 | ₱433,017 |
| Current portion of borrowings | 11 | 330,000 | 330,000 |
| Income tax payable | | 25,553 | 25,553 |
| Total current liabilities | | 1,246,250 | 788,570 |
| Non-current Liabilities | | | |
| Borrowings, net of current portion | 11 | 82,500 | 165,000 |
| Payable to claimants, net of current portion | 10 | 180,091 | 180,091 |
| Provisions for legal claims | 10 | 267,892 | 296,344 |
| Retirement liability | | 41,529 | 44,195 |
| Net deferred tax liabilities | | 427,408 | 426,710 |
| Other non-current liabilities | | 6,000 | 6,000 |
| Total non-current liabilities | | 1,005,420 | 1,118,340 |
| Total liabilities | | 2,251,670 | 1,906,910 |
| Equity attributable to Shareholders of Parent Company | | | |
| Capital stock | 12 | 3,042,061 | 3,042,061 |
| Additional paid-in capital | | 840,720 | 840,720 |
| Convertible notes awaiting conversion | 1 | 5,450 | 5,450 |
| Retained earnings | | 4,546,672 | 4,469,212 |
| Other equity reserves | | 318,591 | 318,591 |
| Treasury stock - at cost | | (1,501,882) | (1,501,882) |
| Total Equity attributable to Shareholders of Parent Company | | 7,251,612 | 7,174,152 |
| Non-controlling Interests | | 4,927 | 4,838 |
| Total equity | | 7,256,539 | 7,178,990 |
| | | ₱9,508,209 | ₱9,085,900 |

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Amounts in Thousands, except Basic/Diluted Earnings per Share)

| | Note | For the three months ended November 30 | |
|---|------|---|---------------------|
| | | 2019 (Unaudited) | 2018 (Unaudited) |
| REVENUE | 15 | | |
| Sale of goods | | ₱1,275,404 | ₱1,131,364 |
| Service income | | 109,006 | 171,087 |
| | | 1,384,410 | 1,302,451 |
| COST OF SALES AND SERVICES RENDERED | 16 | | |
| Cost of sales | | 1,104,781 | 999,082 |
| Cost of services rendered | | 68,330 | 89,131 |
| | | 1,173,111 | 1,088,213 |
| GROSS PROFIT | | 211,299 | 214,238 |
| OPERATING EXPENSES | 17 | | |
| General and administrative | | 104,940 | 93,119 |
| Selling | | 32,414 | 40,065 |
| | | 137,354 | 133,184 |
| Income from operations | | 73,945 | 81,054 |
| Finance Cost | 11 | (6,953) | (2,307) |
| Other income – net | 18 | 29,040 | 29,139 |
| Income before income tax | | 96,032 | 107,886 |
| Income tax expense | | 18,483 | 26,810 |
| NET INCOME | | ₱77,549 | ₱81,076 |
| Net Income (Loss) attributable to: | | | |
| Shareholders of Parent Company | | ₱77,460 | ₱81,526 |
| Non-controlling interests | | 89 | (450) |
| | | ₱77,549 | ₱81,076 |
| Earnings per Share for Net Income attributable to Shareholders of Parent Company | | | |
| Basic and Diluted | 13 | ₱0.03 | ₱0.03 |

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in Thousands

| | For the three months ended November 30 | |
|--|---|---------------------|
| | 2019 (unaudited) | 2018 (Unaudited) |
| NET INCOME | ₱77,549 | ₱81,076 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | |
| Net unrealized gain (loss) on investments in Unit Investment Trust Fund | - | (678) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | ₱77,549 | ₱80,398 |
| Total Comprehensive Income (Loss) attributable to: | | |
| Shareholders of Parent Company | ₱77,460 | ₱80,848 |
| Non-controlling interests | 89 | (450) |
| | ₱77,549 | ₱80,398 |

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Amounts in Thousands

| Attributable to equity holders of Victorias Milling Company, Inc. | | | | | | | | | | |
|---|-------------------------------|---|---|---|--|-----------------------------------|---------------------------------|------------|------------------------------|--------------|
| | Share capital (Note 14) | Additional paid-in capital (Note 14) | Convertible notes awaiting conversion (Note 14) | Interest on convertible notes awaiting conversion (Note 14) | Accumulated other comprehensive income (Note 14) | Retained earnings (Note 14) | Treasury shares (Note 14) | Total | Non-controlling interests | Total equity |
| Balance at August 31, 2018, <i>Audited</i> | ₱3,042,061 | ₱840,720 | ₱3,000 | ₱2,450 | ₱368,100 | ₱3,606,172 | (₱1,501,882) | ₱6,360,621 | ₱5,954 | ₱6,366,575 |
| Comprehensive income | | | | | | | | | | |
| Net income for the three months ended | - | - | - | - | - | 81,526 | - | 81,526 | (450) | 81,076 |
| Other comprehensive loss for the three months ended | - | - | - | - | (678) | - | - | (678) | - | (678) |
| Balance at November 30, 2018, <i>Unaudited</i> | ₱3,042,061 | ₱840,720 | ₱3,000 | ₱2,450 | ₱367,422 | ₱3,687,698 | (₱1,501,882) | ₱6,441,469 | ₱5,504 | ₱6,446,973 |
| Balance at August 31, 2019, <i>Audited</i> | ₱3,042,061 | ₱840,720 | ₱3,000 | ₱2,450 | ₱318,591 | ₱4,469,212 | (₱1,501,882) | ₱7,174,152 | ₱4,838 | ₱7,178,990 |
| Comprehensive income | | | | | | | | | | |
| Net income for the three months ended | - | - | - | - | - | 77,460 | - | 77,460 | 89 | 77,549 |
| Other comprehensive loss for the three months ended | - | - | - | - | - | - | - | - | - | - |
| Balance at November 30, 2019, <i>Unaudited</i> | ₱3,042,061 | ₱840,720 | ₱3,000 | ₱2,450 | ₱318,591 | ₱4,546,672 | (₱1,501,882) | ₱7,251,612 | ₱4,927 | ₱7,256,539 |

