

# COVER SHEET

## COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

**SEC FORM 17-A  
With Sustainability Reporting  
(2021)**

S.E.C. Registration Number

P	W	0	0	0	0	0	3	6	4
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Company Name

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	.				

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

V	M	C		C	O	M	P	O	U	N	D	,		J	J		O	S	S	O	R	I	O		S	T	.				
B	R	G	Y	.	X	V	I		V	I	C	T	O	R	I	A	S		C	I	T	Y		N	E	G	.	O	C	C	.

### COMPANY INFORMATION

Company's Email Address

[emmanuel.ypil@victoriasmilling.com](mailto:emmanuel.ypil@victoriasmilling.com)

Company's Telephone Number

**0917-812-8311**

Company's Facsimile Number

-

### Contact Person Information

Name of Contact Person

**EVA V. RODRIGUEZ**

Email Address

[eva.rodriquez@victoriasmilling.com](mailto:eva.rodriquez@victoriasmilling.com)

Telephone Number/s

**0917-631-8057**

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)** \_\_\_\_\_

Forwarded to:

- Corporate and Partnership Registration Division \_\_\_\_\_
- Green Lane Unit \_\_\_\_\_
- Financial Analysis and Audit Division \_\_\_\_\_
- Licensing Unit \_\_\_\_\_



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

Yes  No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, - Common  
Inc. Stocks

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that 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  No

13. Aggregate market value of the voting stock held by non-affiliates: Php 6,840,565,615.00  
(at P1.00 par value)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes  No

**DOCUMENTS INCORPORATED BY REFERENCE**

15. Briefly describe the documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

**2021-2022 Consolidated Financial Statements**  
(Incorporated as reference for Item 7 of SEC Form 17- A)

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## **PART I- BUSINESS AND GENERAL INFORMATION**

### **ITEM 1 - BUSINESS**

#### **DESCRIPTION OF BUSINESS**

Victorias Milling Company, Inc. (VMC or the Company) is an integrated raw and refined sugar Company located in Barangay XVI, Victorias City, Negros Occidental, Philippines, which was founded by Don Miguel J. Ossorio on May 7, 1919. VMC also has a Co-generation and Distillery plants.

The Company has diversified, and formed Victorias Foods Corporation, Canetown Development Corporation, Victorias Golf & Country Club, Inc., Victorias Agricultural Land Corporation and Victorias Green Energy Corporation.

	<u>DATE OF REGISTRATION</u>	<u>% Ownership</u>	<u>Brief Description of Business</u>
Victorias Foods Corporation (VFC)	February 24, 1993	100%	produces and sells canned sardines, hot bangus, luncheon meat, ham, bacon and other meat products
Canetown Development Corporation (CDC)	February 9, 1979	93%*	develops and sells real estate properties; develops, operates and sells memorial lots
Victorias Golf and Country Club, Inc. (VGCCI)	May 5, 1994	81%	operates a golf club
Victorias Agricultural Land Corporation (VALCO)	June 30, 1987	100%	acquires and owns agricultural lands and properties
Victorias Green Energy Corporation (VGEC)	April 13, 2015	100%	co-generation of energy; pre-operating stage

*\*The effective ownership is inclusive of 5% indirect ownership through VALCO*

#### **BUSINESS DEVELOPMENT**

Over the years, VMC has invested in major improvements and optimization programs to drive continuous growth to satisfy its stakeholders. It is continuously improving its operations, product quality and services.

#### **CURRENT STATUS OF REHABILITATION PROGRAM**

VMC is still undergoing rehabilitation, with Atty. Luis Ma. G. Uranza as the SEC-appointed Rehabilitation Receiver.

The Refined Sugar Delivery Order (RSDO), Refined Sugar Quedan (RSQ) and labor claims will be settled and/or validated within the extended period of the rehabilitation of Victorias Milling Company, Inc. from 2019-2028.

## **RISKS**

### *Strategic Risk*

The Company's raw material supply chain depends on the sugarcane production output of the Negros province. Cane supply is at the risk of decline due to climate change, soil degradation, high cost of farm inputs particularly fertilizers and fuel, and scarcity of farm labor. Unfavorable weather conditions and reduced farm inputs translate to low production that will trigger stiff cane competition among sugar millers in the area, eventually resulting to higher cost of cane. Another key challenge in the industry is the threat of sugar import liberalization, which could significantly affect the delicate balance of supply and demand thereby making sugar prices volatile.

### *Financial Risk*

The Company is currently exposed to credit, liquidity and market risks. Sugar, being a commodity, is highly susceptible to volatile prices driven by market forces exposing the Company to price risks.

### *Regulatory, Compliance and Legal Risk*

The Company is primarily regulated by the Philippine Sugar Regulatory Administration (SRA) under Executive Order No. 18 (1986) and Republic Act (RA) 10659 or the Sugarcane Industry Development Act of 2015. It is also covered by Local Government Code (LGC), environmental laws implemented by the DENR, among others. The Company has established policies and procedures in compliance with local and other laws.

VMC also undergoes various audits for food safety, good manufacturing practices, and other quality audits to ensure that its products are safe for human consumption. As a listed company, the Company complies with the reportorial and disclosure requirements of the Securities & Exchange Commission (SEC) and Philippine Stock Exchange (PSE). The Company is also exposed to changes in the tax laws.

The pending legal cases are likewise a source of risk for the Company. Majority of the claims filed are currently under suspension, due to the rehabilitation status of the Company. Management continues to perform regular reviews to identify regulatory, compliance and legal risks and to ensure that the systems in place are adequate to manage those risks.

## **CANE SUPPLY**

For Crop Year 2021-2022, VMC milled a total of 2.6 million tons of sugarcanes, and produced a total of 4.5 million Lkg of sugar over a 37 -week operation. Although this number fell short of the target of 2.9 million tons, and lower versus CY2020-2021's production of a little more than 2.9 million tons (11% drop), it should be noted that the entire Province's production dropped by 16% (from 13.5M TCM in CY2020-2021 to only 11.2M TCM in CY2021-2022). Despite the harsh weather conditions and drop in the Province's production, VMC's Cane Supply has increased its market share to 23.61%.

## SALE OF SUGAR AND BY-PRODUCTS

The Company offers milling and tolling services to planters, sells raw sugar, refined sugar, molasses, ethyl alcohol, ethanol and power.

### Breakdown of Consolidated Revenue

	2021-2022	2020-2021	2019-2020
Raw Sugar	29%	32%	23%
Refined Sugar and Tolling Service	30%	31%	37%
Milling Service *	18%	19%	21%
Ethanol	21%	9%	10%
Molasses	0%	5%	5%
Alcohol	1%	2%	2%
Power Generation	0%	1%	1%
Others	1%	1%	1%

### Aging of Trade Receivable

Neither past due nor impaired	Past due but not impaired				Past due and impaired	Total
	<30 days	31-60 days	61-90 days	>90 days		
P164,885	P101,222	P91,348	P86,001	P30,010	P48,880	P522,346

\* Consolidated Amounts (in thousands)

## MANPOWER

As of August 31, 2022, the Company has five (5) Executive Officers, and three(3 ) Division Heads, with 606 regular employees and 844 outsourced workers for Off-Season Repairs period and 391outsourced workers during Milling Season period.

## ITEM 2 – PROPERTY

The Company has approximately 690 hectares of land located in various locations all over Negros Occidental such as in Victorias City, municipality of Manapla, Cadiz City, Bacolod City and Talisay City. It also has some landholdings in Iloilo and Antipolo, Rizal.

It has the sugar milling facilities, improvements, machineries and equipment, office and staff housing facilities, warehouses, furniture and fixtures, and transportation equipment. It also owns a co-generation plant and a distillery plant.

VGCCI owns an 18-hole golf course, clubhouse, improvements, equipment, furniture and fixtures and transportation equipment.

VFC owns a food processing plant as well as improvements, warehouses, machineries and equipment, office building, and transportation equipment.

CDC mainly owns subdivision lots, a memorial garden and other landholdings in Victorias and Manapla.

VALCO owns agricultural land and an industrial tree plantation.

**ITEM 3 – LEGAL PROCEEDINGS**

The Company’s in-house and external counsels handle cases filed for and against VMC.

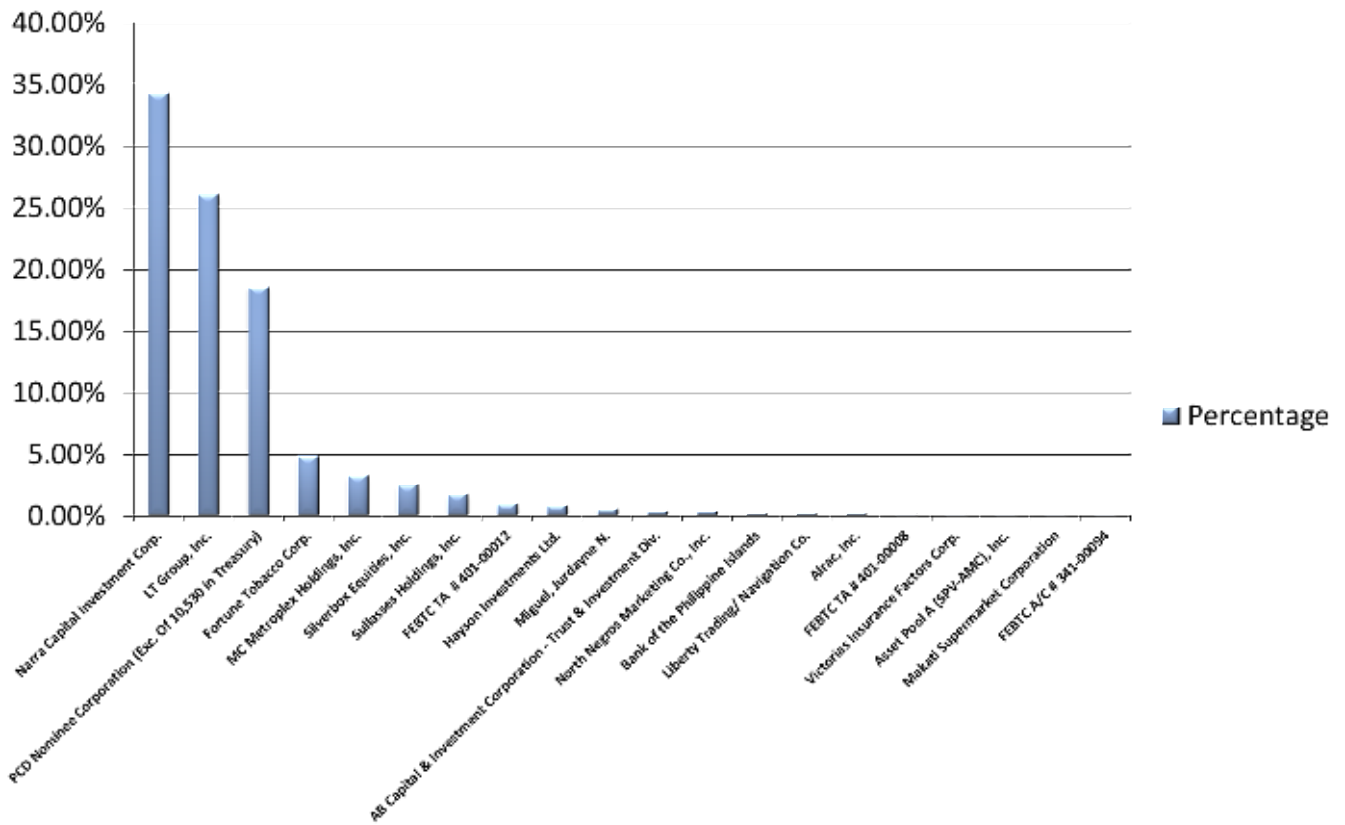
**ITEM 4 – SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS**

Except for the matters taken up during the Annual Stockholders’ Meeting, there was no other matter submitted to a vote of security holders during the period covered by this report.

**PART II – OPERATION AND FINANCIAL INFORMATION**

**ITEM 5 – MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

TOP TWENTY (20) STOCKHOLDERS  
AS OF AUGUST 31, 2022



## **ITEM 6 – MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **I. Results of Operations**

The Group realized a consolidated net profit of P966 million for the year ended August 31, 2022, a 23% increase compared to last year. The marked improvement in market prices and demand for both ethanol and refined sugar increased the group’s topline by 14% but was slightly offset by the decline in raw sugar and molasses sales during the year.

Cost of goods sold and services rendered rose sharply as cost of cane hauling per ton went up by 29%, a result of the decline in the cane output of the province and increased competition, while global inflationary pressures continue to push up input costs. The group's operating expenses, excluding a significant one-off reversal of provision recognized last year, remained consistent with last year's figure at 7% of gross revenues.

### **II. Financial Condition**

The Group remains resilient and maintains a strong balance sheet, with an 8% growth in stockholder’s equity this year. Despite the challenges, the group remains highly liquid and has no outstanding loans as of August 31, 2022. The Group’s current ratio continues to be strong at 5.6 while debt to equity ratio remains low at 0.18.

The Group’s total assets of P11.3 billion mainly comprise fixed assets, cash and cash equivalents and inventories. The Group’s core segments are its sugar milling, refinery, power generation and distillery operations which are heavily invested in property, plant and equipment that represent 54% of total assets. The Group continues to invest on capital expenditure aimed to upgrade the plant and improve operational efficiencies and a few major projects are expected to be implemented in 2023.

### **III. Financial Key Performance Indicators**

	<b>CY2021-2022</b>	<b>CY2020-2021</b>	<b>CY2019-2020</b>
Net income margin	11%	11%	12%
Return on assets	9%	8%	9%
Return on total equity	10%	9%	11%
Debt to equity ratio	18%	16%	18%
Earnings per share	Php 0.35	Php 0.29	Php 0.31

## **ITEM 7 – FINANCIAL STATEMENTS**

Please see attached duly signed Group’s Consolidated Financial Statements as of August 31, 2022, together with the notarized Statement of Management’s Responsibility, which was audited by Reyes Tacandong and Co., the Group’s external auditor for crop year 2021-2022, as Exhibit “A”.

## **ITEM 8 – CHANGES IN & DISAGREEMENTS WITH AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There has been no disagreement with the external auditor on accounting, financial concerns, and disclosures in the consolidated financial statements.

## **INFORMATION ON INDEPENDENT AUDITORS**

For Crop Year 2021-2022, the services of the accounting firm Reyes Tacandong & Co., with office address at BDO Towers Valero (formerly Citibank Tower), 8741 Paseo de Roxas, Makati, 1226 Metro Manila, was engaged as the Group’s external auditors. In compliance with the Company’s Code of Corporate Governance, the Company’s external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

## **EXTERNAL AUDIT FEES**

### **Audit and Audit-Related Fees**

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor for the audit of the annual consolidated and separate financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagement for the Company and the Group for those fiscal years were:

CY 20-21 - 1.3 million - inclusive of VAT and out of pocket expenses

CY 21-22 - 1.5 million - inclusive of VAT and out of pocket expenses

### **Tax Fees**

Fees billed for the last two (2) fiscal years for professional services rendered by an external auditor for tax accounting, compliance, advice, planning and any other form of tax services were as follows:

CY 20-21 - 0.6 million - inclusive of VAT and out of pocket expenses

CY 21-22 - 0.4 million - inclusive of VAT and out of pocket expenses

## **PART III – CONTROL AND COMPENSATION INFORMATION**

## **ITEM 9 – DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER**

### **VMC BOARD OF DIRECTORS**

During VMC’s Annual Stockholders’ Meeting held on February 2, 2022, the following were elected as members of the VMC Board of Directors to serve as such from February 2, 2022 and until their successors shall have been duly elected and qualified:

1. **Wilson T. Young**, Filipino, currently chairs the Board of VMC. He is also a member of the Board of Perf Restaurants, Inc. (franchisee of Burger King in the Philippines). He is also a member of the Board of Trustees of the University of the

East and Vice-Chairman of the University of the East Ramon Magsaysay Memorial Medical Center, Inc., member of the International Board of Advisers of the Philippine School of Prosthetics and Orthotics, as well as member of the Board of the following foundations: Mithing Pangarap Foundation, Inc., Norfil Foundation, Inc., and the National Defense College of the Philippines Educational and Development Foundation, Inc. He also serves as a member of the Board of Admissions of the National Defense College of the Philippines and Chairman of Total Credit Cooperative. He was an instructor of Taxation and Accounting at Assumption College, San Lorenzo Makati and Financial Accounting at the Ateneo de Manila-Loyola. He is likewise a director and/or officer of various family-owned and controlled corporations, and was a former director and officer of certain companies of LT Group, Inc. Mr. Young is a Certified Public Accountant and holds a Master's Degree in National Security Administration. Being a son of a Filipino war veteran, he is a trustee of Filipino Veterans, Inc. (Filvets, Inc.), a non-stock, non-profit association for the benefit of Filipino Veterans Soldiers.

2. **Minnie O. Chua**, Filipino, is the Vice Chairman and President of VMC. She is a Certified Public Accountant. She graduated Magna Cum Laude from the University of St. La Salle with the degree of Bachelor of Science in Commerce major in Accounting. Prior to VMC, she had extensive banking experience having worked for Solidbank and Metrobank. She previously served as Assistant Treasurer and Deputy Chief Operating Officer for VMC. She also serves as Chairman of CDC and VALCO, President and Vice Chairman of VGEC and Vice Chairman of VGCCI, Director of VFC and President of VMC Foundation, Inc. She also chairs the Human Resource and Remuneration Committee.
3. **William Y. Chua**, Filipino, is the President of Agro Bulk Marine Corporation, Wilch Realty Corporation and MC Metroplex Holding Corp. He is also the Vice President of Oro Allado Commodities, Inc., and Federation of Sugar Traders of the Phils.
4. **Reggie Hannah Y. Lorenzo**, Filipino, is the Treasurer of VMC, and Chairman of the Audit and Risk Committee. She is a Certified Public Accountant. She graduated in the top 10% of her class from the University of St. La Salle with the degree of Bachelor of Science in Accountancy. She holds a Masters of Business Administration Degree from the Hong Kong University of Science & Technology. She served as Junior Auditor of Sycip, Gorres, Velayo & Co. and as General Manager of VCY Sales Corporation. She is presently the Investment Manager of the VCY Group of Companies. She also serves as Chairman of VFC.
5. **Peter Y. Ong**, Filipino, He was elected to the Board of VMC on May 27, 2016 and is a member of the Audit and Risk Committee and Budget Committee. He serves as President of Network Holdings & Equities Corp. He also serves as Treasurer of Cosmic Holdings Corporation and Merit Holdings & Equities Corp. He is a consultant of Philippine Airlines, Inc., and served as President of Air Philippines Corporation. He is a director of Fortune Tobacco Corporation where he also served as Senior Vice President for Production. He served as Senior Vice President of Allied Savings Bank from 2001 to 2009. He is a director of LT Group, Inc., Allied Bankers Insurance Corporation Allied Leasing & Finance Corporation, Solar Holdings Corporation, Basic Capital Investment Corp., Iris Holdings & Development Corp., Allied Savings Bank and Eton Properties Philippines Inc.
6. **Anna Rosario V. Paner**, Filipino, is the Chair of the Legal, Nominations, Corporate Governance and Related Party Transactions Committee and a member of the Audit and Risk Committee. She has been a private law practitioner since 1996 and is one of the founding partners of PANER & YPIL ATTORNEYS-AT-LAW (Formerly Paner Hosaka & Ypil Attorneys-at-Law). She is currently the Vice-

Chairman of Victorias Foods Corporation (“VFC”), Chairman of Victorias Golf & Country Club, Inc. (“VGCCI”) and Vice Chairman and Corporate Secretary of Victorias Agricultural Land Corp. (“VALCO”) and Canetown Development Corporation (“CDC”). She holds a Juris Doctor degree from the Ateneo de Manila School of Law and a Master’s Degree in National Security Administration from the National Defense College of the Philippines.

7. **Michael G. Tan**, Filipino, is presently the President, Chief Operating Officer and Director of Asia Brewery, Inc. and the President, Chief Operating Officer and Executive Director of LT Group, Inc. (formerly Tanduary Holdings Inc.). In his past career he held the position of Chairman of Association of Young Filipino-Chinese Entrepreneurs, President at Lucky Travel Corp., Chairman for PNB Holdings Corp., Director at PAL Express, Treasurer & Director at PAL Holdings, Inc. and Director & Treasurer at Zuma Holdings & Management Corp.
8. **Kyle Ellis C. Tan**, Filipino, is a member of the Executive Committee, Human Resource and Remuneration Committee and Legal, Nominations, Corporate Governance and Related Party Transactions Committee. He occupies the position of Chief Operating Officer & Director at Himmel Industries, Inc., Chief Operating Officer & Director at Manufacturing Services & Trade Corp. and Treasurer & Director at MacroAsia Corp. He is also Executive Vice President for Tanduary Distillers, Inc. and Vice President for Kilter Realty & Development Corp. and on the board of 7 other companies. .
9. **Victor T. Yu**, Filipino, is presently the Consultant of Sales and Business Development of VMC. He took up BS Management and Industrial Engineering at Mapua Institute of Technology. He is also a Master’s Degree holder in Business Administration from University of the Philippines, Diliman, Quezon City. He is currently the President and General Manager of Victorias Golf & Country Club, Inc. and has been a director of VMC since February 7, 2017. Moreover, he is the President of Victorias Foods Corporation.
10. **Alvin C. Yu**, Filipino, is the President of Narra Capital Investment Corporation, Bacolod DN Triumph Steel Corporation and Bacolod Twinstar Shipping Corporation. He is the Vice President of VCY Sales Corporation and the Manager of Bacolod Triumph Hardware. He graduated from the Ateneo de Manila University with a Management Engineering degree and completed the Owner/President Management Program from Harvard Business School.
11. **Martin C. Yu**, Filipino, he has been a director of VMC since February 4, 2014, and President of Firefly Electric & Lighting Corporation since 2001. Mr. Yu has also been a director of VCY Sales Corporation since 1998. He took up Business Management at the Ateneo de Manila University and completed the Owner/President Management Program from Harvard Business School.

The aforementioned are also the duly elected members of the Board effective February 2, 2022.