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Amounts in Thousands

| | Note | For the three months ended November 30 | |
|---|------|---|-----------------|
| | | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | | ₱96,032 | ₱107,886 |
| Adjustments for: | | | |
| Depreciation and amortization | | 97,712 | 74,928 |
| Finance cost | | 6,953 | 2,307 |
| Gain on sale of investments in Unit Investment Trust Fund (UITF) | | (3,054) | (1,068) |
| Interest income | | (782) | (241) |
| Net gain on disposal of Investment property | | (2,608) | - |
| Net gain on disposal of property and equipment | | (165) | - |
| Operating income before working capital changes | | 194,088 | 183,812 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in assets: | | | |
| Trade and other receivables | | (63,913) | (533,232) |
| Inventories | | (164,599) | (568,910) |
| Other current assets | | (270,081) | (3,853) |
| Increase (decrease) in trade payables and other current liabilities | | 429,229 | 630,968 |
| Net cash generated from operations | | 124,724 | (291,215) |
| Income tax paid | | (17,782) | (22,604) |
| Retirement benefits paid | | (2,667) | (111) |
| Interest received | | 782 | 241 |
| Net cash provided by (used in) operating activities | | 105,057 | (313,689) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Decrease (increase) in UITF | | 17,942 | 231,802 |
| Decrease (increase) property, plant and equipment | 7 | (127,097) | (42) |
| Decrease (increase) investment properties | | 8,076 | - |
| Decrease (increase) in other non-current assets | | 152,707 | (117,290) |
| Net cash provided by (used in) investing activities | | 51,628 | 114,470 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from availment of borrowings | | 200,000 | 450,000 |
| Payment of borrowings | | (282,500) | (125,000) |
| Interest paid | | (6,953) | - |
| Net cash from (used in) financing activities | | (89,453) | 325,000 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 67,232 | 125,781 |
| CASH AND CASH EQUIVALENTS | | | |
| At beginning of period | | 657,653 | 398,666 |
| | | ₱724,885 | ₱524,447 |

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

All Amounts are in Thousands unless otherwise Stated

1. Corporate Information and Status of Operations and Rehabilitation

Victorias Milling Company, Inc. (herein referred to as the “Parent Company” or “VMC”) was originally organized and registered on May 7, 1919 with the Philippine Securities and Exchange Commission (“SEC”) primarily to operate mill and refinery facilities for sugar and allied products, as well as to render engineering services.

On July 3, 2013, the SEC approved the Parent Company’s amended articles of incorporation to include, as among its business purposes, ethanol and/or potable alcohol production, infrastructure development, transportation, telecommunication, mining, water, power generation, recreation, and financial or credit consultancy.

VMC’s common shares are listed in the Philippine Stock Exchange (“PSE”). VMC undertook a public offering of its common shares in 1993. There has been no subsequent listing made after its initial offering.

The Parent Company has the following subsidiaries:

| Subsidiaries | Nature of Business | Percentage of Effective Ownership |
|--|---|-----------------------------------|
| Victorias Foods Corporation (VFC) | Food Processing and Canning | 100% |
| Victorias Agricultural Land Corporation (VALCO) | Agricultural Land Leasing and Cultivation | 100 |
| Victorias Green Energy Corporation (VGEC) | Co-generation of energy | 100 |
| Canetown Development Corporation (CDC)* | Real Estate Development and Selling | 93 |
| Victorias Golf and Country Club, Inc. (VGCCI) | Not-for-profit Golf Facilities | 81 |
| Victorias Quality Packaging Company, Inc. (VQPC) | Manufacture of Bags and Packaging Materials | 55 |

**The effective ownership is inclusive of 5% indirect ownership.*

The Parent Company and its subsidiaries (collectively herein referred to as the “Group”) were incorporated in the Philippines.

On July 4, 1997, VMC filed a petition for rehabilitation with the SEC because of financial difficulties. The trading of VMC shares in the PSE was temporarily suspended but on May 21, 2012, the SEC and the PSE lifted the suspension order.

Based on the SEC Orders dated June 2, 1999, August 17, 1999 and August 19, 1999, the SEC approved VMC’s Updated Rehabilitation Plan dated September 25, 1998, subject to the First Addendum to the Rehabilitation Plan as at February 5, 1999 and the Second Amendment to the Rehabilitation Plan dated July 22, 1999 (collectively the “Original Rehabilitation Plan”).

As part of the implementation of the Original Rehabilitation Plan, VMC and the Management Committee created by the SEC (the "VMC Mancom") conducted a public bidding of 53.35% of VMC's outstanding capital stock, which bidding was declared a failure by the VMC Mancom for the reason that the deadline for the submission of the bids had expired without any bid having been submitted.

In view of the failure of the bidding, the VMC Mancom, as mandated by the Original Rehabilitation Plan, submitted to the SEC on May 11, 2000 an Alternative Rehabilitation Plan (the "Plan"), which was duly approved on November 29, 2000. A key element of the Plan is the restructuring of VMC loans. VMC and its creditors executed a Debt Restructuring Agreement ("DRA") dated April 29, 2002.

The main basic features of the Plan and the DRA are as follows:

1. Increase in authorized capital stock from ₱496.0 million, consisting of 496.0 million common shares at ₱1 par value a share, to ₱4.61 billion, consisting of 4.61 billion common shares at the same par value.
2. Conversion of a portion of the principal of the unsecured loans and all unpaid interest into equity amounting to ₱1.1 billion.
3. Conversion of a portion of unsecured loans into Convertible Notes (CN) amounting to ₱2.4 billion (Note 13).
4. Restructuring of the secured and unsecured loans aggregating ₱4.4 billion over a period of 15 years, including a three-year grace period for the principal, at 10% annual interest for Philippine Peso-denominated loans and at 6% for U.S. Dollar-denominated loans.

Pursuant to the Plan, VMC has implemented the following:

1. VMC has increased its authorized capital stock to ₱3.04 billion at ₱1 par value a share as at reporting date
2. ₱1.1 billion loans from unsecured creditors were converted into VMC common shares at ₱1 of debt to one common share at ₱1 par value a share.
3. Loans from unsecured creditors of ₱2.4 billion were converted to CN at 8% interest, payable in 15 years. As at reporting date, CN awaiting conversion amounted to ₱5.45 million, which includes accrued interest amounting to ₱2.5 million.
4. The unsecured and secured creditors who have restructured loans aggregating ₱4.4 billion at 10% interest for Philippine Peso-denominated loans and 6% interest for U.S. dollar-denominated loans were fully paid as at May 31, 2013.

As part of VMC's debt restructuring, restructured trade liabilities were also fully paid in 2013.

As at reporting date, VMC is compliant with the provisions of the Plan. There were, however, claims against VMC for Refined Sugar Delivery Order (RSDO) and Refined Sugar Quedan (RSQ) purportedly issued by VMC, which were allegedly used by North Negros Marketing Company, Inc. (NONEMARCO) to avail of bank loans for NONEMARCO'S own use and benefit. These were subject to a litigation before the SEC.

In its Order dated December 3, 2018, the SEC approved the (i) alteration or amendment of the Plan and DRA dated April 29, 2002 of VMC; and (ii) payment to the RSDO and RSQ claimants as full settlement of their claims payable beginning December 2019 over a period of 10 years.

Consequently, VMC is still under rehabilitation as at reporting date. A Rehabilitation Receiver continues to monitor, together with the elected Board of Directors (BOD) and committees, the successful rehabilitation of VMC.

In its efforts to achieve continuing successful operations, VMC has continuously focused its corporate objectives, goals, strategies, and measures to attain sustainable financial stability through, among others: (a) synchronization of refined sugar and raw sugar operations; (b) significant improvements in plant efficiency; (c) increase in profitability by addressing cost efficiency by trimming down corporate expenses; (d) ongoing programs for the optimization of human resources and (e) effective cash flows management leading to early repayment of debts.

The Parent Company's registered principal place of business is located at VMC Compound, J.J. Ossorio Street, Barangay XVI, Victorias City, Negros Occidental.

On January 9, 2020, the Parent Company's Audit Committee approved and authorized the release of the accompanying unaudited interim condensed consolidated financial statements of the Group.

2. Cash and Cash Equivalents

This account consists of:

| | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) |
|------------------|--|---------------------------------|
| Cash on hand | ₱2,832 | ₱936 |
| Cash in banks | 654,745 | 423,843 |
| Cash equivalents | 67,308 | 232,874 |
| | ₱724,885 | ₱657,653 |

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments with maturities of no longer than 90 days from date of acquisition, and earn interest at the respective short-term investment rates.

3. Trade and Other Receivables

This account consists of:

| | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) |
|---------------------------------|--|---------------------------------|
| Trade: | | |
| Third parties | ₱298,194 | ₱223,716 |
| Related parties | 135,136 | 160,287 |
| Advances to: | | |
| Planters' associations | 267 | 267 |
| Officers and employees | 1,217 | 740 |
| Others | 35,320 | 21,211 |
| | 470,134 | 406,221 |
| Allowance for impairment losses | (28,066) | (28,066) |
| | ₱442,068 | ₱378,155 |

4. Investments in Unit Investment Trust Fund (UITF)

This account pertains to underlying portfolio with short-term fixed income. The fair value of UITF is based on the published net asset value per unit (NAVPU). NAVPU is computed as total assets of the fund less total liabilities divided by the total units outstanding as of the end of the reporting period. The fair value of investments in UITF was determined using Level 1 valuation technique. There was no change in the valuation technique applied on investments in UITF.