The following are the appointed corporate officers effective February 2, 2022:

1. Wilson T. Young, *Chairman of the Board of Directors*
2. Minnie O. Chua, *Vice Chairman and President*
3. Phoebe Lou B. Pastera, *Chief Operating Officer*
4. Reggie Hannah Y. Lorenzo, *Treasurer*
5. Emmanuel S. Ypil, *Corporate Secretary*
6. Kristine D. Cabuguason, *Chief Finance Officer and Creditor-Appointed Controller*
7. Linley A. Retirado, *Chief Manufacturing Officer*

8. Eva A. Vicencio-Rodriguez, *Assistant Corporate Secretary, Compliance and Information Officer, and Chief Administrative Officer*

### **VMC Executive Officers**

1. **Minnie O. Chua** (*Please see above.*)
2. **Phoebe Lou B. Pastera**, Filipino and is currently the Chief Operating Officer. She is also presently the Chief Finance Officer and Business Development Head of VCY Sales Corp. She worked with Punongbayan Araullo, an accounting firm and ANZ Global Services and Operations (Manila) as Operations Manager. She is a graduate of UP-Visayas with a degree in Accountancy and is a CPA by profession.
3. **Linley A. Retirado**, Filipino, is currently the Chief Manufacturing Officer. He is a licensed Chemical Engineer. He was Chairman and President of Philippine Sugar Technologists Association, Inc. and currently a member of its Board of Trustees. He is also a Director of VGEC, VGCCI and CDC.
4. **Kristine D. Cabugason**, Filipino, is the Chief Finance Officer/ Creditor-Appointed Controller of VMC. She served as an Audit Director in SGV & Co. and a CPA in the Philippines and in the State of California, USA. She completed a Bachelor's Degree in Accountancy at the University of St. La Salle. She is also the Treasurer of the following VMC subsidiaries: VFC, VGCCI, VGEC, VALCO, CDC, and VMC Foundation, Inc.
5. **Eva A. Vicencio-Rodriguez**, Filipino, is the Chief Administrative Officer of VMC. A lawyer, she holds a Master in Business Administration degree from the University of St. La Salle and finished her BS Psychology from West Negros College, Magna Cum Laude. She is also the Assistant Corporate Secretary and Compliance and Information Officer of VMC. She is the Corporate Secretary of the following VMC subsidiaries: VFC, VGCCI, and VGEC. She serves as President and Director of CDC, and VALCO. She is currently the Chairperson of the Victorias Mill District Development Council Foundation, Inc.

To the knowledge and/or information of the Company, except for the case entitled Spouses Moises Romy C. Depasucat and Josie J. Depasucat, *complainant* vs. Victorias Milling Company, Inc., Minnie O. Chua, Eva V. Rodriguez, et. al., *respondents*, NPC Case Nos. 19-758 and 19-1846 for alleged violation of the Data Privacy Act of 2012, the above elected members of the Board of Directors, are not presently or during the last (5) years, involved or have been involved in any legal proceedings affecting/involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere and have not been convicted by final judgment of any offense.

There is no person who is not a corporate officer of the Company who is expected to make a significant contribution to the business.

There were no transactions during the last two years or any proposed transactions, to which the Company was or is to be a party, in which any director or officers, any nominee for election as a director, any security holder or any member of the immediate family of any of the person mentioned had or is to have a direct or indirect material interest.

## **ITEM 10 – EXECUTIVE COMPENSATION**

As of August 31, 2022, the top officers of VMC are its President, Chief Operating Officer (COO), Chief Manufacturing Officer (CMO), Chief Administrative Officer (CAO), and Chief Finance Officer (CFO) and Creditor-Appointed Controller.

The annual compensation paid to all executive officers was paid in cash. The total annual compensation, which includes the basic salary, bonus and other compensation, in 2022 amounted to P17.7 million.

Annual Compensation	Salary (in millions)			Bonus and Other Compensation (in millions)		
	2023 (Projected)	2022	2021	2023 (Projected)	2022	2021
Most Highly Compensated Officers	P11.7	P11.1	P9.7	P7.0	P6.6	P6.5
All other officers as a group unnamed			None			

### **Compensation of VMC Board of Directors**

Each director is entitled to a per diem and transportation allowance ranging from P25,000 to P30,000 per attendance of board meetings and committee meetings to which they are a member of. The Chairman of the Board and Corporate Secretary are entitled to P300,000 and P100,000, respectively. There are no other arrangements to which directors of VMC are compensated or are expected to be compensated directly or indirectly for any services provided directly or indirectly to VMC as a director.

### **Change in Control (from list of top 20 stockholders as of Aug. 31, 2022)**

As of August 31, 2022, the following are VMC's principal stockholders: Narra Capital Investment Corp. – 34.32%; LT Group, Inc. – 26.09%; PCD Nominee Corporation (exclusive of 10,530 in Treasury) – 18.56%; Fortune Tobacco Corporation – 4.81% and MC Metroplex Holdings, Inc. - 3.27%.

## **ITEM 11 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

### **Security Ownership of Certain Record and Beneficial Owners and Management**

The following are known to VMC to be directly or indirectly the record or beneficial owner of more than five percent (5%) of registrant's voting securities (VMC has only one class of voting security, i.e. common shares) as of August 31, 2022:

TITLE CLASS	Name & Address of Record Owner and Relationship with Issuer	Citizenship	Number of Shares Held	Percentage (%)
Common	PCD Nominee Corporation	Filipino/ Other Alien	508,946,709	18.56%
Common	*LT Group, Inc.	Filipino	847,367,025	30.90%

Common \*\*Narra Capital Investment Filipino 941,109,504 34.32% Corporation

*\*Inclusive of 170,133,159 shares in Tanduy Holdings, Inc., and 131,863,677 shares in Fortune Tobacco \*\*SEC Form 23-B dated 19 Jan. 2021*

### **Security Ownership of Management as of August 31, 2022**

<b>Title of Class</b>	<b>Name</b>	<b>Citizenship</b>	<b>No. of Shares</b>	<b>Percentage (%)</b>
Common	Minnie O. Chua President	Filipino	2,942 (ID), <i>held by a member of immediate family sharing the same household</i> and 4,000 (D)	0.000%

*\*Based on submitted SEC Form 23-A dated 6 February 2019.*

### **ITEM 12 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

VMC, in the interest of transparency and good corporate practice, hereby discloses that the law firm of Paner & Ypil (formerly Paner Hosaka & Ypil) Attorneys-at-Law (PHYLAW) is among the law firms retained by VMC. Effective October 1, 2013, the said firm was engaged as counsel of VMC in the VMC Rehabilitation Case (In the Matter of the Petition for Declaration of a State of Suspension of Payment: For the Approval of the Rehabilitation Plan and Appointment of a Management Committee”, Victorias Milling Company, Inc., Petitioner, SEC Case No. 07-97-5693) pending before the SEC. Director Anna Rosario V. Paner is a partner of PHYLAW. She did not participate when the Board deliberated and voted on the engagement of PHYLAW. During the year, VMC has paid PHYLAW legal fees that VMC believes to be reasonable for the services provided.

The Board approved the recommendation of management to lease warehouse spaces from MC Metroplex Holdings, Inc. Director William Y. Chua is the President of MC Metroplex Holdings, Inc. as well as a stockholder of VMC. He did not take part in the deliberations and approval of the lease proposal. The said lease is still effective as of this date.

### **PART IV – COPRORATE GOVERNANCE**

#### **ITEM 13 – CORPORATE GOVERNANCE**

#### **COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE**

VMC has developed a Corporate Governance Manual designed as a governance operating model in running the affairs of the Company. Adherence thereof as well as to the other corporate principles and best practices is strongly advised all throughout VMC in all its activities and undertakings.

It is committed and is doing its best as a corporate citizen and pursuant to SEC Memorandum Circular No. 20, series of 2013 the Company’s key officers and members of the Board attended Corporate Governance Trainings on November 17, 2021.

#### **INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT (I-ACGR)**

The Company has duly submitted its Integrated Annual Corporate Governance Report (I-ACGR) on August 26, 2020 pursuant to the Securities and Exchange Commission’s (SEC) SEC Memorandum Circular No. 15, Series of 2017. VMC’s I-ACGR for the year 2021 can be viewed and downloaded through [https://edge.pse.com.ph/openDiscViewer.do?edge\\_no=cf903ad54d1745fc3470cea4bo51ca8f](https://edge.pse.com.ph/openDiscViewer.do?edge_no=cf903ad54d1745fc3470cea4bo51ca8f).

## **DEVIATION**

There is no deviation from the provisions of the Manual on Corporate Governance on the election of independent directors, considering that the composition of the Corporation's Board of Directors is determined under its rehabilitation plan.

## **PART V- EXHIBITS AND SCHEDULES**

### **A. EXHIBITS AND SCHEDULES**

1. EXHIBIT "A" – Consolidated Audited Financial Statement as of August 31, 2022
2. EXHIBIT "B" – Reports on SEC Form 17-C
3. EXHIBIT "C" – 2021 Sustainability Reporting

### **B. REPORTS ON SEC FORM 17-C (EXHIBIT "B")**

1. 25 May 2022 - Comment on news article posted in Philippine Daily Inquirer Bizz Buzz dated May 25, 2022 entitled "Rising RE player.
2. 22 March 2022 - Letter advice from the Energy Regulatory Commission (ERC) dated March 10, 2022, which was received by Victorias Milling Company, Inc. on March 21, 2022.
3. 02 February 2022 - Results of the Annual Stockholders' Meeting and Organizational Meeting.
4. 07 December 2021 - VMC appropriation of retained earnings.
5. 22 November 2021 - Attendance of VMC's members of the Board and Officers to Corporate Governance Orientation Program on 17 November 2021.
6. 09 November 2021 - Resignation of a Director and election of a replacement to fill up the vacancy; appointment of a new Chief Operating Officer with statement of their qualification and work experience.

**SIGNATURES**


Pursuant to the requirements of Section 11 of the RSA and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Victorias, Province of Negros Occidental, Philippines on \_\_\_\_\_.

**VICTORIAS MILLING COMPANY, INC.**  
Issuer

Pursuant to the requirements of the Revised Securities Act, this Annual Report has been signed by the following persons in the capacities and on the dates indicated.


By:

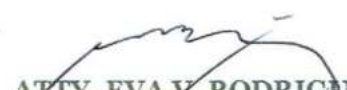
The key officers of the Corporation as designated by the VMC Board of Directors, follows:

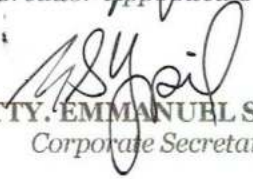
  
**MINNIE O. CHUA**  
President

  
**LINLEY A. RETIRADO**  
Chief Manufacturing Officer

  
**PHOEBE LOU B. PASTERA**  
Chief Operating Officer

  
**KRISTINE D. CABUGUASON**  
Chief Finance Officer  
and Creditor-Appointed Controller

  
**ATTY. EVA V. RODRIGUEZ**  
Chief Administrative Officer  
and Compliance and Information Officer

  
**ATTY. EMMANUEL S. YPIL**  
Corporate Secretary


  
JEBC/ADS/JAP/SDC/HJS/PEM: cea

**SUBSCRIBED AND SWORN** to before me this DEC 14 2022 affiants exhibiting to me their valid government issued identification, as follows:

Name	Valid I.D.
Minnie O. Chua	
Linley A. Retirado	
Phoebe Lou B. Pastera	
Kristine D. Cabuguason	
Eva A. Vicencio-Rodriguez	
Emmanuel S. Ypil	

Valid I.D.

Doc. No.: 67 ;  
Page No.: 11 ;  
Book No.: VII ;  
Series of 2022.

  
**ATTY. FRANCIS LAURENCE JAKE B. AMODIA**  
LAWYER & NOTARY PUBLIC / Valid until December 31, 2023  
For the Cities of Silay & Victorias and  
Municipalities of E.B. Magalona and Manapla  
Notarial Commission No. 2022-04-NP  
Attorney's Roll No. 76081  
MCLE Compliance: Admitted to the Bar 2022  
IBP No. 208185 / 5-11-2022 / Negros Occidental Chapter  
PTR No. 0556905 / 5-12-2022 / Victorias City  
2nd floor, Rainbowmall, Osmena Avenue, Brgy. VI  
Victorias City, Negros Occidental  
amodialaw@gmail.com

## CERTIFICATION

I, **EVA A. VICENCIO-RODRIGUEZ**, the Compliance and Information Officer of Victorias Milling Company, Inc. (VMC), a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC Registration No. PW-364 and with principal office at VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental, on oath state:


1. That I have caused this SEC Form 17-A dated December 14, 2022 to be prepared on behalf of VMC;
2. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or authentic records;
3. That VMC will comply with the requirements set forth in SEC Notice dated March 9, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
5. That the email account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hands this 14 December 2022.

  
**EVA A. VICENCIO-RODRIGUEZ**  
Affiant

SUBSCRIBED AND SWORN TO before me this DEC 14 2022, in VICTORIAS CITY, Negros Occidental, Philippines. Affiant exhibited to me her LTO Driver's License bearing no. FO1-03-216141 (valid until January 4, 2024).

Doc. No.: 65 ;  
Page No.: 13 ;  
Book No.: VII ;  
Series of 2022.

  
**ATTY. FRANCIS LAURENCE JAKE B. AMODIA**  
LAWYER & NOTARY PUBLIC Valid until December 31, 2023  
For the Cities of May & Victorias and  
Municipalities of E.B Magalona and Manapla  
Notarial Commission No. 2022-04-NP  
Attorney's Roll No. 76081  
MCLE Compliance: Admitted to the Bar 2022  
IBP No. 208185 / 5-11-2022 / Negros Occidental Chapter  
PTR No. 0556905 / 5-12-2022/ Victorias City  
2nd floor, Rainbowmall, Osmena Avenue, Brgy. VI  
Victorias City, Negros Occidental  
amodialaw@gmail.com

# VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

## AUDITED FINANCIAL STATEMENTS WITH SUPPLEMENTARY SCHEDULES FOR THE SECURITIES AND EXCHANGE COMMISSION AUGUST 31, 2022

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# **Victorias Milling Company, Inc. and Subsidiaries**

Consolidated Financial Statements  
August 31, 2022, 2021 and 2020

With independent auditors' report provided by



**REYES TACANDONG & Co.**

**FIRM PRINCIPLES. WISE SOLUTIONS.**



VICTORIAS MILLING COMPANY, INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Victoria's Milling Company, Inc.** (the Parent Company) and its Subsidiaries (collectively referred as the Group), is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **August 31, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

**Reyes Tacandong & Co.**, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**Wilson T. Young**  
Chairman of the Board

  
**Minnie O. Chua**  
President

  
**Kristine D. Cabug Mason**  
Chief Finance Officer

Signed this 5th day of December 2022.

Subscribed and sworn to before me at CARANAGUE CITY, this day of  
DEC 13 2022. Affiliate exhibiting to me his/her competent evidence of  
Identity No. \_\_\_\_\_.

Wilson T. Young – Passport No. P5345972B

Minnie O. Chua – DL No. F01-97-118005

Kristine D. Cabugason – UMID ID 0111-7453497-7 005

Doc. No. 055

Page No. 012

Book No. XVIII

Series of 2022.

CF  
**ATTY. BENJAMIN F. RABUJO III**  
NOTARY PUBLIC  
VALID UNTIL DEC. 31, 2022  
PTR NO. 8916734/01-05-2022  
IBP NO. 143191/01-07-2022  
ROLL NO. 44572 PARANAQUE CITY  
MGLE NO. 0014999



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Victorias Milling Company, Inc.  
VMC Compound, J.J. Ossorio Street, Barangay XVI  
Victorias City, Negros Occidental

### *Opinion*

We have audited the accompanying consolidated financial statements of Victorias Milling Company, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at August 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended August 31, 2022, 2021 and 2020, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at August 31, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows for the years ended August 31, 2022, 2021 and 2020, in accordance with the Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements.

These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Accounting for Sugar Inventories

Sugar inventories amounted to ₱156.9 million as at August 31, 2022. The accounting for sugar inventories is significant to our audit because it includes accounting for quedans, a negotiable instrument representing sugar ownership, and sugar delivery orders. Count procedures require the determination of sugar inventory accountabilities to third parties.



Our procedures included, among others, understanding of the inventory management process, including quedan monitoring, testing of relevant controls and inventory cost, observation of physical inventory count, review of inventory count summarization, testing of inventory count reconciliation, testing the reasonableness of assumptions used in determining the net realizable value, validation of sugar accountability report, including checking the sufficiency of sugar against outstanding quedans, checking the Group's compliance with the relevant regulations issued by the Sugar Regulatory Administration and ensuring the completeness of disclosures in the consolidated financial statements. The sugar inventories as at August 31, 2022 were fairly accounted for.

Necessary disclosures are included in Note 5, *Inventories*, and Note 28, *Summary of Significant Accounting Policies*.

#### Estimating Provisions for Legal Claims

Provisions for legal claims amounted to ₱513.8 million as at August 31, 2022. Estimating provision for legal claims is significant to our audit because it represents 57% of total noncurrent liabilities. Moreover, it involves significant assumptions and high degree of judgment in estimating the timing and amount of the legal claims.

Our procedures included, among others, confirmation with legal counsel of the likely outcome and best estimates of claims, evaluation of competence of legal counsel engaged by management, assessing the reasonableness of assumptions used in determining the amount of provision and ensuring the completeness and appropriateness of disclosures in the consolidated financial statements.

Necessary disclosures are included in Note 11, *Provisions for Legal Claims*, and Note 28, *Summary of Significant Accounting Policies*.

#### Revenue and Cost Recognition of Sugar Milling Operations

The Group's revenue from milling services, related cost of sales and services and the receipt of its share on raw sugar and molasses produced are recognized based on fair market value at the date of production. The revenue and related cost of sales and services from milling services amounted to ₱1,497.5 million and ₱919.7 million, respectively, for the year ended August 31, 2022. This is significant to our audit because it represents 18% and 13% of total revenue and cost of sales and services, respectively. Moreover, the revenue and cost recognition of sugar milling operations is considered a complex transaction involving management judgment and estimates on various inputs affecting the recognition, timing and measurement of revenue, cost of sales and services and inventories requiring significant audit attention.

Our procedures include, among others, the review of the application of the revenue and cost recognition guidance, understanding of the process of its implementation, testing of relevant controls, review of milling and sale arrangements with the Group's customers and validation of inputs in determining the revenue and cost of sales and services recognized, as well as ensuring the completeness and appropriateness of disclosures in the consolidated financial statements.



Necessary disclosures are included in Note 16, *Revenue*, and Note 28, *Summary of Significant Accounting Policies*.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report as at and for the year ended August 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report as at and for the year ended August 31, 2022 are expected to be made available to us after the date of the auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified in the foregoing when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibility for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and are therefore considered key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Haydee M. Reyes.

**REYES TACANDONG & CO.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 83522-SEC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-006-2022

Valid until October 16, 2025

PTR No. 8851707

Issued January 3, 2022, Makati City

December 5, 2022

Makati City, Metro Manila

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*Amounts in Thousands*

		August 31	
	Note	2022	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	₱2,472,802	₱538,701
Investments in Unit Investment Trust Fund	3	154,976	1,108,571
Trade and other receivables	4	491,689	808,186
Inventories	5	784,413	975,741
Other current assets	6	332,479	420,041
Total Current Assets		4,236,359	3,851,240
<b>Noncurrent Assets</b>			
Property, plant and equipment	7	6,176,708	5,596,835
Investment properties	8	721,646	672,097
Other noncurrent assets	9	210,279	229,866
Total Noncurrent Assets		7,108,633	6,498,798
		<b>₱11,344,992</b>	<b>₱10,350,038</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade payables and other current liabilities	10	₱704,204	₱571,852
Income tax payable		46,826	16,194
Total Current Liabilities		751,030	588,046
<b>Noncurrent Liabilities</b>			
Payable to claimants, net of current portion	10	135,291	151,580
Provisions for legal claims	11	513,769	322,858
Net deferred tax liabilities	20	291,691	326,311
Retirement liability	21	47,725	55,679
Other noncurrent liabilities		6,000	6,000
Total Noncurrent Liabilities		994,476	862,428
Total Liabilities		1,745,506	1,450,474
<b>Equity Attributable to Shareholders of Parent Company</b>			
Capital stock	13	3,042,061	3,042,061
Additional paid-in capital		840,720	840,720
Convertible notes awaiting conversion		5,450	5,450
Retained earnings		6,945,579	6,228,232
Other equity reserves		264,375	281,878
Treasury stock - at cost		(1,501,882)	(1,501,882)
Total Equity Attributable to Shareholders of Parent Company		9,596,303	8,896,459
<b>Noncontrolling Interests</b>		<b>3,183</b>	<b>3,105</b>
Total Equity		9,599,486	8,899,564
		<b>₱11,344,992</b>	<b>₱10,350,038</b>

See accompanying Notes to Consolidated Financial Statements.

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

*Amounts in Thousands, except Basic/Diluted Earnings per Share*

	Note	Years Ended August 31		
		2022	2021	2020
<b>REVENUE</b>	16			
Sale of goods		<b>₱6,395,329</b>	₱5,537,239	₱4,741,426
Service income		<b>2,154,993</b>	1,931,008	2,213,982
		<b>8,550,322</b>	7,468,247	6,955,408
<b>COST OF SALES AND SERVICES</b>	17	<b>6,931,356</b>	6,315,344	5,464,045
<b>GROSS PROFIT</b>		<b>1,618,966</b>	1,152,903	1,491,363
<b>OPERATING EXPENSES</b>	18			
General and administrative		<b>472,947</b>	372,995	434,032
Selling		<b>149,199</b>	156,846	160,221
		<b>622,146</b>	529,841	594,253
<b>FINANCE COST</b>	12	<b>(32,411)</b>	(31,479)	(56,526)
<b>OTHER INCOME (CHARGES)</b>				
Reversal of (additions to) provisions for legal claims		<b>(172,703)</b>	3,888	(22,286)
Other income - net	19	<b>297,933</b>	265,574	178,397
		<b>125,230</b>	269,462	156,111
<b>INCOME BEFORE INCOME TAX</b>		<b>1,089,639</b>	861,045	996,695
<b>INCOME TAX EXPENSE (BENEFIT)</b>	20			
Current		<b>157,969</b>	120,187	167,057
Deferred		<b>(34,400)</b>	(45,378)	(10,243)
		<b>123,569</b>	74,809	156,814
<b>NET INCOME</b>		<b>₱966,070</b>	₱786,236	₱839,881
<b>Net Income (Loss) attributable to:</b>				
Shareholders of Parent Company		<b>₱965,992</b>	₱787,819	₱840,031
Noncontrolling interests		<b>78</b>	(1,583)	(150)
		<b>₱966,070</b>	₱786,236	₱839,881
<b>Earnings per Share for Net Income attributable to Shareholders of Parent Company</b>				
Basic and Diluted	14	<b>₱0.35</b>	₱0.29	₱0.31

See accompanying Notes to Consolidated Financial Statements.

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*Amounts in Thousands*

	Note	Years Ended August 31		
		2022	2021	2020
<b>NET INCOME</b>		<b>₱966,070</b>	₱786,236	₱839,881
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Remeasurement gain (loss) on retirement liability	21	<b>10,426</b>	6,716	(5,517)
Deferred tax relating to components of other comprehensive income (loss)		<b>(2,606)</b>	(1,679)	11,146
Effect of change in income tax rate	20	–	37,753	–
Revaluation increment of property, plant and equipment	7	–	–	(31,638)
		<b>7,820</b>	42,790	(26,009)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱973,890</b>	₱829,026	₱813,872
<b>Total Comprehensive Income (Loss) attributable to:</b>				
Shareholders of Parent Company		<b>₱973,812</b>	₱830,609	₱814,022
Noncontrolling interests		<b>78</b>	(1,583)	(150)
		<b>₱973,890</b>	₱829,026	₱813,872

*See accompanying Notes to Consolidated Financial Statements.*

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED AUGUST 31, 2022, 2021 AND 2020**  
*Amounts in Thousands*

	Equity Attributable to Shareholders of Parent Company									
	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Convertible Notes Awaiting Conversion (Note 13)	Retained Earnings		Other Equity Reserves (Note 13)	Treasury Stock (Note 13)	Total	Noncontrolling Interests	Total Equity
Balances as at August 31, 2019	₱3,042,061	₱840,720	₱5,450	₱–	₱4,469,212	₱318,591	(₱1,501,882)	₱7,174,152	₱4,838	₱7,178,990
Effect of adoption of Philippine Interpretations Committee Questions and Answers No. 2019-03 (Note 28)	–	–	–	–	77,676	–	–	77,676	–	77,676
Balances as at September 1, 2019	3,042,061	840,720	5,450	–	4,546,888	318,591	(1,501,882)	7,251,828	4,838	7,256,666
Comprehensive income (loss):										
Net income (loss)	–	–	–	–	840,031	–	–	840,031	(150)	839,881
Other comprehensive loss	–	–	–	–	–	(26,009)	–	(26,009)	–	(26,009)
Total comprehensive income (loss)	–	–	–	–	840,031	(26,009)	–	814,022	(150)	813,872
Transfer of revaluation increment to retained earnings	–	–	–	–	26,345	(26,345)	–	–	–	–
Balances as at August 31, 2020	3,042,061	840,720	5,450	–	5,413,264	266,237	(1,501,882)	8,065,850	4,688	8,070,538
Comprehensive income (loss):										
Net income (loss)	–	–	–	–	787,819	–	–	787,819	(1,583)	786,236
Other comprehensive income	–	–	–	–	–	42,790	–	42,790	–	42,790
Total comprehensive income (loss)	–	–	–	–	787,819	42,790	–	830,609	(1,583)	829,026
Transfer of revaluation increment to retained earnings	–	–	–	–	27,149	(27,149)	–	–	–	–
Balances as at August 31, 2021	3,042,061	840,720	5,450	–	6,228,232	281,878	(1,501,882)	8,896,459	3,105	8,899,564
Comprehensive income:										
Net income	–	–	–	–	965,992	–	–	965,992	78	966,070
Other comprehensive income	–	–	–	–	–	7,820	–	7,820	–	7,820
Total comprehensive income	–	–	–	–	965,992	7,820	–	973,812	78	973,890
Appropriations of retained earnings	–	–	–	1,410,000	(1,410,000)	–	–	–	–	–
Dividends declared and paid	–	–	–	–	(273,968)	–	–	(273,968)	–	(273,968)
Transfer of revaluation increment to retained earnings	–	–	–	–	25,323	(25,323)	–	–	–	–
Balances as at August 31, 2022	₱3,042,061	₱840,720	₱5,450	₱1,410,000	₱5,535,579	₱264,375	(₱1,501,882)	₱9,596,303	₱3,183	₱9,599,486

See accompanying Notes to Consolidated Financial Statements.

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*Amounts in Thousands*

	Note	Years Ended August 31		
		2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		₱1,089,639	₱861,045	₱996,695
Adjustments for:				
Depreciation and amortization	7	431,836	408,733	463,702
Net additions to (reversal of) provisions for legal claims	11	172,703	(3,888)	22,286
Net gain on fair value changes of investment properties	8	(49,549)	(42,066)	(37,905)
Gain on insurance claims	5	(44,242)	–	–
Finance cost	12	32,411	31,479	56,526
Provisions (reversal of allowance) for impairment losses on:				
Trade and other receivables	4	27,765	3,731	552
Input and advance output value-added tax	6	–	(55,204)	–
Loss (gain) on sale/disposal of:				
Investments in Unit Investment Trust Fund	3	(14,211)	(6,140)	(1,560)
Property and equipment	7	–	–	82,529
Investment properties	8	–	–	(40,367)
Retirement benefits	21	12,472	13,217	4,702
Provision for inventory write-down and obsolescence	5	12,030	22,036	5,985
Interest income	2	(4,130)	(1,998)	(2,840)
Unrealized loss (gain) on fair value changes of investments in Unit Investment Trust Fund	3	2,743	(606)	(651)
Operating income before working capital changes		1,669,467	1,230,339	1,549,654
Changes in operating assets and liabilities:				
Decrease (increase) in current assets:				
Trade and other receivables		288,732	(313,449)	(120,865)
Inventories		179,298	650,488	(846,743)
Other current assets		79,367	(12,318)	141,342
Increase in trade payables and other current liabilities		121,351	84,491	25,891
Net cash generated from operations		2,338,215	1,639,551	749,279
Income tax paid		(130,163)	(159,894)	(136,709)
Contributions to the retirement fund	21	(10,000)	(5,000)	(1)
Interest received		4,130	1,998	2,840
Retirement benefits paid	21	–	(235)	–
Net cash provided by operating activities		2,202,182	1,476,420	615,409
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Investments in Unit Investment Trust Fund	3	(4,695,603)	(1,282,100)	(131,943)
Property, plant and equipment	7	(1,003,515)	(380,132)	(363,578)
Proceeds from sale/disposal of:				
Investments in Unit Investment Trust Fund	3	5,660,666	296,771	127,095
Investment properties	8	–	–	7,870
Property, plant and equipment	7	–	–	165
Proceeds from insurance claims	5	44,242	–	–
Decrease (increase) in other noncurrent assets		19,587	(63,879)	153,897
Net cash provided by (used in) investing activities		25,377	(1,429,340)	(206,494)

(Forward)

	Note	Years Ended August 31		
		2022	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Dividends	13	(P262,966)	P-	P-
Liabilities to claimants	10	(30,492)	(30,492)	(30,492)
Long-term borrowings	12	-	-	(495,000)
Interest	12	-	-	(18,963)
Cash used in financing activities		(293,458)	(30,492)	(544,455)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,934,101</b>	16,588	(135,540)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>538,701</b>	522,113	657,653
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	2	<b>P2,472,802</b>	P538,701	P522,113

See accompanying Notes to Consolidated Financial Statements.

## VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*All Amounts are in Thousands, unless otherwise Stated*

#### 1. Corporate Information, 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 May 7, 1969 the Philippine SEC approved the amendment of the Articles of Incorporation of the Parent Company to extend the corporate term for another 50 years as approved by the Parent Company's Board of Directors and stockholders.

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines, the Parent Company shall have a perpetual corporate life.

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	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 through VALCO.*

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

#### Status of VMC's Rehabilitation Plan

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 ₱2.45 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.
2. ₱1.1 billion unsecured loans from creditors were converted into VMC common shares at ₱1 of debt to one common share at ₱1 par value a share.
3. Unsecured loans from creditors amounting to ₱2.4 billion were converted into CN at 8% interest, payable in 15 years. As at August 31, 2022 and 2021, CN awaiting conversion amounted to ₱5.45 million, which includes accrued interest amounting to ₱2.5 million.
4. The restructured loans from unsecured and secured creditors aggregating ₱4.4 billion with 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, the restructured trade liabilities were also fully paid in 2013.

As at the report 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 litigation before the SEC.

In the SEC's Order dated December 3, 2018, it approved the (i) alteration or amendment of the Plan and DRA dated April 29, 2002 of VMC; and (ii) final amount due to the RSDO and RSQ claimants as full settlement of their claims payable beginning December 2019 over a period of 10 years (Notes 10 and 24).

Accordingly, VMC is still under rehabilitation as at August 31, 2022 and 2021. A Rehabilitation Receiver continues to monitor, together with the elected Board of Directors (BOD) and committees, the successful completion of the 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 through trimming down of 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.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on December 5, 2022 as reviewed and recommended for approval by the Audit and Risk Committee on the same date.

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## 2. Cash and Cash Equivalents

This account consists of:

	<b>2022</b>	2021
Cash on hand	<b>₱2,417</b>	₱1,120
Cash in banks	<b>2,360,676</b>	366,944
Cash equivalents	<b>109,709</b>	170,637
	<b>₱2,472,802</b>	₱538,701

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 the date of investment, and bear annual interest rates as follows:

	<b>2022</b>	2021
Philippine Peso	<b>0.10% to 2.38%</b>	0.13% to 1.50%
US Dollar	<b>0.00% to 0.35%</b>	0.25% to 0.38%

Interest income on cash and cash equivalents amounted to ₱4.13 million, ₱2.00 million and ₱2.84 million in 2022, 2021 and 2020, respectively (Note 19).

### 3. Investments in Unit Investment Trust Fund (UITF)

This account pertains to underlying portfolio with short-term fixed income.

Details of this account are as follows:

	2022	2021
Cost	<b>₱154,099</b>	₱1,104,949
Cumulative unrealized fair value gains	<b>877</b>	3,622
	<b>₱154,976</b>	₱1,108,571

Movements in this account are as follows:

	Note	2022	2021
Balance at beginning of year		<b>₱1,108,571</b>	₱116,496
Sale		<b>(5,646,455)</b>	(290,631)
Additions		<b>4,695,603</b>	1,282,100
Unrealized gain (loss) on fair value adjustments	19	<b>(2,743)</b>	606
Balance at end of year		<b>₱154,976</b>	₱1,108,571

Proceeds from sale of investments in UITF amounted to ₱5,660.67 million, ₱296.77 million and ₱127.10 million in 2022, 2021 and 2020, respectively. Gain on sale amounted to ₱14.21 million, ₱6.14 million and ₱1.56 million in 2022, 2021 and 2020, respectively (Note 19).

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.

### 4. Trade and Other Receivables

This account consists of:

	Note	2022	2021
Trade:			
Third parties		<b>₱414,911</b>	₱396,257
Related parties	22	<b>107,435</b>	415,280
Others		<b>28,951</b>	28,492
		<b>551,297</b>	840,029
Allowance for impairment losses		<b>(59,608)</b>	(31,843)
		<b>₱491,689</b>	₱808,186

Trade receivables are noninterest-bearing with an average credit period of 15 to 30 days.

Movements in the allowance for impairment losses are as follows:

	Note	2022	2021
Balance at beginning of year		<b>₱31,843</b>	₱28,112
Provision	18	<b>27,765</b>	3,731
Balance at end of year		<b>₱59,608</b>	₱31,843

Management assessed that the allowance for impairment losses as at August 31, 2022 and 2021 are reasonable and adequate.

## 5. Inventories

This account consists of:

	2022	2021
At cost:		
Raw sugar	<b>₱135,147</b>	₱248,473
Refined sugar	<b>21,768</b>	85,236
	<b>156,915</b>	333,709
Molasses	<b>123,127</b>	109,164
Alcohol	<b>60,321</b>	–
Ethanol	<b>27,493</b>	163,634
Real estate held-for-sale	<b>20,296</b>	20,628
Processed food	<b>13,578</b>	10,165
Others	<b>506</b>	–
	<b>402,236</b>	637,300
Work-in-process	<b>59,260</b>	47,664
	<b>461,496</b>	684,964
At net realizable value (NRV):		
Materials and supplies	<b>322,917</b>	250,049
Alcohol	–	40,187
Others	–	541
	<b>322,917</b>	290,777
	<b>₱784,413</b>	₱975,741

The cost of materials and supplies carried at NRV amounted to ₱358.89 million and ₱276.51 million as at August 31, 2022 and 2021, respectively. The cost of alcohol and other inventories carried at NRV amounted to ₱59.30 million and ₱1.57 million, respectively as at August 31, 2021. The Group recognized provision for inventory write-down and obsolescence amounting to ₱12.03 million, ₱22.04 million and ₱5.99 million in 2022, 2021 and 2020, respectively (Note 18). Provision for inventory write-down and obsolescence in 2021 includes cost of damaged alcohol and other inventories amounting to ₱20.14 million arising from a flood incident in Victorias City on January 1 and 8, 2021. These were written off in 2022. Insurance claims received on damaged inventories amounted ₱44.2 million in 2022 (see Note 19).

Movements in inventories, excluding materials and supplies, are as follows:

	Raw Sugar	Refined Sugar	Ethanol	Molasses	Real Estate Held-for-Sale	Processed Food	Alcohol	Power	Others	Work-in-Process	Total
Balances as at August 31, 2020	₱90,862	₱1,071,359	₱29,049	₱209,794	₱20,297	₱6,650	₱24,913	₱-	₱-	₱4,372	₱1,457,296
Additions	3,159,550	94,418	8,285	831,582	635	110,673	209,093	12,362	2,459	153,966	4,583,023
Cost of sales and production transfers	(3,001,939)	(1,080,541)	126,300	(932,212)	(304)	(107,158)	(193,819)	(12,362)	(1,918)	(110,674)	(5,314,627)
Balances as at August 31, 2021	248,473	85,236	163,634	109,164	20,628	10,165	40,187	-	541	47,664	725,692
Additions	<b>3,950,610</b>	<b>1,711,070</b>	<b>1,141,788</b>	<b>971,881</b>	-	<b>145,404</b>	<b>1,280,182</b>	<b>89,115</b>	-	<b>197,988</b>	<b>9,488,038</b>
Cost of sales and production transfers	<b>(4,063,936)</b>	<b>(1,774,538)</b>	<b>(1,277,929)</b>	<b>(957,918)</b>	<b>(332)</b>	<b>(141,991)</b>	<b>(1,260,048)</b>	<b>(89,115)</b>	<b>(35)</b>	<b>(186,392)</b>	<b>(9,752,234)</b>
Balances as at August 31, 2022	<b>₱135,147</b>	<b>₱21,768</b>	<b>₱27,493</b>	<b>₱123,127</b>	<b>₱20,296</b>	<b>₱13,578</b>	<b>₱60,321</b>	<b>₱-</b>	<b>₱506</b>	<b>₱59,260</b>	<b>₱461,496</b>

Inventories charged to cost of sales and services amounted to ₱5,268.36 million, ₱4,865.99 million and ₱3,969.10 million in 2022, 2021 and 2020, respectively (Note 17).

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## 6. Other Current Assets

The account consists of:

	Note	2022	2021
Input and advance output value-added tax (VAT)		<b>₱193,726</b>	₱226,126
Current portion of receivables from a government bank	10	<b>41,408</b>	–
Prepaid expenses		<b>38,714</b>	41,209
Advances to suppliers		<b>37,887</b>	127,331
Biological assets		<b>19,419</b>	24,395
Others		<b>1,325</b>	980
		<b>₱332,479</b>	₱420,041

In 2021, the Group reinstated the amount claimed for refund to advance output VAT of ₱55.20 million as a result of the tax authority's findings and accordingly, reversed the allowance for probable losses of ₱55.20 million recognized in 2019 (Note 18).

Receivables from a government bank pertain to uncollected proceeds on the land subject to Voluntary Offer to Sell and Compulsory Acquisition pursuant to the Comprehensive Agrarian Reform Program (CARP). In 2020, the Group recognized additional receivable of ₱88.20 million as consideration for the disposal of land resulting in loss on disposal of property, plant and equipment of ₱78.71 million and gain on disposal of investment property of ₱37.97 million. In 2021, the Department of Agrarian Reform excluded certain properties from the CARP coverage resulting in the reversal of related receivable of ₱25.22 million (Note 8). Current portion pertains to receivables with submitted requirements with the government bank and is expected to be collected within one year.

Prepaid expenses pertain to advance payments for real property tax, insurance, utilities and other supplies.

Advances to suppliers represent amounts paid for the construction projects, purchase of materials and supplies inventories not yet received by the Group. These are noninterest-bearing and are expected to be settled through delivery of goods by the suppliers within one year.

Biological assets represent costs of fry and fingerlings and other related cultivation and growing expenses. The Group carries its biological assets at cost less any impairment in value because there is no active market and reliable basis of the fair value.

Others mainly pertain to refundable deposits, creditable withholding taxes and tolling cost yet to be billed to customers.

## 7. Property, Plant and Equipment

Movements in this account follows:

<i>August 31, 2022</i>	Land	Land Improvements	Buildings and Structures	Community Buildings and Equipment	Machinery and Equipment	Project under Construction (PUC)	Total
<b>Acquisition Cost</b>							
At September 1, 2021	₱293,407	₱271,465	₱900,984	₱20,874	₱8,248,362	₱163,588	₱9,898,680
Additions	4,600	38,422	17,393	–	200,701	742,399	1,003,515
Reclassification of completed projects	–	14,206	10,242	–	195,145	(219,593)	–
At August 31, 2022	298,007	324,093	928,619	20,874	8,644,208	686,394	10,902,195
<b>Accumulated Depreciation and Amortization</b>							
At September 1, 2021	–	192,757	705,957	14,238	4,367,522	–	5,280,474
Depreciation and amortization	–	14,973	22,683	499	351,744	–	389,899
At August 31, 2022	–	207,730	728,640	14,737	4,719,266	–	5,670,373
<b>Allowance for Impairment Loss</b>							
At September 1, 2021 and August 31, 2022	–	8,002	–	–	–	–	8,002
	298,007	108,361	199,979	6,137	3,924,942	686,394	5,223,820
<b>Appraisal Increase</b>							
At September 1, 2021 and August 31, 2022	658,822	249,921	652,459	1,370	3,990,574	–	5,553,146
<b>Accumulated Depreciation and Amortization</b>							
At September 1, 2021	–	198,378	652,459	1,370	3,714,308	–	4,566,515
Depreciation and amortization	–	–	–	–	33,743	–	33,743
At August 31, 2022	–	198,378	652,459	1,370	3,748,051	–	4,600,258
	658,822	51,543	–	–	242,523	–	952,888
<b>Net Carrying Value</b>	<b>₱956,829</b>	<b>₱159,904</b>	<b>₱199,979</b>	<b>₱6,137</b>	<b>₱4,167,465</b>	<b>₱686,394</b>	<b>₱6,176,708</b>

<i>August 31, 2021</i>	Land	Land Improvements	Buildings and Structures	Community Buildings and Equipment	Machinery and Equipment	Project under Construction (PUC)	Total
<b>Acquisition Cost</b>							
At September 1, 2020	₱293,407	₱242,068	₱777,189	₱20,874	₱8,013,243	₱171,797	₱9,518,578
Additions	–	13,040	27,671	–	180,999	158,422	380,132
Retirement	–	–	–	–	(30)	–	(30)
Reclassification of completed projects	–	16,357	96,124	–	54,150	(166,631)	–
At August 31, 2021	293,407	271,465	900,984	20,874	8,248,362	163,588	9,898,680
<b>Accumulated Depreciation and Amortization</b>							
At September 1, 2020	–	181,733	680,965	13,738	4,039,696	–	4,916,132
Depreciation and amortization	–	11,024	24,992	500	327,856	–	364,372
Retirement	–	–	–	–	(30)	–	(30)
At August 31, 2021	–	192,757	705,957	14,238	4,367,522	–	5,280,474
<b>Allowance for Impairment Loss</b>							
At September 1, 2020 and August 31, 2021	–	8,002	–	–	–	–	8,002
	293,407	70,706	195,027	6,636	3,880,840	163,588	4,610,204
<b>Appraisal Increase</b>							
At September 1, 2020 and August 31, 2021	658,822	249,921	652,459	1,370	3,990,574	–	5,553,146
<b>Accumulated Depreciation and Amortization</b>							
At September 1, 2020	–	197,753	652,459	1,370	3,678,759	–	4,530,341
Depreciation and amortization	–	625	–	–	35,549	–	36,174
At August 31, 2021	–	198,378	652,459	1,370	3,714,308	–	4,566,515
	658,822	51,543	–	–	276,266	–	986,631
<b>Net Carrying Value</b>	<b>₱952,229</b>	<b>₱122,249</b>	<b>₱195,027</b>	<b>₱6,636</b>	<b>₱4,157,106</b>	<b>₱163,588</b>	<b>₱5,596,835</b>

Additions to PUC mainly include construction and assembly of steam turbine generator, boilers and mill equipment, construction of biodigester, additional storage tanks and major repair of buildings. Completed projects amounting to ₱219.59 million and ₱166.63 million in 2022 and 2021, respectively, were transferred to the appropriate fixed asset category. No borrowing costs were capitalized in 2022 and 2021.

The outstanding purchase commitments of the Group as at August 31, 2022 and 2021 amounted to ₱831.66 million and ₱880.94 million, respectively.

The cost of fully depreciated property, plant and equipment still being used in the Group's operations amounted to ₱2,810.10 million and ₱2,520.01 million as at August 31, 2022 and 2021, respectively.

In 2020, the Group disposed of certain property and equipment for ₱37.93 million resulting in loss on disposal of ₱82.53 million (Note 19). Appraisal increase derecognized in 2020 related to the disposed property amounted to ₱31.64 million.

Moreover, in 2020, the Parent Company reassessed the estimated useful lives of its property, plant and equipment. The results of the internal technical evaluation which includes review of condition of the assets, degree of usage and utilization, among others, showed that the estimated useful lives of the land improvements, buildings and structures, community buildings and equipment and some of the machinery and equipment should be reduced (Note 25). The change in estimated useful lives increased the depreciation and amortization by ₱74.52 million in 2020.

The fair values of property, plant and equipment were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in April 2018. The Group assessed that the roll-forward of the property, plant and equipment at the date of appraisal to August 31, 2022 and 2021 reasonably reflects its fair values.

The fair value of the land was computed using the Market Data Approach (Level 2). In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity.

The fair values of other property, plant and equipment were computed using the Cost Approach (Level 3). Under this approach, an estimate is made of the current cost of replacement of the buildings and land improvements, in accordance with the prevailing market prices for materials, labor and overhead. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence based on inspection by the appraiser of the buildings and other land improvements.

Depreciation and amortization recognized consist of:

	Note	2022	2021	2020
Property and equipment		<b>₱423,642</b>	₱400,546	₱455,944
Computer software	9	<b>8,194</b>	8,187	7,758
		<b>₱431,836</b>	₱408,733	₱463,702

Details of depreciation and amortization are presented in the consolidated statements of income as follows:

	Note	2022	2021	2020
Cost of sales and services	17	<b>₱399,361</b>	₱379,078	₱425,737
General and administrative expenses	18	<b>24,629</b>	25,771	26,970
Selling expenses	18	<b>7,846</b>	3,884	10,995
		<b>₱431,836</b>	₱408,733	₱463,702

On September 1, 2003, the Group's parcels of land, buildings and machinery and equipment with aggregate carrying value of ₱2,480 million were used as mortgage lien for loans under the Mortgage Trust Indenture (MTI). In 2013, when the restructured loans were fully paid, the Group filed a motion to direct the banks to discharge the MTI liens on the subject properties. On August 21, 2020, the SEC En Banc ruled in favor of the discharge of the MTI and the consignment of the properties to VMC. On December 4, 2020, the bank released the titles which are subject of the MTI. The Group subsequently processed the cancellation and release of all mortgages relevant to the MTI properties.

## 8. Investment Properties

Investment properties are held for rentals and capital appreciation. The details of this account follow:

	Note	Land	Buildings	Total
Balance as at August 31, 2020		₱589,525	₱16,224	₱605,749
Additions	9	24,282	–	24,282
Fair value gain (loss)	19	42,844	(778)	42,066
Balance as at August 31, 2021		656,651	15,446	672,097
Fair value gain (loss)	19	<b>53,187</b>	<b>(3,638)</b>	<b>49,549</b>
Balance as at August 31, 2022		<b>₱709,836</b>	<b>₱11,808</b>	<b>₱721,646</b>

Additions in 2021 pertain to the properties exempted by the Department of Agrarian Reform from the Compulsory Acquisition pursuant to the CARP, which were previously confirmed as subject to the CARP coverage. Consequently, the Group derecognized the related receivable from a government bank amounting to ₱25.22 million resulting to a loss of ₱0.94 million recognized as "Others" under "Other income" account (Notes 9 and 19).