5. Inventories

This account consists of:

| | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) |
|---|--|---------------------------------|
| At cost: | | |
| Raw sugar | ₱61,005 | ₱330,726 |
| Refined sugar | 505,949 | 68,265 |
| | 566,954 | 398,991 |
| Molasses | 24,805 | 65,336 |
| Real estate held-for-sale | 20,433 | 20,496 |
| Processed food: | | |
| Finished goods | 9,578 | 12,925 |
| Work-in-process | 6,470 | 4,815 |
| Ethanol | 27,375 | 11,005 |
| Alcohol | 3,640 | 3,829 |
| Manufactured and fabricated products | 1,168 | 1,168 |
| | 660,423 | 518,565 |
| At net realizable value (NRV): | | |
| Materials and supplies | 233,921 | 211,180 |
| | ₱894,344 | ₱729,745 |

6. Other Current Assets

This account consists of:

| | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) |
|--|--|---------------------------------|
| Input and advance output value-added tax (VAT), net of allowance for impairment losses | ₱337,266 | ₱297,422 |
| Advances to suppliers | 171,166 | 130,507 |
| Refundable deposits | 153,007 | - |
| Prepaid expenses | 40,312 | 45,054 |
| Deferred tolling | 39,888 | 186 |
| Biological assets | 20,735 | 20,148 |
| Others | 1,567 | 544 |
| | ₱763,941 | ₱493,861 |

7. Property, Plant and Equipment

Movement in this account pertains to acquisitions mainly related to projects under construction and machinery and equipment for the quarter ended November 30, 2019 of P127 million less depreciation recognized during the period of P96 million.

8. Investment Properties

The investment properties consist of land and buildings which are held for short-term leases and capital appreciation. The Group's investment properties were appraised by an independent appraiser last August 31, 2019.

9. Trade Payables and Other Current Liabilities

The account consists of:

| | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) |
|---|--|---------------------------------|
| Trade | ₱239,603 | ₱181,587 |
| Accrued expenses | 204,273 | 87,813 |
| Customers' deposits | 311,483 | 24,264 |
| Retention payable | 40,311 | 60,043 |
| Liens payable | 30,704 | 26,868 |
| Current portion of payable to claimants | 30,492 | 30,492 |
| Due to government agencies | 9,827 | 6,180 |
| Others | 24,004 | 15,770 |
| | ₱890,697 | ₱433,017 |

10. Provisions for Legal Claims

The Parent Company is currently involved in various legal proceedings which are still pending resolution or under suspension in view of the Parent Company's rehabilitation status.

As at November 30, 2019 and August 31, 2019, provision for legal claims amounted to P268 million and P296 million, respectively.

Proceeding with the Pollution Adjudication Board (PAB)

The Parent Company's proceeding with the PAB on non-compliance with water and air standards has been resolved. On November 29, 2019, VMC paid the fines imposed by the PAB at an agreed settlement amount. On December 11, 2019, the Formal Lifting Order has been issued.

11. Borrowings

Short-term borrowings

Short-term borrowings consist of unsecured loans availed from a local bank for the Parent Company's working capital requirements. Short-term loan availed by the Group during the quarter amounting to ₱200.00 million at an interest rate of 5.5% was fully paid. There are no outstanding short-term borrowings as at November 30, 2019 and August 31, 2019.

Long-term borrowings

Long-term borrowings represent unsecured loans availed from a local bank to fund the Parent Company's power generation project with 4.625% interest, payable quarterly beginning March 14, 2018 until December 14, 2020.

The debt covenants for the long-term borrowings require the Parent Company to maintain certain financial ratios. As at November 30, 2019, the Parent Company is compliant with these debt covenants.

12. Equity

Capital Stock / Treasury Stock

Details are as follows:

| | November 30, 2019 (Unaudited) | | August 31, 2019 (Audited) | |
|---|----------------------------------|-------------|------------------------------|-------------|
| | Number of Shares | Amount | Number of Shares | Amount |
| Common shares at ₱1 par value per share | | | | |
| Authorized: | | | | |
| Balance as at beginning of period | 3,042,061,094 | ₱3,042,061 | 3,042,061,094 | ₱3,042,061 |
| Increase in authorized share capital | - | - | - | - |
| Balance as at end of period | 3,042,061,094 | ₱3,042,061 | 3,042,061,094 | ₱3,042,061 |
| Issued and outstanding: | | | | |
| Balance as at beginning of period | 3,042,061,094 | ₱3,042,061 | 3,042,061,094 | ₱3,042,061 |
| Conversion of CN | - | - | - | - |
| | 3,042,061,094 | 3,042,061 | 3,042,061,094 | 3,042,061 |
| Treasury shares | (300,010,530) | (1,501,882) | (300,010,530) | (1,501,882) |
| Balance as at end of period | 2,742,050,564 | ₱1,540,179 | 2,742,050,564 | ₱1,540,179 |

13. Earnings per Share (EPS)

EPS is calculated as follows:

| | November 30, 2019 (Unaudited) | November 30, 2018 (Unaudited) |
|--|--|-------------------------------------|
| Net income attributable to the Parent Company | ₱77,460 | ₱81,526 |
| Weighted average number of common shares | 2,742,050 | 2,742,050 |
| Basic and Diluted EPS | ₱0.03 | ₱0.03 |

The weighted average number of common shares includes the mandatory convertible shares arising from the Parent Company's DRA .

14. Operating Segment Information

Business segment information is required on the basis that is used internally for evaluating segment performance and deciding how to allocate resources in operating segment. The segment information is provided to the Chief Operating Decision Maker (CODM), as represented by the President, in making operating decisions with regard to the business segments. Accordingly, the segment information is reported based on the nature of goods and services provided by the Group.

Segment performance is evaluated based on operating profit or loss. A detailed description of each segment is set below.

Sugar Milling and Refinery Operations

Revenue 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 Group 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 with a sharing allocation of 69.5% for planters and 30.5% for VMC. Effective December 1, 2018, the sharing allocation is 69.7% for the planters, 30% for VMC and 0.3% for the sugar workers.

The Group 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.

Distillery Operations

The division produces alcohol and ethanol with an actual daily capacity of 50,000 liters with molasses as the primary raw material. Molasses is sourced from sugar operations which produces it as a by-product.

Power Generation

The primary purpose of this segment is to carry on the business of power generation derived from renewable energy resources for wholesale of electricity to power companies, distribution utilities, electric cooperatives, retail electricity suppliers, aggregators and other customers.

Other Operating Segments

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

Other operations of the Group include food processing, real estate sales, leasing and entertainment.

Food processing is involved primarily to sell processed, preserved and packaged food products such as canned sardines and luncheon meat.

Real estate is involved in the development and sale of subdivision and memorial lots. Among its projects are Phase 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 derives income from the lease of certain parcels of land to planters.

Entertainment derives income from membership fees when billed and when corresponding services are rendered.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, prepaid expenses, and property, plant and equipment, net of related allowance for impairment loss and depreciation. The carrying amount of certain assets used jointly by the various segments is allocated to the segments on a systematic basis. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals, VAT and other taxes, and customers' deposits. Segment assets and liabilities do not include deferred income taxes.

The following tables regarding operating segments present assets and liabilities as at November 30, 2019 and August 31, 2019 and revenue, income and expenses information for the three months period ended November 30, 2019 and 2018:

| November 30, 2019 (Unaudited) | Sugar milling | Distillery operations | Power generation | Others | Elimination items | Total |
|----------------------------------|------------------|--------------------------|---------------------|---------------|----------------------|------------------|
| Revenue | | | | | | |
| External sales | ₱1,155,209 | ₱201,737 | ₱6,896 | ₱20,568 | ₱- | ₱1,384,410 |
| Inter-segment sales | 105,810 | - | 1,373 | 1,336 | (108,519) | - |
| Total | 1,261,019 | 201,737 | 8,269 | 21,904 | (108,519) | 1,384,410 |
| Segment result | 106,525 | 99,781 | 3,490 | 2,856 | (1,353) | 211,299 |
| Unallocated corporate expense | (135,992) | - | - | (3,032) | 1,670 | (137,354) |
| Operating profit | (29,467) | 99,781 | 3,490 | (176) | 317 | 73,945 |
| Finance cost | (6,953) | - | - | - | - | (6,953) |
| Interest income | 766 | - | - | 16 | - | 782 |
| Other income (expense) | 28,293 | - | - | 282 | (317) | 28,258 |
| Income tax expense | (18,483) | - | - | - | - | (18,483) |
| | (₱25,844) | ₱99,781 | ₱3,490 | ₱122 | ₱- | ₱77,549 |

| November 30, 2018 (Unaudited) | Sugar milling | Distillery operations | Power generation | Others | Elimination items | Total |
|----------------------------------|------------------|-----------------------|------------------|-----------------|-------------------|------------------|
| Revenue | | | | | | |
| External sales | ₱1,176,524 | ₱97,590 | ₱10,393 | ₱17,944 | ₱- | ₱1,302,451 |
| Inter-segment sales | 891 | - | 1,300 | 340 | (2,531) | - |
| Total | 1,177,415 | 97,590 | 11,693 | 18,284 | (2,531) | 1,302,451 |
| Segment result | 183,859 | 21,540 | 9,726 | 779 | (1,666) | 214,238 |
| Unallocated corporate expense | (128,279) | - | - | (6,205) | 1,300 | (133,184) |
| Operating profit | 55,580 | 21,540 | 9,726 | (5,426) | (366) | 81,054 |
| Finance cost | (2,307) | - | - | - | - | (2,307) |
| Interest income | 232 | - | - | 9 | - | 241 |
| Other income (expense) | 29,238 | - | - | (340) | - | 28,898 |
| Income tax expense | (26,810) | - | - | - | - | (26,810) |
| | ₱55,933 | ₱21,540 | ₱9,726 | (₱5,757) | ₱- | ₱81,076 |

| Amounts in Millions | Segment assets | | Segment liabilities | |
|-----------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) |
| Sugar milling | ₱6,874 | ₱6,501 | ₱1,735 | ₱908 |
| Power generation | 1,927 | 2,004 | 414 | 877 |
| Distillery operations | 479 | 303 | 1 | 3 |
| Others | 1,170 | 795 | 969 | 562 |
| Eliminations | (942) | (517) | (867) | (443) |
| | ₱9,508 | ₱9,086 | ₱2,252 | ₱1,907 |