The Group disposed certain investment properties for ₱58.31 million resulting to net gain on disposal of ₱40.37 million in 2020. Uncollected proceeds on the sale of investment properties in 2020 amounted to ₱50.44 million as at August 31, 2020. The uncollected proceeds as at August 31, 2022 and 2021 is presented as part of "Receivables from a government bank" under "Other current assets" and "Other Noncurrent Assets" accounts in the consolidated statements of financial position (Notes 6 and 9).

The fair values of investment properties were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in August 2022.

The fair value of the land was computed using the Market Data Approach (Level 2). In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity.

The fair value of buildings was computed using the Cost Approach (Level 3). Under this approach, an estimate is made of the current cost of replacement of the buildings and other land improvements, in accordance with the prevailing market prices for materials, labor and overhead. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence based on inspection by the appraiser of the buildings and other land improvements.

Other information related to investment properties is shown below:

	Note	2022	2021	2020
Rental income (included in other income)	19	<b>₱6,346</b>	₱6,130	₱17,511
Direct expenses (mainly real property taxes)		<b>5,316</b>	5,158	5,445

## 9. Other Noncurrent Assets

Details of this account are as follows:

	Note	2022	2021
Advances to suppliers, net of allowance for impairment loss		<b>₱161,658</b>	₱99,111
Cash surety bonds		<b>22,277</b>	22,796
Computer software, net of accumulated amortization		<b>9,580</b>	17,774
Receivables from a government bank	6	<b>7,741</b>	81,838
Refundable deposits		<b>1,932</b>	1,305
Others		<b>7,091</b>	7,042
		<b>₱210,279</b>	₱229,866

Advances to suppliers mainly pertain to amounts paid for the construction and installation of the Group's plant projects. These are noninterest-bearing and are expected to be settled throughout the progress of the projects. Allowance for impairment losses amounted to ₱38.00 million as at August 31, 2022 and 2021.

Cash surety bonds pertain to cash collateral for the labor cases against the Group (Note 24).

Computer software includes cost of developing the accounting system of the Group. Accumulated amortization amounted to ₱31.08 million and ₱22.89 million as at August 31, 2022 and 2021, respectively. Amortization amounted to ₱8.19 million, ₱8.19 million and ₱7.76 million in 2022, 2021 and 2020, respectively (Note 7).

Refundable deposits mainly pertain to cash bond paid to Sugar Regulatory Administration required for sugar importation.

Other noncurrent assets include investment in an associate of ₱5.73 million, which are fully provided with allowance for impairment losses. The investment in an associate pertains to 30% equity interest in Victorias Industrial Gases Corporation (VIGASCO). VIGASCO 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 petroleum gas and any types of gases. VIGASCO ceased business operations effective December 31, 2014.

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## 10. Trade Payables and Other Current Liabilities

The account consists of:

	Note	2022	2021
Trade:			
Third parties		<b>₱359,122</b>	₱221,962
Related parties	22	<b>2,199</b>	4,161
Accrued expenses		<b>156,946</b>	132,795
Retention payable		<b>43,333</b>	12,680
Customers' deposits		<b>39,797</b>	83,369
Current portion of payable to claimants		<b>30,492</b>	30,492
Liens payable		<b>28,725</b>	46,688
Due to government agencies		<b>9,815</b>	7,687
Others		<b>33,775</b>	32,018
		<b>₱704,204</b>	₱571,852

Trade payables are noninterest-bearing and are normally settled on a 30 to 90-days term.

Accrued expenses pertain to accruals for contracted services, trucking allowance, security services and other operating expenses, which are payable within one year.

Retention payable represents amounts withheld from contract price for construction contracts which is equal to a certain percentage of the total contract price or a fixed amount depending on the contract. This becomes payable upon completion or performance of terms and conditions as stated in the contract.

Customers' deposits represent payments received in advance by the Group for sale of sugar and molasses. These are recognized as revenue upon transfer of quedans for raw sugar or molasses warehouse receipts for molasses and approval of RSDO or delivery for refined sugar.

Liens payable represent amounts payable to the Sugar Regulatory Authority based on the volume of sugar produced. These are payable within one year.

Due to government agencies include accrued remittances for statutory taxes withheld and contributions payable to various government agencies.

Payable to claimants pertains to the agreed compromise amount with the RSDO and RSQ claimants, payable beginning December 2019 over 10 years (Notes 11 and 24).

Details of current and noncurrent portions of payable to claimants are as follows:

	2022	2021
Payable to claimants	<b>₱213,447</b>	₱243,939
Unamortized discount	<b>(47,664)</b>	(61,867)
	<b>165,783</b>	182,072
Current portion	<b>(30,492)</b>	(30,492)
Noncurrent portion	<b>₱135,291</b>	₱151,580

Interest incurred on payable to claimants, included under “Finance cost”, amounted to ₱14.20 million, ₱15.60 million and ₱16.88 million in 2022, 2021 and 2020, respectively (Note 12). Payable to claimants is discounted at a rate of 9.37%.

Other payables include among others, amounts pertaining to social amelioration fund set aside for the sugar workers, association dues payable to the different planters’ associations accredited by the Group and due to government agencies.

Management considers that the carrying amount of trade payables and other current liabilities approximates fair value due to their short-term maturities.

## 11. 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 (Notes 1 and 24).

Estimates of probable costs resulting from the resolution of these claims have been developed in consultation with the Group’s legal counsels handling the defense on these matters and are based upon an assessment of potential results. Based on the progress of the legal cases as at reporting date, management has revised its previous estimate resulting to additional provision for legal claims amounting to ₱172.70 million in 2022 as recommended by the Group’s legal counsel and reversal/settlement of provisions of ₱3.89 million and ₱6.17 million in 2021 and 2020, respectively (Note 19).

Movements in this account are as follows:

	Note	2022	2021	2020
Balance at beginning of year		<b>₱322,858</b>	₱310,866	₱296,344
Net additions (reversals/settlement)		<b>172,703</b>	(3,888)	(6,166)
Unwinding of discount	12	<b>18,208</b>	15,880	20,688
Balance at end of year	24	<b>₱513,769</b>	₱322,858	₱310,866

Unwinding of discount on provisions for legal claims is included under “Finance cost”.

The undiscounted amount and the related unamortized discount follow:

	<b>2022</b>	2021	2020
Provisions for legal claims, undiscounted	<b>₱620,133</b>	₱412,050	₱415,938
Unamortized discount	<b>(106,364)</b>	(89,192)	(105,072)
	<b>₱513,769</b>	₱322,858	₱310,866

On an annual basis, the provisions are re-evaluated and recalculated based on latest available information. The provisions were discounted at 5.98% and 5.60% as at August 31, 2022 and 2021, respectively.

## 12. Borrowings

The Parent Company obtained loans from local banks to fund its working capital requirements and capital projects.

### *Short-term Borrowings*

Short-term borrowings consist of unsecured loans availed from a local bank for the Parent Company’s working capital requirements. The Parent Company availed a total of ₱750.00 million in 2020 with interest rate ranging from 5.50% to 6.50%. There are no outstanding short-term borrowings as at August 31, 2022 and 2021.

### *Long-term Borrowings*

Long-term borrowings represents unsecured loans availed from a local bank to fund the Parent Company’s power generation project (Note 7) with 4.63% interest, payable quarterly beginning March 14, 2018 until December 14, 2020.

On March 13, 2020, the long-term borrowings were settled in full.

Details of finance cost are as follows:

	Note	<b>2022</b>	2021	2020
Provisions for legal claims	11	<b>₱18,208</b>	₱15,880	₱20,688
Payable to claimants	10	<b>14,203</b>	15,599	16,875
Borrowings		–	–	18,963
		<b>₱32,411</b>	₱31,479	₱56,526

### 13. Equity

#### *Capital Stock / Treasury Stock*

Details are as follows:

	2022		2021		2020	
	Number of Shares <sup>(a)</sup>	Amount	Number of Shares <sup>(a)</sup>	Amount	Number of Shares <sup>(a)</sup>	Amount
Common shares at ₱1 <sup>(a)</sup> par value per share						
Authorized	3,042,061,094	₱3,042,061	3,042,061,094	₱3,042,061	3,042,061,094	₱3,042,061
Issued and outstanding	3,042,061,094	3,042,061	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)	(300,010,530)	(1,501,882)
	<b>2,742,050,564</b>	<b>₱1,540,179</b>	2,742,050,564	₱1,540,179	2,742,050,564	₱1,540,179

(a) At absolute amount

On February 18, 2016, the Parent Company acquired 300 million treasury shares at ₱5 per share or a total of ₱1.50 billion.

#### *CN Awaiting Conversion*

CN awaiting conversion includes accrued interest amounting to ₱2.5 million as at August 31, 2022 and 2021.

#### *Retained Earnings*

The Second Amendment to the Rehabilitation Plan, dated July 22, 1999 and approved by the SEC in its order dated August 17, 1999, provided for the reduction of the capital stock and revaluation increment to reduce the Parent Company's deficit pursuant to a quasi-reorganization.

Under paragraph 7 of the SEC's Guidelines for Quasi Reorganization, the Parent Company's retained earnings is restricted for dividend declaration to the extent of the amount of deficit reduced and not recovered by accumulated depreciation or appraisal increment by the appraisal surplus. However, the SEC Order dated August 17, 1999 granted the Parent Company exemption from the application of the said paragraph.

Retained earnings are restricted for the declaration and payments of dividends to the extent of the cost of treasury shares amounting to ₱1,501.88 million as at August 31, 2022 and 2021.

On December 7, 2021, the BOD approved the appropriation of the Parent Company's retained earnings amounting to ₱1.1 billion for the acquisition of a medium pressure boiler and construction of warehouse facilities. The projects were approved by the BOD and are expected to be completed in 2023.

On the same date, the BOD also approved the appropriation of the Parent Company's retained earnings amounting to ₱274.21 million for the declaration of regular cash dividends in the amount of ₱0.05 per share and special cash dividends in the amount of ₱0.05 per share. Both regular and special cash dividends will be paid to all common shareholders of record as at December 22, 2021 and was paid on January 18, 2022.

On August 31, 2022, the BOD approved the appropriation of Parent Company's retained earnings amounting to ₱310.00 million for the acquisition of 30MW steam turbine generator. This is expected to be completed in 2023.

#### Events after the Reporting Year

On December 5, 2022, the BOD approved the issuance of cash dividends from the Parent Company's unrestricted retained earnings as at August 31, 2022 as follows: (a) ₱0.05 per share as regular dividends and (b) ₱0.02 per share as special dividends payable on January 27, 2023 to all shareholders of record as at January 3, 2023.

On the same date, the BOD also approved the following subject to the approval of the shareholders in a meeting duly called for such purpose: (a) increase in the Parent Company's authorized capital stock from 3,042,061,094 shares to 10,000,000,000 shares, (b) the issuance of stock dividends from the Parent Company's unrestricted retained earnings as at August 31, 2022 consisting of 2,742,050,564 new shares by way and in support of the abovementioned increase in capital stock; (c) and the amendment of the Parent Company's Articles of Incorporation to reflect the proposed increase in authorized capital stock. As at the report date, the Parent Company is yet to file its application for the increase in authorized capital stock and the amendment in its Articles of Incorporation with the SEC.

#### *Other Equity Reserves*

Details and movements in this account follow:

	Note	2022	2021	2020
Revaluation increment on property, plant and equipment:				
Balance at beginning of year		<b>₱280,426</b>	₱269,672	₱318,164
Transfer of revaluation increment to retained earnings		<b>(33,743)</b>	(36,174)	(37,636)
Deferred income tax effect		<b>8,420</b>	9,025	20,782
Effect of change in income tax rate		-	37,903	-
Decrease in revaluation increment	7	-	-	(31,638)
Balance at end of year		<b>255,103</b>	280,426	269,672
Cumulative remeasurement gains (losses) on retirement liability:	21			
Balance at beginning of year		<b>1,452</b>	(3,435)	427
Remeasurement gains (losses)		<b>10,426</b>	6,716	(5,517)
Deferred income tax effect		<b>(2,606)</b>	(1,679)	1,655
Effect of change in income tax rate		-	(150)	-
Balance at end of year		<b>9,272</b>	1,452	(3,435)
		<b>₱264,375</b>	₱281,878	₱266,237
Total other equity reserves attributable to:				
Shareholders of Parent Company		<b>₱250,152</b>	₱267,152	₱251,904
Noncontrolling interests		<b>14,223</b>	14,726	14,333
		<b>₱264,375</b>	₱281,878	₱266,237

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#### 14. Earnings per Share (EPS)

EPS is calculated as follows:

	2022	2021	2020
Net income attributable to the Parent Company	<b>₱965,992</b>	₱787,819	₱840,031
Weighted average number of common shares	<b>2,742,050</b>	2,742,050	2,742,050
Basic and Diluted EPS	<b>₱0.35</b>	₱0.29	₱0.31

The weighted average number of common shares includes the mandatory convertible shares arising from the Parent Company's DRA (Note 13).

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#### 15. 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 Operations*

Revenue from sugar operations consists of the following:

- a. sale of raw sugar and molasses (mill share)
- b. sale of refined sugar
- c. tolling service
- d. milling service

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 70% for planters and 30% for the Parent Company effective September 1, 2020 (Note 23).

The Group also operates a refinery plant with a daily capacity of 25,000 lkg. (1 lkg = 50 kilograms).

##### *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. In 2020, the division started producing rubbing alcohol using ethyl alcohol as primary raw material. In March 2022, an expansion was implemented that increased the daily production capacity to 120,000 liters.

### *Power Generation*

The primary purpose 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. The Group has a registered powerplant capacity of 40 MW as at August 31, 2022.

### *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 losses and accumulated depreciation and amortization. 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 August 31, 2022 and 2021 and revenue, income and expenses information for the three years ended August 31, 2022, 2021 and 2020:

	2022					Total
	Sugar Milling	Distillery Operations	Power Generation	Others	Elimination Items	
<b>Revenue</b>						
External sales	₱6,547,154	₱1,850,096	₱23,194	₱129,878	₱-	₱8,550,322
Inter-segment sales	39,500	105	3,820	7,295	(50,720)	-
	<b>₱6,586,654</b>	<b>₱1,850,201</b>	<b>₱27,014</b>	<b>₱137,173</b>	<b>(50,720)</b>	<b>₱8,550,322</b>
Segment results	₱1,018,661	₱535,915	₱23,368	₱35,717	₱5,305	₱1,618,966
Unallocated corporate expenses	(575,504)	(20,366)	(2,491)	(32,758)	8,973	(622,146)
Operating profit	443,157	515,549	20,877	2,959	14,278	996,820
Finance cost	(32,411)	-	-	-	-	(32,411)
Other income (charges) - net	120,081	-	8,858	10,806	(14,515)	125,230
Income tax expense	(75,494)	(40,631)	(2,215)	(5,229)	-	(123,569)
Net income	<b>₱455,333</b>	<b>₱474,918</b>	<b>₱27,520</b>	<b>₱8,536</b>	<b>(₱237)</b>	<b>₱966,070</b>

	2021					Total
	Sugar Milling	Distillery Operations	Power Generation	Others	Elimination Items	
<b>Revenue</b>						
External sales	₱6,498,192	₱820,519	₱37,556	₱111,980	₱-	₱7,468,247
Inter-segment sales	22,144	-	4,705	3,522	(30,371)	-
	<b>₱6,520,336</b>	<b>₱820,519</b>	<b>₱42,261</b>	<b>₱115,502</b>	<b>(₱30,371)</b>	<b>₱7,468,247</b>
Segment results	₱891,296	₱204,710	₱30,656	₱29,832	(₱3,591)	₱1,152,903
Unallocated corporate expenses	(500,851)	(5,430)	(997)	(27,292)	4,728	(529,842)
Operating profit	390,445	199,280	29,659	2,540	1,137	623,061
Finance cost	(31,478)	-	-	-	-	(31,478)
Other income (charges) - net	254,184	-	-	16,415	(1,137)	269,462
Income tax expense	(88,309)	(9,915)	-	23,415	-	(74,809)
<b>Net income</b>	<b>₱524,842</b>	<b>₱189,365</b>	<b>₱29,659</b>	<b>₱42,370</b>	<b>₱-</b>	<b>₱786,236</b>

	2020					Total
	Sugar Milling	Distillery Operations	Power Generation	Others	Elimination Items	
<b>Revenue</b>						
External sales	₱6,008,720	₱823,470	₱28,202	₱95,016	₱-	₱6,955,408
Inter-segment sales	837,737	-	4,940	7,623	(850,300)	-
	<b>₱6,846,457</b>	<b>₱823,470</b>	<b>₱33,142</b>	<b>₱102,639</b>	<b>(₱850,300)</b>	<b>₱6,955,408</b>
Segment results	₱1,311,632	₱110,929	₱14,716	₱61,801	(₱7,715)	₱1,491,363
Unallocated corporate expenses	(585,059)	-	-	(17,652)	8,458	(594,253)
Operating profit	726,573	110,929	14,716	44,149	743	897,110
Finance cost	(56,526)	-	-	-	-	(56,526)
Other income (charges) - net	131,894	-	-	24,960	(743)	156,111
Income tax expense	(135,543)	-	-	(21,271)	-	(156,814)
<b>Net income</b>	<b>₱666,398</b>	<b>₱110,929</b>	<b>₱14,716</b>	<b>₱47,838</b>	<b>₱-</b>	<b>₱839,881</b>

<i>Amounts in Millions</i>	Segment Assets		Segment Liabilities	
	2022	2021	2022	2021
Sugar milling	<b>₱8,462</b>	₱7,448	<b>₱1,656</b>	₱1,349
Power generation	<b>1,629</b>	1,706	-	-
Distillery operations	<b>907</b>	846	-	-
Others	<b>678</b>	645	<b>347</b>	322
Eliminations	<b>(331)</b>	(295)	<b>(257)</b>	(221)
	<b>₱11,345</b>	₱10,350	<b>₱1,746</b>	₱1,450

## 16. Revenue

Revenue consists of:

	2022	2021	2020
Sale of goods:			
Raw sugar	<b>₱2,464,947</b>	₱2,428,364	₱1,563,061
Refined sugar	<b>1,905,924</b>	1,799,473	1,863,516
Ethanol	<b>1,801,816</b>	702,416	705,105
Alcohol	<b>48,279</b>	118,103	118,366
Molasses	<b>24,436</b>	343,333	370,197
Power	<b>23,194</b>	37,556	28,202
Others	<b>126,733</b>	107,994	92,979
	<b>6,395,329</b>	5,537,239	4,741,426

(Forward)

	2022	2021	2020
Service income:			
Milling service	<b>₱1,497,984</b>	₱1,395,758	₱1,480,620
Tolling fees	<b>653,862</b>	531,263	731,327
Others	<b>3,147</b>	3,987	2,035
	<b>2,154,993</b>	1,931,008	2,213,982
	<b>₱8,550,322</b>	₱7,468,247	₱6,955,408

## 17. Cost of Sales and Services

Cost of sales and services consist of:

	Note	2022	2021	2020
Inventories used	5	<b>₱5,268,360</b>	₱4,865,988	₱3,969,103
Depreciation and amortization	7	<b>399,361</b>	379,078	425,737
Repairs and maintenance		<b>384,007</b>	301,825	300,950
Materials and supplies		<b>284,354</b>	228,840	235,146
Direct labor		<b>195,851</b>	195,011	187,957
Light and water		<b>121,966</b>	78,332	54,056
Professional fees and contracted services		<b>110,695</b>	117,965	113,944
Fuel		<b>108,818</b>	90,919	123,329
Taxes and licenses		<b>39,504</b>	39,757	36,111
Others		<b>18,440</b>	17,629	17,712
		<b>₱6,931,356</b>	₱6,315,344	₱5,464,045

Cost of hauling for the years ended August 31, 2022, 2021 and 2020 amounting to ₱1,616.51 million, ₱1,410.24 million, and ₱1,351.21 million, respectively, is presented as deduction against milling revenue.

## 18. Operating Expenses

### (a) General and Administrative Expenses

The account consists of:

	Note	2022	2021	2020
Taxes and licenses		<b>₱111,766</b>	₱109,318	₱112,387
Professional fees and contracted services		<b>104,159</b>	93,527	107,053
Salaries and employee benefits		<b>86,722</b>	85,548	87,018
Representation and entertainment		<b>28,653</b>	36,369	30,067
Provisions (reversals of allowance) for impairment losses on:				
Trade and other receivables	4	<b>27,765</b>	3,731	552
Input and advance output VAT	6	-	(55,204)	-
Depreciation and amortization	7	<b>24,629</b>	25,771	26,970
Net retirement benefits	21	<b>12,472</b>	13,217	4,702

(Forward)

	Note	2022	2021	2020
Provision for inventory write-down and obsolescence	5	<b>₱12,030</b>	₱22,036	₱5,985
Travel and transportation		<b>6,861</b>	4,917	6,390
Supplies		<b>5,617</b>	7,530	10,495
Repairs and maintenance		<b>3,685</b>	3,305	4,273
Others		<b>48,588</b>	22,930	38,140
		<b>₱472,947</b>	₱372,995	₱434,032

Others include rental, insurance premium, utilities, communication and other administrative costs.

(b) *Selling Expenses*

The account consists of:

	Note	2022	2021	2020
Freight and handling		<b>₱97,743</b>	₱97,082	₱83,272
Rental		<b>15,075</b>	21,804	30,345
Depreciation and amortization	7	<b>7,846</b>	3,884	10,995
Taxes and licenses		<b>7,160</b>	12,655	13,782
Salaries and employee benefits		<b>6,873</b>	7,887	7,767
Repairs and maintenance		<b>4,603</b>	2,099	3,440
Materials and supplies		<b>2,392</b>	2,112	2,827
Others		<b>7,507</b>	9,323	7,793
		<b>₱149,199</b>	₱156,846	₱160,221

19. **Other Income (Charges)**

This account consists of:

	Note	2022	2021	2020
Storage, handling and insurance fees		<b>₱143,271</b>	₱178,051	₱129,782
Net gain on fair value changes of investment properties	8	<b>49,549</b>	42,066	37,905
Gain on Insurance claims	5	<b>44,242</b>	–	–
Net foreign exchange gain (loss)		<b>18,233</b>	1,332	(6,055)
Gain on sale of investments in UITF	3	<b>14,211</b>	6,140	1,560
Rental income	8	<b>6,346</b>	6,130	17,511
Scrap sales		<b>4,606</b>	5,091	5,310
Interest income from cash and cash equivalents	2	<b>4,130</b>	1,998	2,840
Unrealized gain (loss) on fair value changes of investments in UITF	3	<b>(2,743)</b>	606	651
Sale of bagasse		–	13,893	17,689
Net loss on disposal of property, plant and equipment	7	–	–	(82,529)
Gain on disposal of investment property	8	–	–	40,367
Others – net		<b>16,088</b>	10,267	13,366
		<b>₱297,933</b>	₱265,574	₱178,397

Storage, handling and insurance fees pertain to warehousing fees, trucking services and fuel costs which are charged to traders and planters.

Others include proceeds from grid testing, miscellaneous fees and penalty charges collected from suppliers and other parties.

## 20. Income Tax

The reconciliation of income tax expense computed at the applicable statutory rate to the effective income tax expense.