15. Revenue

Revenue consists of:

| | November 30, 2019 (Unaudited) | November 30, 2018 (Unaudited) |
|-----------------|-------------------------------------|-------------------------------------|
| Sale of goods: | | |
| Refined sugar | ₱488,316 | ₱607,668 |
| Raw sugar | 557,255 | 399,256 |
| Ethanol | 201,737 | 80,059 |
| Molasses | 1,120 | - |
| Power | 6,896 | 10,393 |
| Alcohol | - | 17,531 |
| Others | 20,080 | 16,457 |
| | 1,275,404 | 1,131,364 |
| Service income: | | |
| Tolling fees | 108,518 | 169,600 |
| Others | 488 | 1,487 |
| | 109,006 | 171,087 |
| | ₱1,384,410 | ₱1,302,451 |

Other revenue arises from sale of goods and services in the Group's food processing, real estate, leasing and entertainment operations.

16. Cost of Sales and Services Rendered

The account consists of:

| | November 30, 2019 (Unaudited) | November 30, 2018 (Unaudited) |
|--------------------|-------------------------------------|-------------------------------------|
| Cost of goods sold | P1,104,781 | 999,082 |
| Cost of services | 68,330 | 89,131 |
| | P1,173,111 | 1,088,213 |

Cost of goods sold consists of:

| | November 30, 2019 (Unaudited) | November 30, 2018 (Unaudited) |
|---|-------------------------------------|-------------------------------------|
| Inventories used | P502,527 | P293,628 |
| Cost of hauling | 322,817 | 389,713 |
| Repairs and maintenance | 86,203 | 126,605 |
| Depreciation and amortization | 68,244 | 50,339 |
| Materials and supplies | 39,003 | 39,377 |
| Direct labor | 27,252 | 30,068 |
| Fuel | 24,594 | 28,463 |
| Professional fees and contracted services | 21,822 | 26,525 |
| Taxes and licenses | 7,613 | 9,883 |
| Others | 4,706 | 4,481 |
| | P1,104,781 | P999,082 |

Cost of hauling pertains to cane trucking, hauling allowances and other incentives to encourage planters to mill with the Group. Cost of services mainly include direct labor, materials, repairs and maintenance, depreciation and utilities expenses.

17. Operating Expenses

General and administrative expenses consist of:

| | November 30, 2019 (Unaudited) | November 30, 2018 (Unaudited) |
|---|-------------------------------------|-------------------------------------|
| Salaries and employee benefits | P32,648 | P21,886 |
| Taxes and licenses | 20,515 | 18,462 |
| Professional fees and contracted services | 24,252 | 21,932 |
| Depreciation and amortization | 7,747 | 9,714 |
| Representation and entertainment | 7,556 | 2,719 |
| Travel and transportation | 6,783 | 13,422 |
| Supplies | 1,263 | 1,154 |
| Repairs and maintenance | 604 | 1,516 |
| Others | 3,572 | 2,314 |
| | P104,940 | P93,119 |

Selling expenses amounting to P32 million and P40 million for the three months ended November 30, 2019 and 2018, respectively, consist mainly of freight and handling expense, insurance and warehouse rentals.

18. Other Income (Charges)

This account consists of:

| | November 30, 2019 (Unaudited) | November 30, 2018 (Unaudited) |
|---|--|-------------------------------------|
| Storage, handling and insurance fees | ₱20,509 | ₱21,607 |
| Gain on sale of investments in UITF | 3,054 | 1,068 |
| Interest income from cash and cash equivalents | 782 | 241 |
| Rental income | 2,165 | 4,547 |
| Net foreign exchange loss | (1,884) | (165) |
| Scrap sales | 1,542 | - |
| Gain on disposal of investment property | 2,608 | - |
| Gain on disposal of property, plant and equipment | 165 | - |
| Others – net | 99 | 1,841 |
| | ₱29,040 | ₱29,139 |

19. Related Party Transactions and Balances

| November 30, 2019 (Unaudited) | Transactions | Outstanding Balance | Terms and Conditions |
|--|-----------------|------------------------|---|
| Shareholder with significant influence | | | |
| Sale of goods | ₱565,327 | ₱135,136 | - Unguaranteed and unsecured - Noninterest-bearing |
| Cash in bank, money market placements and UITF investments | 37,498 | 224,917 | |
| | ₱602,825 | ₱360,053 | |

| November 30, 2018 (Unaudited) | Transactions | Outstanding Balance | Terms and Conditions |
|--|-----------------|------------------------|---|
| Shareholder with significant influence | | | |
| Sale of goods | ₱89,577 | ₱79,096 | - Unguaranteed and unsecured - Noninterest-bearing |
| Cash in bank, money market placements and UITF investments | 59,345 | 173,224 | |
| | ₱148,922 | ₱252,320 | |

20. Risk Management, Objectives and Policies

Regulatory Risk

The Group is subject to laws and regulations in the Philippines in which it operates.

The Group has established policies and procedures in compliance with local and other laws. Management performs regular reviews to identify compliance risks and to ensure that the systems in place are adequate to manage those risks.