	2022	2021	2020
Income before income tax	<b>₱1,089,639</b>	₱861,045	₱996,695
Income tax expense at statutory rate	<b>273,116</b>	217,105	299,009
Tax effects of:			
Income subject to income tax holiday	<b>(174,379)</b>	(103,262)	(131,719)
Effect of adoption of accounting standard for financial reporting	<b>21,097</b>	6,388	(15,752)
Interest income subject to final tax	<b>(1,032)</b>	(496)	(826)
Expired NOLCO and MCIT	<b>28</b>	812	511
Effect of change in income tax rate	-	(48,260)	-
Gain on sale of investment property subject to capital gains tax	-	-	(782)
Other nondeductible expenses	<b>4,739</b>	2,522	6,373
	<b>₱123,570</b>	₱74,809	₱156,814

Income subject to income tax holiday (ITH) pertains to the income from the sale of power and sale of bioethanol, which are activities registered with the Board of Investments (BOI) on January 23, 2015 and November 28, 2018, respectively. Both activities are entitled to ITH for a period of seven years until 2022 and 2025, respectively. On July 1, 2022, the BOI approved the registration of biomass cogeneration power plant with ITH entitlement for a period of seven years until 2029.

The composition of net deferred tax liabilities follows:

	2022	2021
Deferred income tax liabilities:		
Fair value gain on investment properties	<b>₱280,887</b>	₱268,822
Net appraisal increase on property, plant and equipment	<b>201,303</b>	209,721
Capitalized borrowing costs	<b>38,121</b>	40,408
Others	<b>4,824</b>	1,594
	<b>525,135</b>	520,545
Deferred income tax assets:		
Provisions for legal claims and payable to claimants	<b>169,888</b>	126,232
Allowance for impairment losses	<b>35,194</b>	29,763
Customers' deposits and accrued expenses	<b>9,448</b>	20,341
Retirement liability	<b>18,439</b>	17,898
Others	<b>475</b>	-
	<b>233,444</b>	194,234
	<b>₱291,691</b>	₱326,311

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or RA No. 11534 was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the corporate income tax rate from 30% to 25% starting July 1, 2020. In 2021, the change in effective tax rate resulted to a reduction in the current income tax expense by ₱4.39 million, increase in deferred income tax benefit by ₱39.95 million and increase in other comprehensive income by ₱37.75 million.

The composition of current income tax expense in 2021 is as follows:

Current income tax expense for the taxable year August 31, 2021	₱124,575
Impact of change in income tax rate beginning July 1, 2020	(4,388)
	₱120,187

Details of carry forward benefits arising from net operating loss carry over (NOLCO) and excess minimum corporate income tax (MCIT) over RCIT are as follows:

#### NOLCO

Year Incurred	Beginning Balance	Additions	Applied/ Expired	Ending Balance	Available Until
2019	₱83	₱-	₱83	₱-	2022
2020	401	-	-	401	2025
2021	240	-	-	240	2026
	₱724	₱-	₱83	₱641	

Under Revenue Regulations 25-2020, net operating loss incurred for taxable years 2020 to 2022 may be carried over for the next five consecutive taxable years immediately following the year of such loss.

#### MCIT

Year Incurred	Beginning Balance	Additions	Applied/ Expired	Ending Balance	Available Until
2019	₱95	₱-	₱95	₱-	2022
2020	50	-	16	34	2023
2021	21	-	-	21	2024
2022	-	49	-	49	2025
	₱166	₱49	₱111	₱104	

## 21. Retirement Plan

The Parent Company has a formal retirement plan covering all qualified employees. The Plan is a defined benefit plan registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act No. 4917, An Act Providing that Retirement Benefits of Employees of Private Firms shall not be subject to Attachment, Levy, Execution, or any Tax, whatsoever, as amended. The Parent Company estimates its retirement benefits under Republic Act No. 7641, *Retirement Pay Law*, in which retirement benefit due to a qualified employee is equivalent to 22.5 days-pay of final monthly basic salary for every year of credited service.

The Parent Company, through the retirement committee, has entered into a trust agreement with a trustee bank to manage and administer its plan assets. The plan assets are comprised of cash in bank and debt instruments.

Retirement benefit obligation is actuarially calculated using the projected unit credit method. The Parent Company's latest actuarial valuation was performed by independent actuary as at August 31, 2022.

Components of retirement benefits are as follows:

	Note	2022	2021	2020
Current service cost		<b>₱9,911</b>	₱11,260	₱2,938
Interest cost		<b>2,561</b>	1,957	1,764
	18	<b>₱12,472</b>	₱13,217	₱4,702

Retirement benefits recognized in profit or loss is included under general and administrative expenses in the consolidated statements of income.

Movements in the cumulative remeasurement gains (losses) on retirement liability recognized in other comprehensive income are as follows (Note 13):

	2022	2021	2020
Balance at beginning of year, net of tax effect	<b>₱1,452</b>	(₱3,435)	₱427
Remeasurement gain (loss)	<b>10,426</b>	6,716	(5,517)
Change in income tax rate	–	(150)	–
	<b>11,878</b>	3,131	(5,090)
Deferred income tax charged to other comprehensive income	<b>(2,606)</b>	(1,679)	1,655
Balance at end of year, net of tax effect	<b>₱9,272</b>	₱1,452	(₱3,435)

The amounts recognized as retirement liability in the consolidated statements of financial position for the retirement plan are determined as follows:

	2022	2021
Present value of defined benefit obligation	<b>₱50,081</b>	₱56,626
Fair value of plan asset	<b>(2,356)</b>	(947)
Retirement liability	<b>₱47,725</b>	₱55,679

Movements in the present value of retirement benefit obligation for the years ended August 31 are as follows:

	2022	2021
Balance at beginning of year	<b>₱56,626</b>	₱56,305
Current service cost	<b>9,911</b>	11,260
Interest cost	<b>2,605</b>	2,025
Benefits paid from:		
Plan asset	<b>(8,615)</b>	(5,949)

(Forward)

	2022	2021
Benefits paid from -		
Operations	P-	(P235)
Remeasurement gain from:		
Changes in financial assumptions	(10,330)	(5,688)
Changes in experience	(116)	(1,092)
Balance at end of year	<b>P50,081</b>	<b>P56,626</b>

Changes in the fair value of plan asset are as follows:

	2022	2021
Balance at beginning of year	<b>P947</b>	P1,892
Interest income	44	68
Benefits paid	(8,615)	(5,949)
Actual return	(20)	(64)
Actual contributions	10,000	5,000
Balance at end of year	<b>P2,356</b>	<b>P947</b>

The Group expects to contribute P10.00 million to the plan in 2022.

The principal actuarial assumptions used were as follows:

	2022	2021
Discount rates	6.4%	4.6%
Salary increase rate	2.0%-3.0%	2.0%-3.0%

The average remaining service life of employees as at August 31, 2022 and 2021 is 13 to 16 years.

The plan exposes the Group to the following risks:

- *Liquidity Risk* - The inability to meet benefit obligation payout when due.
- *Interest Rate Risk* - The present value of defined benefit obligation is relatively sensitive and inversely related to the discount rate. In particular, if the discount rate, which is referenced to government bonds, decreases then the defined benefit obligation increases.
- *Salary Risk* - The present value of defined benefit obligation is relatively sensitive and directly related to future salary increases. In particular, if the actual salary increases in the future are higher than expected then the defined benefit obligation and benefits are higher as well.
- *Market Risk* - As plan assets are invested in financial instruments, the retirement plan is exposed to potential losses due to unexpected changes in external markets, prices, or rates, related to general market movements or a specific asset on the plan assets.

The expected maturity analysis of undiscounted retirement benefit payments are as follows:

	2022	2021
0 to 5 years	<b>P36,044</b>	P39,305
6 to 10 years	<b>47,281</b>	40,163
11 to 15 years	<b>31,380</b>	39,174
16 years and up	<b>279,765</b>	294,450

	Change in Assumption	Impact on Retirement Liability	
		Increase in Assumption	Decrease in Assumption
<b>2022</b>			
<b>Discount rate</b>	<b>1%</b>	<b>Decrease by ₱3,907</b>	<b>Increase by ₱4,574</b>
<b>Salary increase rate</b>	<b>1%</b>	<b>Increase by ₱4,689</b>	<b>Decreased by ₱3,977</b>
<b>2021</b>			
Discount rate	1%	Decrease by ₱4,745	Increase by ₱5,662
Salary increase rate	1%	Increase by ₱5,698	Decreased by ₱4,856

The foregoing sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the consolidated statements of financial position.

## 22. Related Party Transactions and Balances

Related party transactions are as follows:

August 31, 2022	Transactions for the Year	Outstanding Balance	Terms and Conditions
<b>Shareholder with significant influence</b>			
Sale of goods and services (Note 4)	<b>₱647,913</b>	<b>₱107,435</b>	Unguaranteed and unsecured; noninterest-bearing average credit period of 15 to 30 days
Purchase of goods, rental and other services (Note 10)	<b>94,973</b>	<b>(2,199)</b>	Unguaranteed and unsecured; noninterest-bearing normally settled on a 30 to 90-days term.
Cash in bank, money market placements and UITF investments		<b>1,670,180</b>	
Retirement fund held-in-trust		<b>3,145</b>	
		<b>₱1,778,561</b>	
<b>Key management personnel</b>			
Salaries and wages	<b>₱17,687</b>	<b>₱-</b>	
Retirement benefits	<b>1,681</b>	<b>-</b>	

August 31, 2021	Transactions for the Year	Outstanding Balance	Terms and Conditions
<b>Shareholder with significant influence</b>			
Sale of goods and services (Note 4)	₱1,066,833	₱415,280	Unguaranteed and unsecured; noninterest-bearing average credit period of 15 to 30 days
Purchase of goods, rental and other services (Note 10)	145,522	(4,161)	Unguaranteed and unsecured; noninterest-bearing normally settled on a 30 to 90-days term.
Cash in bank, money market placements and UITF investments		1,193,947	
Retirement fund held-in-trust		3,031	
		<b>₱1,608,097</b>	
<b>Key management personnel</b>			
Salaries and wages	₱16,194	₱-	Payable in cash
Retirement benefits	864	-	Payable in cash

### 23. Agreements and Commitments

The significant agreements are as follows:

- a. Under Republic Act No. 809, The Sugar Act of 1952, VMC and the planters should share from the sugar and molasses produced from sugar canes owned by the planters milled by VMC. Effective September 1, 2020, the sharing allocation is 70% for the planters and 30% for VMC.
- b. As at August 31, 2022 and 2021, VMC has in its custody sugar owned by several quedan and delivery order holders with volume of about 0.30 million lkg and 0.42 million lkg, respectively. The said volume of sugar is not reflected in the consolidated statements of financial position since this is not owned by the Group. The Group is accountable to both quedan holders and sugar traders for the value of these trustee sugar or their sales proceeds.
- c. On September 1, 2022, the Parent Company entered into a Sale and Purchase Agreement (SPA) with Tanduay Distillers, Inc., Prior Holdings Inc. and Castelbridge Investment Corporation for the acquisition of 100% of the outstanding capital stock of Asian Alcohol Corporation (AAC), a manufacturer of rectified and denatured alcohol.

The Parent Company did not continue the acquisition of AAC pursuant to the SPA.

### 24. Provisions and Contingencies

The Group's management and legal counsels are of the opinion that the positions taken by the Group in the legal proceedings briefly discussed below are highly meritorious. However, the Group cannot anticipate with certainty the progress and the outcome of the legal proceedings, the appreciation of the available evidence by the relevant courts or tribunals involved and the development of jurisprudence or precedents that will be decided by the highest court, which will be relevant to the pending cases.

a. RSDO and RSQ Claims

NONEMARCO availed of bank loans and used RSDO and RSQ, allegedly issued by VMC, as security. NONEMARCO defaulted payments on these loans. Consequently, the creditor banks filed collection cases aggregating ₱1.19 billion against NONEMARCO.

VMC denied liability to creditor banks on the RSDO and RSQ claims because these claims lacked factual or legal basis and that these were issued by officers of NONEMARCO who acted fraudulently.

In 2015 and 2016, the SEC Special Hearing Panel (“SHP”) ordered VMC to settle the claims of certain claimant banks. VMC appealed the relevant orders of the SHP to the SEC En Banc, but were denied. In 2017, VMC filed separate Petitions for Review with Prayer for Preliminary Injunction and Temporary Restraining Order (“Petitions for Review”) before the Court of Appeals (CA) relating to the decisions of the SEC En Banc. On October 13, 2017, the CA granted the Petitions for Review and set aside the SEC En Banc decisions.

VMC continues to contest the claims, but in order to achieve the objectives of the rehabilitation, to buy peace, promote stability in its operations, and avoid further protracted litigation, VMC filed a Motion for the Alteration or Modification of its Plan (“Motion for Alteration”) on April 17, 2018 with respect to the RSDO and RSQ claims. The concerned parties interposed no objection to, agreed with, and supported the Motion for Alteration. On December 3, 2018, the SEC granted the Motion for Alteration and approved the (i) alteration or amendment of the Plan and DRA; and (ii) payment to the RSDO and RSQ claimants a total compromise amount of ₱304.92 million as full settlement of their claims payable beginning December 2019 over a period of 10 years. Accordingly, a portion of the provision for RSDO and RSQ claims was reversed in 2018 amounting to ₱876.23 million.

The current portion of the claims amounted to ₱30.49 million as at August 31, 2022 and 2021. The noncurrent portion amounted to ₱135.29 million and ₱151.58 million as at August 31, 2022 and 2021, respectively (Note 10).

b. Labor, Civil and Other Cases

There are various lawsuits and claims such as labor and collection cases filed by third parties against VMC. Relative to this, VMC is required to put up surety bonds (Note 9). On December 3, 2018, the SEC SHP issued an order directing VMC to validate other pending claims of the third parties. VMC continues to monitor these claims and has recognized provisions accordingly (Note 11).

VMC also has legal actions against third parties in the ordinary course of business.

c. Proceeding with the Pollution Adjudication Board (PAB)

VMC has a proceeding with the PAB on non-compliance with water and air standards. To comply with the order of the Department of Energy and Natural Resources, VMC acquired, constructed and installed air and water pollution control devices amounting to about ₱350 million. VMC submitted a number of pleadings to the PAB to prevent a re-imposition of the Cease and Desist Order on which the PAB issued temporary lifting orders (TLO). VMC also filed Position Papers, praying for the reduction of fines imposed by the PAB.

On June 19, 2017, VMC filed a Motion for issuance of Formal Lifting Order before the PAB, which was denied on April 19, 2018. On May 17, 2018, VMC filed a Motion for Reconsideration and Clarification, stating that the denial of the request for Formal Lifting Order was prematurely issued. On December 11, 2019, the PAB issued the Formal Lifting Order.

d. Convertible Note Case against Eastwest Bank Corporation (EWBC)

In 2014, VMC redeemed the convertible note held by EWBC ("EWBC CN") in accordance with the Plan, DRA and convertible note provisions. However, EWBC did not accept the redemption. On a letter dated September 25, 2014, VMC consigned to the SEC-appointed rehabilitation receiver the checks amounting to ₱366.12 million as full payment of the EWBC CN.

On August 11, 2015, the SEC En Banc confirmed VMC's redemption of the EWBC CN and consignment of payments. The SEC En Banc likewise denied EWBC's motion to compel VMC to allow EWBC to exercise its option to convert the EWBC CN. Accordingly, the "Checks payable to EWBC" was extinguished as at August 31, 2015. These were affirmed by the CA in its Decision dated January 19, 2016.

On June 27, 2016, VMC received a copy of the Petition for Review (with application for the issuance of a preliminary injunction) dated June 10, 2016 ("EWBC Petition") filed by EWBC with the Supreme Court (SC) to appeal the CA's decision. However, on September 23, 2016, the CA resolved that "in view of the result of Case Management Information System verification on September 16, 2016 which shows that no Supreme Court petition has been filed, the decision became final on June 12, 2016. An entry of judgment is ordered issued." Based on the CA Entry of Judgment dated September 23, 2016, the CA decision dated January 19, 2016 became final and executory on June 12, 2016.

EWBC filed a Manifestation dated November 15, 2016 with the CA stating that it filed a Petition for Review before the SC on June 10, 2016. However, EWBC did not seek reconsideration of the CA Resolution dated September 23, 2016. Accordingly, the CA Resolution dated September 23, 2016 and CA Entry of Judgment dated September 23, 2016 may be deemed to have become final and executory.

On February 6, 2017, VMC filed its Motion to Dismiss dated February 3, 2017 ("Motion to Dismiss") vis-à-vis the EWBC Petition with the SC. In December 2019, the case was decided by the SC in favor of VMC. On June 22, 2020, VMC received a copy of the Motion for Reconsideration from EWBC. On January 29, 2021, VMC received the resolution of the SC dated September 2, 2020 deciding the case in favor of VMC with finality. The SC ordered the issuance of an Entry of Judgment on the case. On July 28, 2022, EWBC's board of directors agreed to accept the payment for the convertible note.

Provisions for legal claims amounted to ₱513.77 million and ₱322.86 million as at August 31, 2022 and 2021, respectively (Note 11). Management believes that the provisions for legal claims are reasonable and adequate to cover for potential losses from these legal cases.

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## 25. Significant Accounting Judgments and Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Critical Accounting Judgments

#### *a. Recognizing Revenue from Milling Services (Note 16)*

Under Republic Act No. 809, *The Sugar Act of 1952*, VMC and the planters should share from the sugar and molasses produced from sugar canes owned by the planters milled by VMC (the Output Sharing Arrangement). Effective September 1, 2020, the sharing allocation is 70% for the planters and 30% for VMC.

The Group assessed that beginning September 1, 2019 its Output Sharing Arrangement with the planters constitute a milling service, which is a separate performance obligation. The Group recognizes the milling revenue and inventories received based on the fair value of the mill share estimated at the average raw sugar and molasses selling prices in the week of production.

#### *b. Determining the Operating Segments (Note 15)*

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

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

c. *Determining the Classification of Financial Instruments (Note 26)*

Classification of financial instruments depends on the results of the business model test and “sole payment of principal and interest” (SPPI) test performed by the Group. The Group exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

d. *Recoverability of Deferred Tax Assets (Note 20)*

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 remeasured if it might result to derecognition in cases where the expected tax law to be enacted will impose a possible risk on its realization.

e. *Distinction between Investment Properties and Owner-occupied Properties (Notes 7 and 8)*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is either held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as at reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Critical Accounting Estimates

a. *Estimating the NRV of Inventories (Note 5)*

In estimating 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 year.

*b. Allocation of Cost to Inventory Products (Note 5)*

Management uses judgment to measure and allocate cost to its inventory products. When the costs of conversion of each product are not separately identifiable, these are allocated among the products on a rational and consistent basis.

*c. Impairment of Financial Assets (Notes 2, 3 and 4)*

Impairment losses on financial assets are determined based on expected credit losses (ECL). In assessing the ECL, the Group uses historical loss experience adjusted for forward-looking factors, as appropriate.

The Group's cash and cash equivalents are maintained at reputable financial institutions with good industry rating and score.

For investments in UITF, receivable from a government bank, cash surety bonds, and refundable deposits, the Group estimates impairment based on 12-month ECL. Investments in UITF, receivable from a government bank, cash surety bonds, and refundable deposits, which have credit quality equivalent to "high grade" and have low credit risk at reporting date, are presumed to have no significant increase in credit risk since initial recognition.

The Group estimates impairment on trade receivables based on lifetime expected credit loss using a provision matrix that is based on days past due and takes into consideration historical credit loss experience, adjusted for forward-looking factors, as applicable. Management recognizes losses on credit-impaired receivables from related parties considering its ability to pay based on its available assets.

For other receivables, the impairment loss is based on 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

*d. Impairment of Non-financial Assets (Notes 6, 7, 8 and 9)*

The Group assesses impairment on its non-financial assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

*e. Estimating the Useful Lives of Property, Plant and Equipment (Note 7)*

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 operations 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 amortization and decrease noncurrent assets.

In 2020, the Parent Company reassessed the estimated useful lives of the property, plant and equipment. The results of the internal technical evaluation which includes review of condition of the assets, degree of usage and utilization among others showed that the estimated useful life of the following shall be reduced effective September 1, 2019:

	Revised Estimated Useful Life (in Years)	
	From	To
Land improvements	12.5	10
Buildings and structures	20	15
Community buildings and equipment	20	15
Machinery and equipment	20	15 to 20

The change in estimated useful lives increased the depreciation and amortization by ₱74.52 million in 2020.

There are no changes in the estimated useful lives of property, plant and equipment in 2022 and 2021.

*f. Fair Value of Financial Assets (Note 3)*

Certain financial assets are carried at fair value. When the fair values of financial assets recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active market, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to this model are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

*g. Fair Value of Non-financial Assets (Notes 7 and 8)*

The fair values of the Group's property, plant and equipment and 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.

Since several factors are considered in the estimation fair values of property, plant and equipment and investment properties, the Group has deemed it impracticable to perform a reasonable sensitivity analysis.

*h. Determination of Retirement Liability (Note 21)*

The determination of the cost of retirement benefits and related retirement liability is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. The assumptions, which include among others, discount rate and rate of salary increase are described in Note 21.

Actual results that differ from the assumptions are accumulated and are recognized as part of other comprehensive income. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience of significant changes in the assumptions may materially affect the retirement liability.

*i. Estimating the Provisions and Contingencies (Notes 11 and 24)*

The Group is currently involved in various legal proceedings (Note 24) which are still pending resolution or under suspension in view of the Group's rehabilitations status. Estimates of probable costs resulting from the resolution of these claims have been developed in consultation with the legal counsels handling the defense in these matters and are based upon an analysis of potential results.

The Group discounts its provisions over the period such provisions are expected to be settled. The discount rate used by the Group is a government bond rate which is a pretax rate that reflects current market assessments of the time value of money and those risks specific to the liability that have not been reflected in the best estimate of the expenditure. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Since several factors are considered in the estimation of provision for legal claims, the Group has deemed it impracticable to perform a reasonable sensitivity analysis. The 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.

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**26. 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 are 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 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.

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 foregoing 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 discussed in Note 25 to the consolidated financial statements.

As at August 31, 2022 and 2021, the Group's maximum credit exposure is equal to the carrying values of the following financial assets:

	<b>2022</b>	2021
Cash and cash equivalents <sup>(1)</sup>	<b>₱2,470,385</b>	₱537,581
Trade and other receivables <sup>(2)</sup>	<b>488,001</b>	806,606
Investments in UITF	<b>154,976</b>	1,108,571
Receivable from a government bank	<b>49,149</b>	81,838
Cash surety bonds	<b>22,277</b>	22,796
Refundable deposits <sup>(3)</sup>	<b>1,932</b>	1,616
	<b>₱3,186,720</b>	₱2,559,008

*(1) excluding cash on hand*

*(2) excluding advances to officers and employees included under other receivables; net of allowance for impairment losses*

*(3) including refundable deposits presented under "Others" in Other Current Assets*

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 August 31, 2022 and 2021.

	2022				Total
	12-month ECL – Not Impaired	12-month ECL – Credit Impaired	Lifetime ECL – Not Impaired	Lifetime ECL – Credit Impaired	
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	₱2,470,385	₱–	₱–	₱–	₱2,470,385
Trade receivables:					
Related parties	107,435	–	–	–	107,435
Third parties	353,315	–	12,181	49,415	414,911
Other receivables <sup>(1)</sup>	6,454	–	8,616	10,193	25,263
Refundable deposits	2,432	–	–	–	2,432
Receivable from a government					
bank	49,149	–	–	–	49,149
Cash surety bonds	22,277	–	–	–	22,277
<b>Financial assets at FVPL</b>					
Investments in UITF	154,976	–	–	–	154,976
	<b>₱3,166,423</b>	<b>₱–</b>	<b>₱20,797</b>	<b>₱59,608</b>	<b>₱3,246,828</b>

(1) Excluding advances to officers and employees amounting to ₱3,688

(2) Including refundable deposits presented under "Others" in Other Current Assets amounting to ₱500

	2021				Total
	12-month ECL – Not Impaired	12-month ECL – Credit Impaired	Lifetime ECL – Not Impaired	Lifetime ECL – Credit Impaired	
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	₱537,581	₱–	₱–	₱–	₱537,581
Trade receivables:					
Related parties	415,280	–	–	–	415,280
Third parties	363,437	–	11,170	21,650	396,257
Other receivables <sup>(1)</sup>	9,714	–	7,005	10,193	26,912
Refundable deposits <sup>(2)</sup>	1,616	–	–	–	1,616
Receivable from a government					
bank	81,838	–	–	–	81,838
Cash surety bonds	22,796	–	–	–	22,796
<b>Financial assets at FVPL</b>					
Investments in UITF	1,108,571	–	–	–	1,108,571
	<b>₱2,540,833</b>	<b>₱–</b>	<b>₱18,175</b>	<b>₱31,843</b>	<b>₱2,590,851</b>

(1) Excluding advances to officers and employees amounting to ₱1,580

(2) Including refundable deposits presented under "Others" in Other Current Assets amounting to ₱311

Information on the Group's other current receivables that are impaired as at August 31, 2022 and 2021 and the movements of the allowance for impairment losses are disclosed in Note 4 to the 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 August 31, 2022 and 2021 based on contractual undiscounted payments:

	2022			Total
	On Demand	Within One Year	More than One Year	
<b>Financial Assets</b>				
Cash and cash equivalents	₱2,472,802	₱–	₱–	₱2,472,802
Trade receivables:				
Third parties <sup>(1)</sup>	183,826	181,670	–	365,496
Related parties	–	107,435	–	107,435
Others <sup>(1)</sup>	4,822	9,993	–	14,815
Investments in UITF	154,976	–	–	154,976
Receivable from a government bank	–	41,408	7,741	49,149
Refundable deposits	–	500	1,932	2,432
Cash surety bonds	–	22,277	–	22,277
	<b>2,816,426</b>	<b>363,283</b>	<b>9,673</b>	<b>3,189,382</b>
<b>Financial Liabilities</b>				
Other financial liabilities:				
Trade and other current liabilities				
Third parties <sup>(2)</sup>	593,177	–	–	593,177
Related parties	2,199	–	–	2,199
Payable to claimants	–	30,492	182,952	213,444
	<b>595,376</b>	<b>30,492</b>	<b>182,952</b>	<b>808,820</b>
	<b>₱2,221,305</b>	<b>₱332,791</b>	<b>(₱173,279)</b>	<b>₱2,380,817</b>

(1) net of allowance for impairment losses

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

	2021			Total
	On Demand	Within One Year	More than One Year	
<b>Financial Assets</b>				
Cash and cash equivalents	₱538,701	₱–	₱–	₱538,701
Trade receivables:				
Third parties <sup>(1)</sup>	11,170	363,437	–	374,607
Related parties	–	415,280	–	415,280
Others <sup>(1)</sup>	1,720	14,999	–	16,719
Investments in UITF	1,108,571	–	–	1,108,571
Receivable from a government bank	–	–	81,838	81,838
Cash surety bonds	–	22,796	–	22,796
Refundable deposits	–	311	1,305	1,616
	<b>1,660,162</b>	<b>816,823</b>	<b>83,143</b>	<b>2,560,128</b>
<b>Financial Liabilities</b>				
Other financial liabilities:				
Trade and other current liabilities				
Third parties <sup>(2)</sup>	429,947	–	–	429,947
Related parties	4,161	–	–	4,161
Payable to claimants	–	30,492	213,447	243,939
	<b>434,108</b>	<b>30,492</b>	<b>213,447</b>	<b>678,047</b>
	<b>₱1,226,054</b>	<b>₱786,331</b>	<b>(₱130,304)</b>	<b>₱1,882,081</b>

(1) net of allowance for impairment losses

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

(3) excluding advances to suppliers and computer software, net of allowance for impairment losses

### *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 Group's borrowings (Note 12) 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 fair value through profit or loss (FVPL) (Note 3). The underlying pool of assets for these UITF 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 very minimal and is limited only to its bank deposits (included in cash and cash equivalents):

	<b>August 31, 2022</b>	August 31, 2021
US Dollar	<b>\$2,290</b>	\$614
Japanese Yen	<b>¥216,034</b>	¥-

Accordingly, no sensitivity analysis is deemed necessary.

### Fair Value of Financial Assets and Liabilities

The carrying values of cash and cash equivalents, trade and other 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.

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## 27. 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 statements 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, 2022 and 2021, which has been within the Group's acceptable range as set by the BOD, is calculated as follows:

	2022	2021
Total liabilities	<b>₱1,745,506</b>	₱1,450,474
Total assets	<b>11,344,992</b>	10,350,038
	<b>0.15:1</b>	0.14:1

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## 28. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **Basis of Preparation**

These consolidated financial statements of the Group have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations of the PIC, Standard Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of investments in UITF, revaluation of certain property, plant and equipment and investment properties.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 25.

**Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

VQPC has ceased operations and liquidated its assets since June 2012 as approved by the BOD. Accordingly, the Company has fully impaired its investment in VQPC. As at reporting date, VQPC has no assets and is only waiting for final clearances from the government agencies.

On April 13, 2016, the Group incorporated VGEC, a wholly-owned subsidiary. Its primary purpose 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. VGEC is yet to commence operations as at August 31, 2022.

*(a) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any noncontrolling interest in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is not accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any noncontrolling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, noncontrolling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

*(b) Transactions with Noncontrolling Interests*

Transactions with noncontrolling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from noncontrolling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the Parent Company are reported in consolidated equity as noncontrolling interests. Profits or losses attributable to noncontrolling interests are reported in the consolidated statements of income as net income (loss) attributable to noncontrolling interests.

Noncontrolling interests represent the interest not held by the Parent Company in CDC, VGCCI and VQPC in 2022, 2021 and 2020 (Note 1).

**Changes in Accounting Policies**

**Adoption of Amended Standards and Framework**

The FRSC approved the adoption of a number of amended standards and framework as part of PFRS.

The Group adopted the following amended PFRS effective September 1, 2021:

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on

reporting financial performance; (c) improved definitions of an asset and a liability and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.
- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.
- Coronavirus Disease 2019 (COVID-19) - Related Rent Concessions (Amendments to PFRS 16, *Leases*). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:
  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before June 30, 2021; and
  - no other substantive changes have been made to the terms of the lease.

The adoption of the foregoing amended standards and framework did not have a material effect on the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as necessary.

#### **Amendments to PFRS in Issue but Not Yet Effective or Adopted**

Relevant amendments to PFRS and PIC issuances, which are not yet effective and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgments*, is amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Deferred effectivity-

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS and PIC issuances, except for the potential impact of accounting for borrowing costs and assessing if the transaction price includes a significant financing component, is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

*Milling Service Revenues.* Revenue is recognized upon conversion of the planters' canes into raw sugar and molasses based on the fair value of the mill share at the average raw sugar and molasses selling prices in the week of production. The Group recognized milling service revenue beginning September 1, 2019 when the Group adopted the revenue recognition guidance for sugar millers under PIC Questions and Answers No. (Q&A) 2019-03. The PIC Q&A addresses the application of PFRS 15, *Revenue from Contracts with Customers*, by sugar millers. The effect of adoption PIC QIA 2019-03 was an increase in unappropriated retained earnings of ₱77.68 million.

The Group provides subsidies to planters for hauling cost of sugar cane transported to the mill site. The consideration payable to the planters is accounted for as a reduction against milling service revenues unless the payment to the planters is in exchange for a distinct good or service that the planters transfer to the Group.

*Sale of Raw Sugar.* Revenue is recognized upon surrendering of quedans and issuance of sugar release order which represents ownership title over the raw sugar.

*Sale of Refined Sugar.* Revenue is recognized upon approval and release of refined sugar delivery order.

*Sale of Alcohol and Ethanol.* Revenue is recognized upon delivery of alcohol and ethanol inventories to customers.

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

*Sale of Power.* Revenue from sale of power is recognized on the period the electricity is provided to the Wholesale Electricity Spot Market (WESM).

*Sale of Canned Goods and Processed Meat.* Revenue is recognized when the products are delivered to the customer.

*Tolling Revenues.* Revenue is recognized when the tolling services have been rendered.

*Real Estate Sales and Internment Services.* Revenue from real estate is recognized using full accrual method upon reaching 20% collection of net contract price.

Internment services is recognized when the services were already performed to clients who have acquired the said services. The services include fabrication of internment vault, marker services, fees for funeral mass, and other related services.

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

*Rental Income.* Income is recognized on a straight-line basis over the lease term.

*Other Income.* Other income such as income from storage, handling and insurance fees, scrap sales, and gains from disposal is recorded when earned.

#### **Cost and Expense Recognition**

Costs and expenses are recognized in the Group's consolidated statements of income when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of sales and services includes the direct and allocated indirect costs which are incurred upon processing of the Group's products and rendering of its tolling services. These are recognized when the related goods are sold or the related services are rendered.

Operating and selling expenses are recognized by the Group when incurred. These are the expenses which are not directly related to the cost of sales and services of the Group.

#### **Financial Instruments**

*Recognition and Initial Measurement.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as FVPL, includes transaction costs.

### **Financial Assets and Liabilities**

*Date of Recognition.* The Group recognizes a financial asset or liability in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those measured or designated at FVPL, includes transaction cost.

*“Day 1” Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

### **Financial Assets**

*Classification.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial instrument largely depends on the Group’s business model and its contractual cash flow characteristics.

As at August 31, 2022 and 2021, the Group has no financial assets classified and measured at FVOCI.

*Financial Assets at Amortized Cost.* A financial asset should be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group classifies its cash and cash equivalents, trade and other receivables excluding advances to officers and employees included under other receivables; net of allowance for impairment losses, receivable from a government bank, cash surety bonds and refundable deposits under this category.

*Financial Assets at FVPL.* Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

This category includes investments in UITF.

### **Financial Liabilities**

*Classification.* The Group classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

The Group does not have financial instruments classified as financial liabilities at FVPL.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost unless either the financial liability is held for trading and is therefore required to be measured at FVPL or the entity elects to measure the liability at FVPL. Financial liabilities are recognized when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. These financial liabilities are initially recognized at fair value less any directly attributable transaction costs.

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Group classifies its trade and other current liabilities (excluding due to government agencies, customers' deposit and liens payable), borrowings and payable to claimants under this category.

### **Reclassification**

The Group reclassifies its financial assets when, and only when, the Group changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

### **Impairment of Financial Assets**

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

The Group recognizes impairment loss based on ECL, which is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortized cost, which comprise cash equivalents (excluding cash on hand), other receivables (including due from related parties and excluding advances to officers and employees), investments in UITF, receivable from a government bank, cash surety bonds and refundable deposits, ECL is based on 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

### **Derecognition of Financial Assets and Liabilities**

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

- The rights to receive cash flows from the asset has expired; or
- 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 benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control over 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 benefits 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, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

#### **Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset and the net amount reported in the consolidated statements 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 to 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 gross in the consolidated statements of financial position.

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

### **Inventories**

Inventories are valued at the lower of cost and net realizable value (NRV). Net realizable value is the estimated selling price less the costs to sell.

Inventories are accounted for as follows:

*Refined Sugar, Alcohol and Ethanol.* Determined using weighted average method. This includes the cost of production and related direct labor and overhead cost incurred in the conversion of sugar cane to different outputs. Production costs are allocated to inventories based on a rational and consistent basis.

*Raw Sugar and Molasses.* Determined using weighted average method. Beginning September 1, 2019, cost of raw sugar and molasses consist of milling service consideration valued at fair value at the time of production and costs of purchases from third parties. Prior to September 1, 2019, cost of raw sugar and molasses consists of costs of production, direct labor and overhead cost and costs purchases from third parties.

*Real Estate Held-for-sale.* Real estate held for sale is carried at the lower of cost or NRV. The cost includes acquisition and development costs of the real estate property plus other costs and expenses incurred incidental to the development of the property. Cost is further reduced by any provision for write-down. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to complete and the estimated cost necessary to make the sale.

*Processed Food.* This includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity. The cost is determined using the specific identification method.

*Materials and Supplies.* This includes the purchase cost and other directly attributable costs determined based on their original purchase price. The cost is determined using weighted average method.

*Work-in-process.* Cost consists of allocated costs of production, direct labor and overhead cost. The cost is determined using cost allocation based on the production phase of the product.

The excess of cost over the net realizable value is recognized as write-down in profit or loss. Reversals of previously recorded write-downs are credited to profit or loss based on the result of management's update assessment, considering the available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Real estate held for sale is derecognized when sold or written-off. When real estate under development is sold, the carrying amount of the asset is recognized as an expense in the period in which the related revenue is recognized.

For raw and refined sugar, alcohol, ethanol, molasses, work-in-process and real estate held-for-sale, 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.

An allowance for inventory write-down and obsolescence is provided for slow-moving, obsolete and defective inventories based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Inventories are derecognized when these are sold. The carrying amount of those inventories is recognized as cost of sales and services in profit or loss in the year in which the related sale is recognized.

#### **Other Current Assets**

Other current assets are expenses already paid but not yet incurred and are initially recorded at face value and subsequently measured at carrying value less any impairment loss. These include excess input VAT and advance output VAT, advances to suppliers, prepaid expenses, biological assets and other assets.

*Input and advance output VAT.* Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense as applicable.

The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" in the consolidated statements of financial position.

*Biological asset.* Biological asset pertains to the accumulated costs of purchasing, cultivating and propagating the live and unharvested fish. Since there are no active market for the biological assets of the Group and due to the absence of a reliable estimate to measure the fair value less estimated point-of-sale costs, biological assets are measured at cost less any impairment in value as allowed under PAS 41, *Biological Assets*.

#### **Investment in an Associate**

Investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statements of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in an associate is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the year the equity method was suspended.

The reporting date of the investee and the Group are identical and the investee's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statements of income.

#### **Related Party Relationship and Transactions**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises 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 enterprises, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### **Property, Plant and Equipment**

Property, plant and equipment are initially recognized at cost and subsequently revalued based on periodic valuations by external independent appraisers, less accumulated depreciation, amortization and impairment losses, except for land.

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 consolidated statements of financial position and 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 retained earnings. 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 year in which these are incurred.

All costs that are directly and clearly associated with the construction of certain property, plant and equipment, including borrowing costs, are 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 and amortization of the Group are computed using the straight-line method over the assets' revised estimated useful lives. The estimated useful lives are as follows:

	In Years
Land improvements	10
Buildings and structures	15
Community buildings and equipment	15
Machinery and equipment	15 to 20

The assets' estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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 and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization 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, amortization and impairment losses 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 higher than its recoverable amount. The recoverable amount of the Group's property, plant and equipment is the higher between their fair values less cost of disposal 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 profit or loss.

An increase in the carrying amount of the Group's property, plant and equipment is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

### **Investment Properties**

Investment properties composed of land and buildings, 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 profit or loss 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 year in which these arise.

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

Investment property is derecognized when it has either been disposed of or permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the derecognition of an investment property is recognized in profit or loss in the year of derecognition.

### **Computer Software**

Computer software acquired is measured on initial recognition at cost. Following initial recognition, computer software is carried at cost less accumulated amortization and any impairment in value.

Computer software is amortized over the estimated economic life of five years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortization period and method are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

### **Impairment of Other Nonfinancial Assets**

The carrying amount of the Group's nonfinancial assets which include investment in an associate, property, plant and equipment, advances to suppliers, biological assets, input VAT, investment properties and computer software 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 higher of the asset's fair value less costs of disposal and value in use. Fair value less costs of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment 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. Any impairment loss is recognized in profit or loss unless the asset is carried at revalued amounts. Any impairment loss on a revalued asset is treated as a revaluation decrease.

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 and amortization, if no impairment loss had been recognized. A reversal of an impairment loss in respect of a revalued asset is recognized in profit or loss to the extent that it reverses an impairment loss that was previously recognized in the profit or loss. Any additional increase in the carrying value of the asset is treated as a revaluation increase.

### **Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a nonfinancial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and nonfinancial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. Note that under PFRS 13, *Fair Value Measurement*, the use of bid and asking prices is still permitted but not required. These instruments are included in Level 1. The fair value of investments in UITF was determined using Level 1 valuation technique.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine fair value of the instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3. As at reporting date, the Group does not have financial assets or liabilities included in Levels 2 and 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques for nonfinancial assets are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

### **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 shares. 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 stock 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.

Compound financial instruments issued by the Group comprise CN 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 as 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.

The mandatory CN of the Group are presented as an equity item under the "Convertible notes awaiting conversion" account. These are non-derivative instrument for which the entity is or may be obliged to deliver a fixed number of the entity's own equity instruments. The Group already fixed the number of shares to be converted into common shares based from the 1:1 share of the principal CN to common shares. The 8% interests accrued from the CN are treated as APIC upon conversion rather than a determinant in identifying the number of shares to be converted.

### **Retained Earnings**

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments.

### **Other Comprehensive Income (Loss)**

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented as other equity reserves under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive income (loss), which is presented as "Other equity reserves," includes revaluation increment on property, plant and equipment, cumulative remeasurement gains or losses on retirement liability, and cumulative unrealized gain or loss on fair value changes of investments in UITF.

### **Earnings per Share (EPS)**

The Group presents both basic and diluted EPS. Basic EPS is computed by dividing the net income applicable to common shareholders by the weighted average number of common shares outstanding during the year, adjusted for treasury stock, conversion of convertible instruments 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 CN.

### **Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

#### *The Group as a Lessee*

The Group recognizes right-of-use assets and lease liabilities at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liabilities comprise of the following:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recognized in profit or loss if the carrying amounts of the right-of-use assets have been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

#### *The Group as a Lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

The accounting policies applicable to the Group as a lessor are not different from those under PAS 17. However, when the Group is an intermediate lessor, it accounts for the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

#### **Employee Benefits**

##### *Short-term Benefits*

The Group recognizes a liability net of amount already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given to its employees include salaries and wages, statutory contributions, short-term compensated absences and bonuses, and non-monetary benefits.

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

#### *Retirement Benefits*

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation and valuation of the plan asset is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest), if any, and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in Other Comprehensive Income (OCI). The Group determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### **Comparatives**

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where PAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. There were no changes to the presentation made as at and for the years ended August 31, 2022 and 2021.

#### **Foreign Currency Transactions and Translations**

*Functional and Presentation Currency.* Items included in the Group's consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's financial statements are presented in Philippine Peso, which is the Group's functional currency.

*Transactions and Balances.* Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

### **Income Tax**

The income tax expense for the period comprises current tax and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case the tax is also recognized directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using the tax rate (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax liabilities are recognized in full for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Provisions and Contingencies**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

#### **Borrowing Cost**

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognized and charged to profit or loss in the year in which these are incurred.

#### **Events after the Reporting Year**

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



**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Victorias Milling Company, Inc.  
VMC Compound, J.J. Ossorio Street, Barangay XVI  
Victorias City, Negros Occidental

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Victorias Milling Company, Inc. (the Parent Company) and Subsidiaries (the Group) as at August 31, 2022 and 2021 and for the years ended August 31, 2022, 2021 and 2020, and have issued our report thereon dated December 5, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedules for submission to the Securities and Exchange Commission are the responsibility of the Group's management.

The supplementary schedules include the following:

- Schedules Required under Annex 68-J of the Revised Securities Regulation Code (SRC) Rule 68 as at and for the year ended August 31, 2022
- Reconciliation of the Unappropriated Retained Earnings Available for Dividend Declaration of the Parent Company for the year ended August 31, 2022
- Schedule of Financial Soundness Indicators as at and for the years ended August 31, 2022 and 2021
- Corporate Structure as at August 31, 2022

The financial soundness indicators are not measurers of operating performance defined by the Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at August 31, 2022 and 2021 and for the years ended August 31, 2022, 2021 and 2020, and no material exceptions were noted.