Financial Risk Management

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including price risk and cash flow and fair value interest rate risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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 department. 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. All customers who wish to transact on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The amounts presented in the consolidated statement 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.

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for each type of customers. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each year. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Receivables for which an impairment provision was recognized were written off against the provision when there was no expectation of recovering additional cash.

For the Group's other financial instruments measured at amortized cost, it is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed.

As at November 30, 2019 and August 31, 2019, the Group's maximum credit exposure is equal to the carrying values of the following financial assets:

| | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) |
|---|--|---------------------------------|
| Cash and cash equivalents (1) | ₱722,053 | ₱656,717 |
| Trade and other current receivables (2) | 440,851 | 377,415 |
| Investments in UITF | 94,549 | 109,437 |
| Refundable deposits | 153,007 | 159,233 |
| Receivable from a government bank | 51,280 | 51,280 |
| Cash surety bonds | 26,035 | 25,934 |
| | ₱1,487,775 | ₱1,380,016 |

(1) excluding cash on hand

(2) excluding advances to officers and employees; net of allowance for impairment losses

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

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL as at November 30, 2019 and August 31, 2019

| (Unaudited) | November 30, 2019 | | | | Total |
|---|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|-------------------|
| | 12-month ECL – not impaired | 12-month ECL – credit impaired | Lifetime ECL – not impaired | Lifetime ECL – credit impaired | |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents* | ₱722,053 | ₱– | ₱– | ₱– | ₱ 722,053 |
| Trade receivables: | | | | | |
| Related parties | 135,136 | – | – | – | 135,136 |
| Third parties | 276,128 | 163 | 4,132 | 17,771 | 298,194 |
| Advances to planters' associations | – | – | 267 | – | 267 |
| Other receivables | 22,324 | – | 3,543 | 9,453 | 35,320 |
| Refundable deposits | 153,007 | – | – | – | 153,007 |
| Receivable from a government bank | 51,280 | – | – | – | 51,280 |
| Cash surety bonds | 26,035 | – | – | – | 26,035 |
| Financial assets at FVPL | | | | | |
| Investments in UITF | 94,549 | – | – | – | 94,549 |
| | ₱1,480,512 | ₱163 | ₱7,942 | ₱27,224 | ₱1,515,841 |

| (Audited) | August 31, 2019 | | | | Total |
|---|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|-------------------|
| | 12-month ECL – not impaired | 12-month ECL – credit impaired | Lifetime ECL – not impaired | Lifetime ECL – credit impaired | |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents* | ₱656,717 | ₱– | ₱– | ₱– | ₱656,717 |
| Trade receivables: | | | | | |
| Related parties | 160,287 | – | – | – | 160,287 |
| Third parties | 201,785 | 163 | 3,997 | 17,771 | 223,716 |
| Advances to planters' associations | – | – | 267 | – | 267 |
| Other receivables | 8,444 | – | 3,314 | 9,453 | 21,211 |
| Refundable deposits | 159,233 | – | – | – | 159,233 |
| Receivable from a government bank | 51,280 | – | – | – | 51,280 |
| Cash surety bonds | 25,934 | – | – | – | 25,934 |
| Financial assets at FVPL | | | | | |
| Investments in UITF | 109,437 | – | – | – | 109,437 |
| | ₱1,373,117 | ₱163 | ₱7,578 | ₱27,224 | ₱1,408,082 |

*excluding cash on hand

Information on the Group's other current receivables and other noncurrent assets that are impaired as at November 30, 2019 and August 31, 2019 and the movements of the allowance used to record the impairment losses are disclosed in Notes 3 and 6 to the interim condensed consolidated financial statements.

Liquidity Risk

Liquidity risk is the risk of not meeting obligations as they 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 Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables summarize the maturity profile of the Group's financial assets and financial liabilities as at November 30, 2019 and August 31, 2019 based on contractual undiscounted payments:

| November 30, 2019 (Unaudited) | On demand | Within One year | More than One year | Total |
|--|------------------|--------------------|-----------------------|-------------------|
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | ₱724,885 | ₱– | ₱– | ₱724,885 |
| Trade receivables: | | | | |
| Third parties | 3,786 | 131,187 | – | 134,973 |
| Related parties ⁽¹⁾ | 115,928 | 182,266 | – | 298,194 |
| Advances to planters' associations | 267 | – | – | 267 |
| Others ⁽¹⁾ | 35,320 | – | – | 35,320 |
| Investments in UITF | 94,549 | – | – | 94,549 |
| Other non-current assets ⁽¹⁾ | – | 7,241 | 107,873 | 115,114 |
| | ₱974,735 | ₱320,694 | ₱107,873 | ₱1,403,302 |
| Financial Liabilities | | | | |
| Other financial liabilities: | | | | |
| Borrowings | ₱– | ₱338,585 | ₱82,500 | ₱421,085 |
| Trade and other current liabilities ⁽²⁾ | 508,181 | – | – | 508,181 |
| Payable to claimants | – | 30,492 | 180,091 | 210,583 |
| | 508,181 | 369,077 | 262,591 | 1,139,849 |
| | ₱ 466,554 | ₱104,618 | ₱(154,718) | ₱263,453 |