The supplementary schedules are presented for purposes of complying with the Revised SRC Rule 68, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 83522-SEC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-006-2022

Valid until October 16, 2025

PTR No. 8851707

Issued January 3, 2022, Makati City

December 5, 2022

Makati City, Metro Manila

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS

AUGUST 31, 2022  
*Amounts in Thousands*

NAME	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	ENDING BALANCE		
					CURRENT	NON-CURRENT	TOTAL
Advances to Officers and Employees	P1,580	P7,801	(P5,437)	P-	P3,944	P-	P3,944

## VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING  
CONSOLIDATION OF FINANCIAL STATEMENTS

AUGUST 31, 2022  
*Amounts in Thousands*

Name and designation of debtor	Beginning Balance	Additions	Deductions			Current	Non-current	Ending Balance
			Amount Collected	Amount written off	Amount others			
Victorias Foods Corporation	₱17,276	₱25,265	(₱13,012)	₱-	₱-	₱29,629	₱-	₱29,629
Canetown Development Corporation	32,077	350	-	-	-	32,427	-	32,427
Victorias Golf and Country Club, Inc.	20,025	638	(52)	-	-	20,611	-	20,611
Victorias Quality Packaging Co.Inc.	12,016	-	-	-	-	12,016	-	12,016
Victorias Green Energy Corporation	1,873	2,896	(4,769)	-	-	-	-	-
	₱83,267	₱29,249	(₱17,833)	₱-	₱-	₱94,683	₱-	₱94,683

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**

## INTANGIBLE ASSETS - OTHER ASSET

AUGUST 31, 2022

*Amounts in Thousands*

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Computer Software	₱17,774	₱-	₱8,194	₱-	₱-	₱9,580

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**

CAPITAL STOCK  
AUGUST 31, 2022

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING AT SHOWN UNDER RELATED BALANCE SHEET CAPTION				NUMBER OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION AND OTHER RIGHTS	NUMBER OF SHARES HELD BY RELATED PARTIES	DIRECTORS, OFFICERS AND EMPLOYEES	OTHERS
		ISSUED	SUBSCRIBED	TREASURY SHARES	TOTAL				
Common Stock	3,042,061,094	3,042,061,094	-	(300,010,530)	2,742,050,564	-	2,204,493,273	91,656,041	445,901,250

## VICTORIAS MILLING COMPANY, INC.

### RECONCILIATION OF UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION OF THE PARENT COMPANY FOR THE YEAR ENDED AUGUST 31, 2022

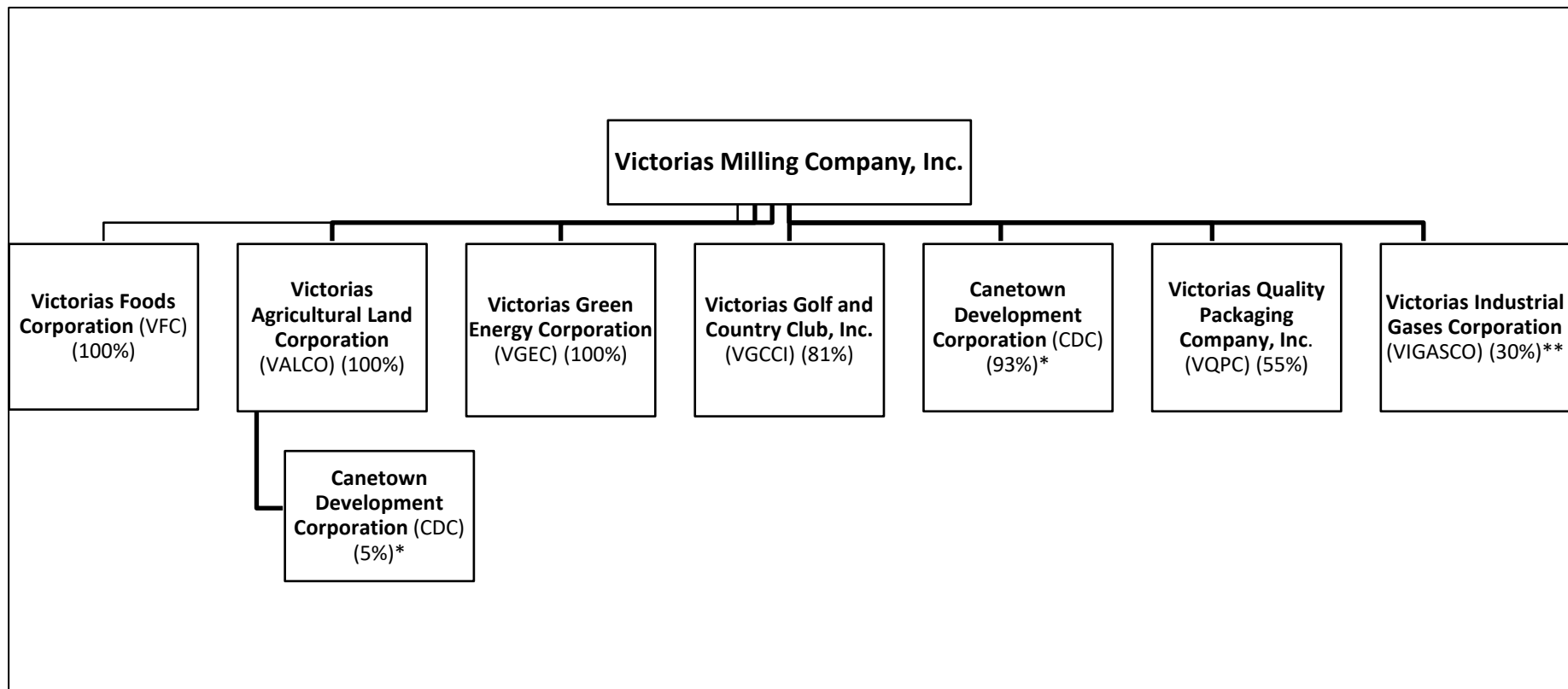
	<i>Amount (In Thousands)</i>
<b>Unappropriated Retained Earnings Available for Dividend Declaration as at September 1, 2021</b>	<b>₱4,350,758</b>
<b>Add:</b>	
<b>Realization of revaluation increment of property, plant and equipment to retained earnings, net of tax of ₱7,794</b>	<b>23,382</b>
<b>Net Income</b>	<b>957,769</b>
<b>Non-actual losses:</b>	
Provision for legal claims, net of tax effect of ₱47,728	143,183
Provision for impairment losses on trade and other receivables, net of tax of ₱6,775	20,326
Provision for inventory write-down and obsolescence, net of tax of ₱2,378	7,134
	<b>170,643</b>
<b>Less:</b>	
<b>Unrealized income:</b>	
Net unrealized fair value gain on investment properties, net of tax effect of ₱10,216	(30,649)
Unrealized foreign exchange gain, net of tax effect of ₱1,046	(3,139)
<b>Actual losses:</b>	
Inventory written down during the year, net of tax of ₱5,036	(15,107)
	<b>(48,895)</b>
<b>Net Income Realized</b>	<b>1,079,517</b>
<b>Add (Less):</b>	
Appropriations	(1,410,000)
Dividend declarations	(274,205)
	<b>(1,684,205)</b>
<b>Unappropriated Retained Earnings Available for Dividend Declaration as at August 31, 2022</b>	<b>₱3,769,452</b>

#### Reconciliation

	<i>Amount (In Thousands)</i>
<b>Unappropriated Retained Earnings as at August 31, 2022</b>	<b>₱5,481,010</b>
<b>Treasury stock</b>	<b>(1,501,882)</b>
<b>Accumulated non-actual losses:</b>	
Provision for legal claims	513,768
Allowance for impairment losses on:	
Trade and other receivables	73,024
Investments in subsidiaries and associate	38,064
Property, plant and equipment	8,002
Allowance for inventory write-down and obsolescence	33,451
<b>Accumulated unrealized income:</b>	
Cumulative unrealized fair value gain on investment properties	(938,476)
Unrealized foreign exchange gain	(7,401)
	<b>(279,568)</b>
<b>Tax effect</b>	<b>69,892</b>
<b>Accumulated net non-actual losses and unrealized income, net of tax</b>	<b>(209,676)</b>
<b>Unappropriated Retained Earnings Available for Dividend Declaration as at AUGUST 31, 2022</b>	<b>₱3,769,452</b>

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**

CORPORATE STRUCTURE/MAP OF RELATIONSHIPS  
OF THE COMPANIES WITHIN THE GROUP  
AUGUST 31, 2022



\*Effectively wholly-owned subsidiary of the Group

\*\*All of the above-entities are subsidiaries of the Group except for VIGASCO which is an associate of the Group

## SCHEDULE K

**VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS  
AS AT AND FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
	<i>(Amounts in Thousands)</i>	
Current/Liquidity Ratios		
Current Assets	₱4,236,359	₱3,851,240
Divide by: Current Liabilities	751,030	588,046
Current Ratio	5.64	6.55
Current Assets	₱4,236,359	₱3,851,240
Less: Inventories	784,413	975,741
Quick Assets	3,451,946	2,875,499
Divide by: Current Liabilities	751,030	588,046
Quick Ratio	4.60	4.89
Solvency/debt-to-equity ratio		
Debt	₱1,745,506	₱1,450,474
Divide by: Equity	9,599,486	8,899,564
Debt to equity ratio	0.18	0.16
Asset to equity ratio		
Total Assets	₱11,344,992	₱10,350,038
Divide by: Total Equity	9,599,486	8,899,564
Asset to Equity Ratio	1.18	1.16
Profitability ratios		
Net Income attributable to Shareholders of Parent		
Company	₱965,992	₱787,819
Divide by: Revenue	8,550,322	7,468,247
Net Income margin	11.30%	10.55%
Net income	₱966,070	₱786,236
Divide by: Average total assets	10,847,515	9,954,049
Return on total assets	8.91%	7.90%
Net income after tax	₱966,070	₱786,236
Divide by: Average total equity	9,249,525	8,485,052
Return on total equity	10.44%	9.27%

# **Victorias Milling Company, Inc.**

Separate Financial Statements  
August 31, 2022 and 2021

With independent auditors' report provided by



**REYES TACANDONG & CO.**

**FIRM PRINCIPLES. WISE SOLUTIONS.**



VICTORIAS MILLING COMPANY, INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Victoria's Milling Company, Inc.** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended **August 31, 2022 and 2021**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements including the schedules attached therein, and submits the same to the stockholders or members.

**Reyes Tacandong & Co.**, the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**Wilson T. Young**  
Chairman of the Board

  
**Minnie O. Chua**  
President

  
**Kristine D. Gabugason**  
Chief Finance Officer

Signed this 5th day of December 2022.

Subscribed and sworn to before me at CARANAGUE CITY, this day of DEC 13 2022. Affiliate exhibiting to me his/her competent evidence of Identity No. \_\_\_\_\_.

Wilson T. Young – Passport No. P5345972B

Minnie O. Chua – DL No. F01-97-118005

Kristine D. Cabugason – UMID ID 0111-7453497-7 005

Doc. No. 055

Page No. 012

Book No. XVIII

Series of 2022.

CF  
**ATTY. BENJAMIN F. RABUJO III**  
NOTARY PUBLIC  
VALID UNTIL DEC. 31, 2022  
PTR NO. 8916734/01-05-2022  
IBP NO. 143191/01-07-2022  
ROLL NO. 44572 PARANAQUE CITY  
MGLE NO. 0014999



Jamaica Jagonos <jamaica.jagonos@victoriasmilling.com>

**Fwd: Your BIR AFS eSubmission uploads were received**

1 message

**Kristine Cabuguaason** <kristine.cabuguaason@victoriasmilling.com>  
To: Jamaica Jagonos <jamaica.jagonos@victoriasmilling.com>

Wed, Dec 14, 2022 at 12:27 PM

Hi Jam, FYR.

----- Forwarded message -----

From: <eafs@bir.gov.ph>  
Date: Wed, Dec 14, 2022 at 12:13 PM  
Subject: Your BIR AFS eSubmission uploads were received  
To: <DANNICA.VIERNES@victoriasmilling.com>  
Cc: <KRISTINE.CABUGUASON@victoriasmilling.com>

Hi VICTORIAS MILLING COMPANY, INC.,

**Valid files**

- EAFS000270220OTHTY082022.pdf
- EAFS000270220AFSTY082022.pdf
- EAFS000270220ITRTY082022.pdf
- EAFS000270220RPTTY082022.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-88KG7CA80P2QPVWZ3NT32XXP102WV11R4Y**  
Submission Date/Time: **Dec 14, 2022 11:55 AM**  
Company TIN: **000-270-220**

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Best regards,  
Kristine

**Victorias Milling Co. Inc.**  
**VMC Compound ,JJ Ossorio St., Brgy 16**  
**Victorias City, Negros Occidental**  
**Direct: (034) 488 7997**  
**Local: 2997**







## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Victorias Milling Company, Inc.  
VMC Compound, J.J. Ossorio Street, Barangay XVI  
Victorias City, Negros Occidental

### *Opinion*

We have audited the accompanying separate financial statements of Victorias Milling Company, Inc. (the Company), which comprise the separate statements of financial position as at August 31, 2022 and 2021, and the separate statements of income, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audits of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements*

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 83522-SEC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-006-2022

Valid until October 16, 2025

PTR No. 8851707

Issued January 3, 2022, Makati City

December 5, 2022

Makati City, Metro Manila

**VICTORIAS MILLING COMPANY, INC.**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**  
*Amounts in Thousands*

		August 31	
	Note	2022	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	P2,413,969	P479,109
Investments in Unit Investment Trust Fund	3	151,646	1,104,191
Trade and other receivables	4	555,848	836,374
Inventories	5	699,164	909,346
Other current assets	6	311,922	394,882
Total Current Assets		4,132,549	3,723,902
<b>Noncurrent Assets</b>			
Investments in subsidiaries and an associate	7	218,906	218,906
Property, plant and equipment	8	5,712,903	5,144,464
Investment properties	9	725,366	684,501
Other noncurrent assets	10	208,602	228,907
Total Noncurrent Assets		6,865,777	6,276,778
		<b>P10,998,326</b>	<b>P10,000,680</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade payables and other current liabilities	11	P698,029	P552,719
Income tax payable		46,023	15,955
Total Current Liabilities		744,052	568,674
<b>Noncurrent Liabilities</b>			
Payable to claimants, net of current portion	11	135,291	151,580
Provisions for legal claims	12	513,769	322,858
Net deferred tax liabilities	18	215,524	251,181
Retirement liability	19	47,261	55,184
Total Noncurrent Liabilities		911,845	780,803
Total Liabilities		1,655,897	1,349,477
<b>Equity</b>			
	13		
Capital stock		3,042,061	3,042,061
Additional paid-in capital		840,720	840,720
Convertible notes awaiting conversion		5,450	5,450
Retained earnings		6,891,010	6,184,064
Other equity reserves		65,070	80,790
Treasury stock - at cost		(1,501,882)	(1,501,882)
Total Equity		9,342,429	8,651,203
		<b>P10,998,326</b>	<b>P10,000,680</b>

See accompanying Notes to Separate Financial Statements.

**VICTORIAS MILLING COMPANY, INC.**  
**SEPARATE STATEMENTS OF INCOME**  
*Amounts in Thousands*

	Note	Years Ended August 31	
		2022	2021
<b>REVENUE</b>	14		
Sale of goods		₱6,267,696	₱5,431,003
Service income		2,151,846	1,927,021
		<b>8,419,542</b>	7,358,024
<b>COST OF SALES AND SERVICES</b>	15	<b>6,841,598</b>	6,231,362
<b>GROSS PROFIT</b>		<b>1,577,944</b>	1,126,662
<b>OPERATING EXPENSES</b>	16		
General and administrative		456,403	359,759
Selling		141,960	147,519
		<b>598,363</b>	507,278
<b>FINANCE COST</b>	11,12	<b>(32,411)</b>	(31,478)
<b>OTHER INCOME (CHARGES)</b>			
Reversal of (additions to) provisions for legal claims	12	(172,703)	3,888
Other income - net	17	301,641	250,296
		<b>128,938</b>	254,184
<b>INCOME BEFORE INCOME TAX</b>		<b>1,076,108</b>	842,090
<b>INCOME TAX EXPENSE (BENEFIT)</b>	18		
Current		156,550	118,458
Deferred		(38,211)	(20,234)
		<b>118,339</b>	98,224
<b>NET INCOME</b>		<b>₱957,769</b>	₱743,866

*See accompanying Notes to Separate Financial Statements.*

**VICTORIAS MILLING COMPANY, INC.**  
**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**  
*Amounts in Thousands*

	Note	Years Ended August 31	
		2022	2021
<b>NET INCOME</b>		<b>₱957,769</b>	<b>₱743,866</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement gain on retirement liability	19	<b>10,216</b>	6,734
Deferred tax relating to components of other comprehensive income	19	<b>(2,554)</b>	(1,684)
Effect of change in income tax rate	18	-	37,315
		<b>7,662</b>	42,365
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱965,431</b>	<b>₱786,231</b>

*See accompanying Notes to Separate Financial Statements.*

**VICTORIAS MILLING COMPANY, INC.**  
**SEPARATE STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**  
*Amounts in Thousands*

	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Convertible Notes Awaiting Conversion (Note 13)	Appropriated Retained Earnings (Note 13)	Unappropriated Retained Earnings (Note 13)	Other Equity Reserves (Note 13)	Treasury Stock (Note 13)	Total
Balance as at August 31, 2020	₱3,042,061	₱840,720	₱5,450	₱–	₱5,415,013	₱63,610	(₱1,501,882)	₱7,864,972
Comprehensive income:								
Net income	–	–	–	–	743,866	–	–	743,866
Other comprehensive income	–	–	–	–	–	42,365	–	42,365
Total comprehensive income	–	–	–	–	743,866	42,365	–	786,231
Transfer of revaluation increment to retained earnings, net of tax	–	–	–	–	25,185	(25,185)	–	–
Balance as at August 31, 2021	₱3,042,061	₱840,720	₱5,450	₱–	₱6,184,064	₱80,790	(₱1,501,882)	₱8,651,203
Comprehensive income:								
Net income	–	–	–	–	957,769	–	–	957,769
Other comprehensive income	–	–	–	–	–	7,662	–	7,662
Total comprehensive income	–	–	–	–	957,769	7,662	–	965,431
Appropriations of retained earnings	–	–	–	1,410,000	(1,410,000)	–	–	–
Cash dividends declared	–	–	–	–	(274,205)	–	–	(274,205)
Transfer of revaluation increment to retained earnings, net of tax	–	–	–	–	23,382	(23,382)	–	–
Balance as at August 31, 2022	₱3,042,061	₱840,720	₱5,450	₱1,410,000	₱5,481,010	₱65,070	(₱1,501,882)	₱9,342,429

See accompanying Notes to Separate Financial Statements.

**VICTORIAS MILLING COMPANY, INC.**  
**SEPARATE STATEMENTS OF CASH FLOWS**  
*Amounts in Thousands*

	Note	Years Ended August 31	
		2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before for income tax		<b>₱1,076,108</b>	₱842,090
Adjustments for:			
Depreciation and amortization	8	<b>424,456</b>	403,107
Additions to (reversal/settlement of) provisions for legal claims	12	<b>172,703</b>	(3,888)
Gain on Insurance claims	5	<b>(44,242)</b>	–
Net gain on fair value changes of investment properties	9	<b>(40,865)</b>	(19,363)
Finance cost	11,12	<b>32,411</b>	31,478
Provisions (reversal of allowance) for impairment losses on:			
Trade and other receivables	4	<b>27,101</b>	–
Input and advance output value-added tax	6	–	(55,204)
Gain on sale of investments in Unit Investment Trust Fund	3	<b>(14,204)</b>	(4,091)
Retirement benefits	19	<b>12,293</b>	12,995
Provision for inventory write-down and obsolescence	5	<b>9,512</b>	22,036
Interest income	2	<b>(4,080)</b>	(1,899)
Unrealized loss (gain) on fair value changes of Investments in Unit Investment Trust Fund	3	<b>2,763</b>	(2,608)
Operating income before working capital changes		<b>1,653,956</b>	1,224,653
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables		<b>253,426</b>	(322,343)
Inventories		<b>200,670</b>	667,350
Other current assets		<b>82,960</b>	(10,291)
Increase in trade payables and other current liabilities		<b>134,305</b>	75,852
Net cash generated from operations		<b>2,325,317</b>	1,635,221
Income tax paid		<b>(126,482)</b>	(157,157)
Contributions to the retirement fund	19	<b>(10,000)</b>	(5,000)
Interest received	2	<b>4,080</b>	1,899
Net cash provided by operating activities		<b>2,192,915</b>	1,474,963
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Investments in Unit Investment Trust Fund	3	<b>(4,695,603)</b>	(1,275,000)
Property, plant and equipment	8	<b>(984,701)</b>	(363,617)
Proceeds from sale of Investments in Unit Investment Trust Fund	3	<b>5,659,589</b>	259,269
Proceeds from insurance claims	5	<b>44,242</b>	–
Decrease (increase) in other noncurrent assets		<b>12,113</b>	(65,341)
Net cash provided by (used in) investing activities		<b>35,640</b>	(1,444,689)

(Forward)

		<b>Years Ended August 31</b>	
	Note	<b>2022</b>	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Dividends	13	<b>(P263,203)</b>	P-
Liabilities to claimants	11	<b>(30,492)</b>	(30,492)
Cash used in financing activities		<b>(293,695)</b>	(30,492)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,934,860</b>	(218)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>479,109</b>	479,327
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	2	<b>P2,413,969</b>	P479,109

*See accompanying Notes to Separate Financial Statements.*

## VICTORIAS MILLING COMPANY, INC.

### NOTES TO SEPARATE FINANCIAL STATEMENTS

*All Amounts are in Thousands, unless otherwise Stated*

#### 1. Corporate Information, Status of Operations and Rehabilitation

Victorias Milling Company, Inc. (herein referred to as “the 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 May 7, 1969 the Philippine SEC approved the amendment of the Articles of Incorporation of the Company to extend the corporate term for another 50 years as approved by the Board of Directors and stockholders.

The Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines, the Company shall have a perpetual corporate life.

On July 3, 2013, the SEC approved the 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.

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

The Company has the following subsidiaries and associate:

	Nature of Business	Percentage of Effective Ownership
<b>Subsidiaries</b>		
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)	Non-profit golf facilities	81
Victorias Quality Packaging Company, Inc. (VQPC)	Manufacture of bags and packaging materials	55
<b>Associate</b>		
Victorias Industrial Gases Corporation (VIGASCO)	Industrial gas dealership	30

\* The effective ownership is inclusive of 5% indirect ownership through VALCO.

The Company, its subsidiaries and associate were all incorporated in the Philippines.

#### Status of VMC's Rehabilitation Plan

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 bids had expired without any bid having been submitted.

In view of the failure of bidding, the VMC Mancom, as mandated in 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 loans. Accordingly, VMC and its creditors executed a Debt Restructuring Agreement ("DRA") dated April 29, 2002.

The main basic features of the Plan and 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.
2. ₱1.1 billion unsecured loans from creditors were converted into VMC common shares at ₱1 of debt to one common share at ₱1 par value a share.
3. Unsecured loans from creditors amounting to ₱2.4 billion were converted to CN at 8% interest, payable in 15 years. As at August 31, 2022 and 2021, CN awaiting conversion amounted to ₱5.45 million, which includes accrued interest amounting to ₱2.5 million.
4. The restructured loans from unsecured and secured creditors aggregating ₱5 billion with 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, the restructured trade liabilities were also fully paid in 2013.

As at the report date, VMC is in full compliance 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 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 (Notes 12 and 22).

Accordingly, VMC is still under rehabilitation as at August 31, 2022 and 2021. A Rehabilitation Receiver continues to monitor, together with the elected Board of Directors (BOD) and committees, the successful completion of the 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 through trimming down of corporate expenses; (d) ongoing programs for the optimization of human resources and (e) effective cash flows management leading to early repayment of debts.

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

The accompanying separate financial statements were approved and authorized for issue by the BOD on December 5, 2022, as reviewed and recommended for approval by the Audit and Risk Committee on the same date.

---

## 2. Cash and Cash Equivalents

This account consists of:

	<b>2022</b>	2021
Cash on hand	<b>₱2,287</b>	₱523
Cash in banks	<b>2,305,918</b>	312,579
Cash equivalents	<b>105,764</b>	166,007
	<b>₱2,413,969</b>	₱479,109

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments with maturities of no longer than 90 days, and bear annual interest rates as follows:

	<b>2022</b>	2021
Philippine Peso	<b>0.10% to 2.38%</b>	0.13% to 1.50%
US Dollar	<b>0.00% to 0.35%</b>	0.25% to 0.38%

Interest income on cash and cash equivalents amounted to ₱4.08 million and ₱1.90 million in 2022 and 2021, respectively (Note 17).

### 3. Investments in Unit Investment Trust Fund (UITF)

This account pertains to underlying portfolio with short-term fixed income.

Details of this account are as follows:

	2022	2021
Cost	P151,314	P1,101,096
Cumulative unrealized fair value gains	332	3,095
	<b>P151,646</b>	<b>P1,104,191</b>

Movements in the account are as follows:

	Note	2022	2021
Balance at beginning of year		P1,104,191	P81,761
Sale		(5,645,385)	(255,178)
Additions		4,695,603	1,275,000
Unrealized gain (loss) on fair value adjustments	17	(2,763)	2,608
Balance at end of year		<b>P151,646</b>	<b>P1,104,191</b>

Proceeds from sale of investments in UITF amounted to P5,659.59 million and P259.27 million in 2022 and 2021, respectively. Gain on sale of investments in UITF amounted to P14.20 million and P4.09 million in 2022 and 2021, respectively (Note 17).

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.

### 4. Trade and Other Receivables

This account consists of:

	Note	2022	2021
Trade:			
Third parties		P373,664	P356,816
Related parties	20	141,313	423,225
Advances to related parties	20	95,031	83,570
Others		18,864	18,686
		<b>628,872</b>	<b>882,297</b>
Allowance for impairment losses		(73,024)	(45,923)
		<b>P555,848</b>	<b>P836,374</b>

Trade receivables are noninterest-bearing with an average credit period of 15 to 30 days.