(1) net of allowance for impairment losses

(2) excluding customers' deposits, liens payable and due to government agencies

| August 31, 2019 (Audited) | On demand | Within One year | More than One year | Total |
|--|-----------|--------------------|-----------------------|-----------|
| Financial Assets | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | ₱657,653 | ₱– | ₱– | ₱657,653 |
| Trade receivables: | | | | |
| Third parties | 56,228 | 103,896 | – | 160,124 |
| Related parties ⁽¹⁾ | 114,205 | 109,511 | – | 223,716 |
| Advances to planters' associations | 267 | – | – | 267 |
| Others ⁽¹⁾ | 21,211 | – | – | 21,211 |
| Investments in UITF | 109,437 | – | – | 109,437 |
| Other non-current assets ⁽¹⁾ | – | 197,233 | 25,934 | 223,167 |
| | 959,001 | 410,640 | 25,934 | 1,395,575 |
| Financial Liabilities | | | | |
| Other financial liabilities: | | | | |
| Borrowings | ₱– | ₱342,893 | ₱166,908 | ₱509,801 |
| Trade and other current liabilities ⁽²⁾ | 345,211 | – | – | 345,211 |
| Payable to claimants | – | 30,492 | 180,091 | 210,583 |
| | 345,211 | 373,385 | 346,999 | 1,065,595 |
| | ₱613,790 | ₱37,255 | (₱321,065) | ₱329,980 |

(1) net of allowance for impairment losses

(2) excluding customers' deposits, liens payable and due to government agencies

Market Risk

Market risk is the risk that the fair value of financial instruments of the Group from fluctuation in market interest rates (interest rate risk), price with respect to sugar (price risk), foreign exchange rates (foreign currency risk) and equity price (equity price risk), whether such change in prices is caused by factors specific to the individual instruments or its issuer, or factors affecting all instruments traded in the market.

a. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Parent Company's borrowings are not sensitive to movements in interest rates as they carry fixed interest rates.

The Group's exposure to interest rate risk is limited only to holdings of investments in UITF classified as financial assets at FVPL. The underlying pool of assets for these UITFs is consist however, of short-term money market instruments which are not exposed to significant interest rate risks.

b. Foreign Currency Risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. It arises on financial instruments that are denominated in a foreign currency other than the functional currency.

The Group's exposure to foreign currency risk is limited only to its bank deposits (included in cash and cash equivalents) denominated in US dollar (USD) amounting to US\$2.4 million as at November 30, 2019 and US\$4.8 million as at August 31, 2019.

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 debt 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 subsidiaries approximate their fair values because these represent the expected cash flow should they be settled or realized at reporting date.

Capital Management

Capital is managed to ensure that the Group will continue as a going concern while maximizing the return on the investments of shareholders. For this purpose, capital is defined as total equity attributable to the shareholders of Parent Company as presented in the consolidated statement of financial position.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required a minimum of 10% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, to be held by the public. The Group is compliant with respect to this requirement.

The Group is governed by the Plan as submitted and approved by the SEC. The details of these plans or programs are disclosed in Note 1.

The debt to asset ratio of the Group as at August 31, 2019 and 2018, which has been within the Group's acceptable range as set by the BOD, is calculated as follows:

| | November 30, 2019 (Unaudited) | August 31, 2019 (Audited) |
|-------------------|-------------------------------------|---------------------------------|
| Total liabilities | ₱2,251,670 | ₱1,906,910 |
| Total assets | 9,508,209 | 9,085,900 |
| | 0:24:1 | 0.21:1 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. Results of Operations

The Group realized a consolidated net profit of P77.5 million during the first quarter of CY 2019-2020. Net profit ratio dipped slightly from 6.2% in the same period last year to 5.6%.

Consolidated revenue increased by 6% to P1.4 billion this quarter largely due to the increase in ethanol and raw sugar volume sold compared to the same period last year. On the other hand, tolling and refined sugar volume significantly declined due to lower production output from late start of refining operations. Production cost is comparatively higher due to the increase in cost of cane hauling resulting from tight competition among mills. Despite the increase in revenue, gross profit margin declined by 1% to P211 million for the quarter. Operating expenses were kept below 10% of revenue but still slightly higher by P4 million compared to the same period last year due to increase in labor and contracted services costs.

II. Financial Condition

Despite a number of challenges in the industry, the Group remains to have a strong balance sheet with a current ratio of 2.34 and debt to equity ratio of 0.31 as of November 30, 2019. The Group's total assets grew by 5% or P0.4 billion and the Group's cash position increased by 10% to P0.7 billion during the quarter. Trade receivables increased by 13% but 70% of the balance was already collected in the subsequent month. The Group continues to carry its long-term debt which is now down to P0.4 billion after early repayment last July 2019.

III. Financial Key Performance Indicators

| | For the three months ended | |
|--------------------------|----------------------------|----------------------|
| | November 30, 2019 | November 30, 2018 |
| Net Profit Margin | 5.60% | 6.22% |
| Earnings per Share (EPS) | 0.03 | 0.03 |
| | November 30, 2019 | August 31, 2019 |
| Current Ratio | 2.34 | 3.00 |
| Debt to Equity Ratio | 0.31 | 0.27 |