Movements in the allowance for impairment losses are as follows:

	Note	2022	2021
Balance at beginning of year		<b>₱45,923</b>	₱45,923
Provision	16	<b>27,101</b>	–
Balance at end of year		<b>₱73,024</b>	₱45,923

Based on its assessment, management believes that the allowance for impairment losses on trade and other receivables as at August 31, 2022 and 2021 is reasonable and adequate.

## 5. Inventories

This account consists of:

	2022	2021
At cost:		
Raw sugar	<b>₱134,582</b>	₱248,339
Refined sugar	<b>21,150</b>	83,341
	<b>155,732</b>	331,680
Molasses	<b>123,127</b>	109,164
Alcohol	<b>60,321</b>	–
Ethanol	<b>27,493</b>	163,634
Others	<b>507</b>	–
	<b>367,180</b>	604,478
Work-in-process	<b>40,073</b>	40,987
	<b>407,253</b>	645,465
At net realizable value (NRV):		
Materials and supplies	<b>291,911</b>	223,153
Alcohol	–	40,187
Others	–	541
	<b>291,911</b>	263,881
	<b>₱699,164</b>	₱909,346

The cost of materials and supplies carried at NRV amounted to ₱325.36 million and ₱247.09 million as at August 31, 2022 and 2021, respectively. As at August 31, 2021, the cost of alcohol and other inventories carried at NRV amounted to ₱59.30 million and ₱1.57 million, respectively. The Company recognized provision for inventory write-down and obsolescence amounting to ₱9.51 million and ₱22.04 million in 2022 and 2021, respectively (Note 16). Provision for inventory write-down and obsolescence of ₱22.04 million in 2021 includes cost of damaged alcohol and other inventories amounting to ₱20.14 million from flood incident in Victorias City on January 1 and 8, 2021, which is written down upon receipt of settlement offer from insurance companies in 2022. Insurance claims received on damaged inventories amounted to ₱44.24 million in 2022 (Note 17).

Movements in inventories, excluding materials and supplies, are as follows:

	Raw sugar	Refined sugar	Molasses	Ethanol	Alcohol	Power	Others	Work-in-Process	Total
Balance as at August 31, 2020	₱90,861	₱1,071,359	₱209,794	₱29,049	₱24,913	₱-	₱-	₱-	₱1,425,976
Additions	3,159,550	94,418	831,582	8,285	209,093	12,362	2,459	40,987	4,358,736
Cost of sales and production transfers	(3,002,072)	(1,082,436)	(932,212)	126,300	(193,819)	(12,362)	(1,918)	-	(5,098,519)
Balance as at August 31, 2021	248,339	83,341	109,164	163,634	40,187	-	541	40,987	₱686,193
Additions	3,950,611	1,711,070	963,527	1,141,788	1,280,182	89,115	-	40,073	9,176,366
Cost of sales and production transfers	(4,064,368)	(1,773,261)	(949,564)	(1,277,929)	(1,260,048)	(89,115)	(34)	(40,987)	(9,455,306)
Balance as at August 31, 2022	₱134,582	₱21,150	₱123,127	₱27,493	₱60,321	₱-	₱507	₱40,073	₱407,253

Inventories charged to cost of sales and services amounted to ₱5,194.50 million and ₱4,811.05 million in 2022 and 2021, respectively (Note 15).

## 6. Other Current Assets

This account consists of:

	2022	2021
Input and advance output value-added tax (VAT)	₱193,726	₱226,090
Current portion of receivables from a government bank	41,408	-
Prepaid expenses	38,223	40,928
Advances to suppliers	37,887	127,331
Others	678	533
	₱311,922	₱394,882

In 2021, the Group reinstated the amount claimed for refund to advance output VAT of ₱55.20 million as a result of the tax authority's findings and accordingly, reversed the allowance for probable losses of ₱55.20 million recognized in 2019 (Note 16).

Receivables from a government bank pertain to uncollected proceeds on the land subject to Voluntary Offer to Sell and Compulsory Acquisition pursuant to the Comprehensive Agrarian Reform Program (CARP). In 2021, the Department of Agrarian Reform excluded certain property from the CARP coverage resulting in the reversal of related receivable of ₱25.22 million (Note 9). Current portion pertains to receivables with submitted requirements with the government bank and is expected to be collected within one year.

Prepaid expenses pertain to advance payments for real property tax, utilities and other supplies.

Advances to suppliers represent amounts paid for the purchase of materials and supplies inventories not yet received by the Company. These are noninterest-bearing and are expected to be settled through delivery of goods by the suppliers within one year.

Others mainly pertain to refundable deposits, creditable withholding taxes and tolling cost yet to be billed to customers.

## 7. Investments in Subsidiaries and an Associate

Details of investments in subsidiaries and an associate as at August 31, 2022 and 2021 are as follows:

	Percentage of Direct Ownership	Carrying Amount
<b>Cost</b>		
<i>Subsidiaries:</i>		
VFC*	100%	₱111,693
CDC	88%	42,952
VALCO*	100%	33,168
VGEC	100%	31,250
VQPC	55%	16,500
VGCCI	81%	15,680
<i>Associate:</i>		
VIGASCO	30%	5,727
		<b>256,970</b>
<b>Allowance for impairment losses</b>		
VQPC		(16,500)
VFC		(15,837)
VIGASCO		(5,727)
		<b>(38,064)</b>
		<b>₱218,906</b>

\*Inclusive of advances for future stock subscriptions in VFC amounting to ₱89.7 million and in VALCO amounting to ₱22.6 million.

Summarized financial information relating to subsidiaries is shown below:

	Total Assets	Total Liabilities	Revenue	Net Income (Loss)
<b>2022</b>				
VFC	₱172,765	₱170,495	₱169,290	(₱3,150)
VALCO	145,077	22,773	240	2,543
CDC	265,765	97,032	6,711	5,053
VGCCI	58,682	41,414	5,261	404
VGEC	27,233	39	-	(2,897)
				Net Income
<b>2021</b>				(Loss)
VFC	₱132,859	₱127,903	₱129,215	₱1,731
VALCO	141,837	22,075	-	11,011
CDC	259,317	95,636	6,851	38,007
VGCCI	58,703	41,844	4,526	(3,581)
VGEC	32,002	1,911	-	(37)

### Investment in VFC

VFC, a wholly-owned subsidiary, was registered and incorporated with the SEC on February 24, 1993 primarily engaged in processing, preservation, packaging and selling of food products. The corporate office and production plant of VFC is located at VICMICO Compound, Victorias City, Negros Occidental.

#### Investment in VALCO

VALCO, a wholly-owned subsidiary, was incorporated and registered with the SEC on June 30, 1987 primarily to engage in planting of all kinds of farm products on properties purchased or leased. The registered address of VALCO is at VICMICO Compound, Victorias City, Negros Occidental.

The Company has an existing agreement with VALCO whereby the latter will issue shares of stock in exchange for the former's certain parcels of land. A total amount of ₱33.07 million was recorded in the books of VALCO as "Deposits for future stock subscriptions" pending the transfer of the certificate of land title in the name of VALCO.

#### Investment in CDC

CDC, an 88% owned subsidiary, was incorporated and registered with the SEC on February 19, 1974 primarily to sell or lease properties. The registered address of CDC is at VICMICO Compound, Victorias City, Negros Occidental.

#### Investment in VGCCI

VGCCI, an 81% owned subsidiary, is a non-profit corporation registered with the SEC on October 8, 1992 primarily to engage exclusively in recreational activities on a non-profit basis among its stockholders. VGCCI mainly operates a golf course. The registered office of VGCCI is located in VICMICO Compound, Victorias City, Negros Occidental.

#### Investment in VQPC

VQPC, a 55% owned subsidiary, was incorporated and registered with the SEC on May 14, 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 ceased operations and liquidated its assets since June 2012 as approved by the BOD. Accordingly, the Company has fully impaired its investment in VQPC. As at reporting date, VQPC has no assets and is only waiting for final government clearances.

#### Investment in VGEC

VGEC, a wholly-owned subsidiary, was incorporated and registered with the SEC on April 13, 2015 primarily to engage in the business of power generation derived from non-renewable and renewable energy resources. The registered office of VGEC is located in VICMICO Compound, Victorias City, Negros Occidental.

VGEC has yet to commence commercial operations as at reporting date.

#### Investment in VIGASCO

VIGASCO, a 30%-owned associate, was incorporated and registered with the SEC on November 19, 1992 primarily to engage in selling of gases such as oxygen, acetylene, hydrogen, liquefied petroleum gas, among others. The registered office of VIGASCO is located in VICMICO Compound, Victorias City, Negros Occidental.

VIGASCO has ceased its business operations effective December 31, 2014. Accordingly, the investment is fully provided with allowance for impairment loss.

## 8. Property, Plant and Equipment

Movements in this account are as follows:

<i>August 31, 2022</i>	Land	Land Improvements	Buildings and Structures	Community Buildings and Equipment	Machinery and Equipment	Project under Construction (PUC)	Total
<b>Acquisition Cost</b>							
At September 1, 2021	₱158,438	₱202,193	₱869,215	₱20,874	₱8,149,195	₱162,341	₱9,562,256
Additions	4,600	40,780	9,364	–	187,561	742,396	984,701
Retirement	–	14,206	10,242	–	195,145	(219,593)	–
At August 31, 2022	163,038	257,179	888,821	20,874	8,531,901	685,144	10,546,957
<b>Accumulated Depreciation and Amortization</b>							
At September 1, 2021	–	130,065	675,379	14,209	4,305,865	–	5,125,518
Depreciation and amortization	–	14,826	21,424	499	348,337	–	385,086
At August 31, 2022	–	144,891	696,803	14,708	4,654,202	–	5,510,604
<b>Allowance for Impairment Loss</b>							
At September 1, 2021 and August 31, 2022	–	8,002	–	–	–	–	8,002
	163,038	104,286	192,018	6,166	3,877,699	685,144	5,028,351
<b>Appraisal Increase</b>							
At September 1, 2021 and August 31, 2022	442,611	139,591	644,404	1,370	3,960,292	–	5,188,268
<b>Accumulated Depreciation and Amortization</b>							
At September 1, 2021	–	139,591	643,517	1,370	3,688,062	–	4,472,540
Depreciation and amortization	–	–	262	–	30,914	–	31,176
At August 31, 2022	–	139,591	643,779	1,370	3,718,976	–	4,503,716
	442,611	–	625	–	241,316	–	684,552
<b>Net Carrying Value</b>	<b>₱605,649</b>	<b>₱104,286</b>	<b>₱192,643</b>	<b>₱6,166</b>	<b>₱4,119,015</b>	<b>₱685,144</b>	<b>₱5,712,903</b>

<i>August 31, 2021</i>	Land	Land Improvements	Buildings and Structures	Community Buildings and Equipment	Machinery and Equipment	Project under Construction (PUC)	Total
<b>Acquisition Cost</b>							
At September 1, 2020	₱158,438	₱175,154	₱746,931	₱20,874	₱7,926,722	₱170,550	₱9,198,669
Additions	–	10,682	26,160	–	168,353	158,422	363,617
Retirement	–	–	–	–	(30)	–	(30)
Reclassification of completed projects	–	16,357	96,124	–	54,150	(166,631)	–
At August 31, 2021	158,438	202,193	869,215	20,874	8,149,195	162,341	9,562,256
<b>Accumulated Depreciation and Amortization</b>							
At September 1, 2020	–	119,457	651,325	13,709	3,979,718	–	4,764,209
Depreciation and amortization	–	10,608	24,054	500	326,177	–	361,339
Retirement	–	–	–	–	(30)	–	(30)
At August 31, 2021	–	130,065	675,379	14,209	4,305,865	–	5,125,518
<b>Allowance for Impairment Loss</b>							
At September 1, 2020 and August 31, 2021	–	8,002	–	–	–	–	8,002
	158,438	64,126	193,836	6,665	3,843,330	162,341	4,428,736
<b>Appraisal Increase</b>							
At September 1, 2020 and August 31, 2021	442,611	139,591	644,404	1,370	3,960,292	–	5,188,268
<b>Accumulated Depreciation and Amortization</b>							
At September 1, 2020	–	139,591	643,255	1,370	3,654,743	–	4,438,959
Depreciation and amortization	–	–	262	–	33,319	–	33,581
At August 31, 2021	–	139,591	643,517	1,370	3,688,062	–	4,472,540
	442,611	–	887	–	272,230	–	715,728
<b>Net Carrying Value</b>	<b>₱601,049</b>	<b>₱64,126</b>	<b>₱194,723</b>	<b>₱6,665</b>	<b>₱4,115,560</b>	<b>₱162,341</b>	<b>₱5,144,464</b>

Additions to PUC mainly include construction and assembly of steam turbine generator, boilers and mill equipment, construction of biodigester, additional storage tanks and distillery vacuum distillation plant and major repair of buildings. Completed projects amounting to ₱219.59 million and ₱166.63 million in 2022 and 2021, respectively, were transferred to the appropriate fixed asset category. No borrowing costs were capitalized in 2022 and 2021.

The outstanding purchase commitments of the Company as at August 31, 2022 and 2021 amounted to ₱831.66 million and ₱880.94 million, respectively.

The cost of fully depreciated property, plant and equipment still being used in the Company's operations amounted to ₱2,810.10 million and ₱2,520.01 billion as at August 31, 2022 and 2021, respectively.

The fair values of property, plant and equipment were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in April 2018. The Company assessed that the roll-forward of the property, plant and equipment at the date of appraisal to August 31, 2022 and 2021, reasonably reflects its fair values.

The fair value of the land was computed using the Market Data Approach (Level 2). In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity.

The fair values of other property, plant and equipment were computed using the Cost Approach (Level 3). Under this approach, an estimate is made of the current Cost of Replacement of the buildings and land improvements, in accordance with the prevailing market prices for materials, labor and overhead. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence based on inspection by the appraiser of the buildings and other land improvements.

Depreciation and amortization recognized consist of:

	Note	2022	2021
Property and equipment		<b>₱416,262</b>	₱394,920
Computer software	10	<b>8,194</b>	8,187
		<b>₱424,456</b>	₱403,107

Depreciation and amortization based on cost and on appraisal increase are charged to operations as follows:

	Note	2022	2021
Cost of sales	15	<b>₱393,465</b>	₱374,753
General and administrative expenses	16	<b>23,469</b>	24,785
Selling expenses	16	<b>7,522</b>	3,569
		<b>₱424,456</b>	₱403,107

## 9. Investment Properties

Investments properties are held for lease and capital appreciation. The details of this account follow:

	Note	Land	Buildings	Total
Balance as at August 31, 2020		₱624,538	₱16,318	₱640,856
Addition		24,282	–	24,282
Fair value gain (loss)	17	20,141	(778)	19,363
Balance as at August 31, 2021		668,961	15,540	684,501
Fair value gain (loss)	17	<b>44,503</b>	<b>(3,638)</b>	<b>40,865</b>
Balance as at August 31, 2022		<b>₱713,464</b>	<b>₱11,902</b>	<b>₱725,366</b>

Addition in 2021 pertains to the property exempted by the Department of Agrarian Reform from the Compulsory Acquisition pursuant to the CARP, which were previously confirmed as subject to the CARP coverage. Consequently, the Company derecognized the related receivable from a government bank amounting ₱25.22 million resulting to a loss of ₱0.94 million recognized as “Others” under “Other income” account (Notes 6 and 17).

The fair values of investment properties were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in August 2022.

The fair value of land was computed using the Market Data Approach (Level 2). In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity.

The fair value of buildings was computed using the Cost Approach (Level 3). Under this approach, an estimate is made on the current cost of replacement of the buildings, in accordance with the prevailing market prices for materials, labor and overhead. Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence based on inspection by the appraiser of the buildings.

Other information related to investment properties are shown below:

	Note	2022	2021
Rental income (included in other income)	17	<b>₱6,746</b>	₱6,130
Direct expenses (mainly real property taxes)		<b>5,362</b>	5,158

## 10. Other Noncurrent Assets

Details of this account are as follows:

	2022	2021
Advances to suppliers, net of current portion	P161,660	P99,112
Cash surety bond	21,813	22,332
Computer software, net of accumulated amortization	9,580	17,774
Receivables from a government bank	7,741	81,838
Refundable deposits	767	810
Others	7,041	7,041
	<b>P208,602</b>	<b>P228,907</b>

Advances to suppliers mainly pertain to amounts paid for the construction and installation of the Company's plant projects. These are noninterest-bearing and are expected to be settled throughout the progress of the projects.

Cash surety bonds pertain to cash collateral for the labor cases against the Company (Note 22).

Computer software includes cost of developing the accounting system of the Company. Accumulated amortization amounted to P31.08 million and P22.89 million as at August 31, 2022 and 2021, respectively. Amortization amounted to P8.19 million in 2022 and 2021 (Note 8).

Refundable deposits represent advances held by lessors to cover any possible damage to the leased premises aside from ordinary wear and tear, and any unpaid obligation and liabilities of the Company at the end of the lease term.

Receivables from a government bank pertain to uncollected proceeds on the land subject to Voluntary Offer to Sell and Compulsory Acquisition pursuant to the CARP that are expected to be collected beyond one year (Note 6).

## 11. Trade Payables and Other Current Liabilities

The account is consists of:

	Note	2022	2021
Trade:			
Third parties		P357,701	P209,783
Related parties	20	2,199	4,161
Accrued expenses		155,667	120,483
Retention payable		43,333	12,680
Customers' deposits		38,965	82,537
Current portion of payable to claimants		30,492	30,492
Liens payable		28,725	46,688
Advances from subsidiaries	20	15,922	13,039
Due to government agencies		9,024	5,964
Others		16,001	26,892
		<b>P698,029</b>	<b>P552,719</b>

Trade payables are noninterest-bearing and are normally settled on a 30 to 90-days term.

Accrued expenses pertain to accruals for contracted services, trucking allowance, security services and other operating expenses, which are payable within one year.

Retention payable represents amounts withheld from contract price for construction contracts which is equal to a certain percentage of the total contract price or a fixed amount depending on the contract. This becomes payable upon completion or performance of terms and conditions as stated in the contract.

Customers' deposits represent payments received in advance by the Company for sale of sugar and molasses. These are recognized as revenue upon transfer of quedans for raw sugar or molasses warehouse receipts for molasses and approval of RSDO or delivery for refined sugar.

Payable to claimants pertains to the agreed compromise amount with the RSDO and RSQ claimants payable beginning December 2019 over 10 years (Note 20). Details of current and noncurrent portion of payable to claimants are as follows:

	<b>2022</b>	2021
Payable to claimants	<b>₱213,447</b>	₱243,939
Unamortized discount	<b>(47,664)</b>	(61,867)
	<b>165,783</b>	182,072
Current portion	<b>(30,492)</b>	(30,492)
Noncurrent portion	<b>₱135,291</b>	₱151,580

Interest incurred on payable to claimants, included under "Finance cost", amounted to ₱14.20 million and ₱15.60 million in 2022 and 2021, respectively. Payable to claimants is discounted at a rate of 9.37%.

Liens payable represents amounts payable to the Sugar Regulatory Authority ("SRA") as imposed based on the volume of sugar produced, due to be settled within one year.

Due to government agencies include accrued remittances for statutory taxes withheld and contributions payable to various government agencies.

Other includes, among others, amounts pertaining to social amelioration fund set aside for the sugar workers, association dues payable to the different planters' associations accredited by the Company and due to government agencies.

Management considers that the carrying amount of trade payables and other current liabilities approximates fair value due to their short-term maturities.

## 12. Provisions for Legal Claims

The Company is currently involved in various legal proceedings which are still pending resolution or under suspension in view of the Company's rehabilitations status (Notes 1 and 22).

Estimates of probable costs resulting from the resolution of these claims have been developed in consultation with the Company's legal counsels handling the defense on these matters and are based upon an assessment of potential results. Based on the progress of the legal cases as at reporting date, management has revised its previous estimate resulting to additional provision for legal claims amounting to ₱172.70 million in 2022 as recommended by the Company's legal counsel and reversal/settlement of provisions amounting to ₱3.89 million in 2021 (Note 19).

Movements in this account are as follows:

	2022	2021
Balance at beginning of year	₱322,858	₱310,866
Net additions (reversals/settlement)	172,703	(3,888)
Unwinding of discount	18,208	15,880
Balance as at end of year	₱513,769	₱322,858

The undiscounted amount and the related unamortized discount are as follows:

	2022	2021
Provisions for legal cases, undiscounted	₱620,133	₱412,050
Unamortized discount	(106,364)	(89,192)
	₱513,769	₱322,858

Unwinding of discount on provision for legal claims is included under "Finance cost".

On an annual basis, the provisions are re-evaluated and recalculated based on latest available information. The provisions were discounted at 7.98% and 5.60% as at August 31, 2022 and 2021, respectively.

## 13. Equity

### *Capital Stock/Treasury Stock*

	2022		2021	
	Number of Shares	Amount	Number of Shares	Amount
Common shares at ₱1 par value per share				
Authorized	3,042,061,094	₱3,042,061	3,042,061,094	₱3,042,061
Issued and outstanding	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)
	2,742,050,564	₱1,540,179	2,742,050,564	₱1,540,179

On February 18, 2016, the Company acquired 300 million treasury shares at ₱5 per share or a total of ₱1,501.88 million.

*CN Awaiting Conversion*

CN awaiting conversion amounting to ₱5.45 million, includes accrued interest amounting to ₱2.5 million as at August 31, 2022 and 2021.

*Retained Earnings*

The Second Amendment to the Rehabilitation Plan, dated July 22, 1999 and approved by the SEC in its order dated August 17, 1999, provided for the reduction of the capital stock and revaluation increment to reduce the Parent Company's deficit pursuant to a quasi-reorganization.

Under paragraph 7 of the SEC's Guidelines for Quasi Reorganization, the Parent Company's retained earnings is restricted for dividend declaration to the extent of the amount of deficit reduced and not recovered by accumulated depreciation or appraisal increment by the appraisal surplus. However, the SEC Order dated August 17, 1999 granted the Parent Company exemption from the application of the said paragraph.

Retained earnings are restricted for the declaration and payment of dividends to the extent of the cost of treasury shares amounting to ₱1,501.88 million August 31, 2022 and 2021.

On December 7, 2021, the BOD approved the appropriation of Company's retained earnings amounting to ₱1,100.00 million for the acquisition of a medium pressure boiler and construction of warehouse facilities. The projects were approved by the BOD and are expected to be completed in 2023.

On the same date, the BOD also approved the appropriation of the Company's retained earnings amounting to ₱274.21 million for the declaration of regular cash dividends in the amount of ₱0.05 per share and special cash dividends in the amount of ₱0.05 per share. Both regular and special cash dividends will be paid to all common shareholders of record as of December 22, 2021 and was paid on January 18, 2022.

On August 31, 2022, the BOD approved the appropriation of Company's retained earnings amounting to ₱310.00 million for the acquisition of 30MW steam turbine generator. This was approved by the BOD and is expected to be completed in 2023.

Events after the Reporting Year

On December 5, 2022, the BOD approved the issuance of cash dividends from the Company's unrestricted retained earnings as at August 31, 2022 as follows: (a) ₱0.05 per share as regular dividends and (b) ₱0.02 per share as special dividends payable on January 27, 2023 to all shareholders of record as at January 3, 2023.

On the same date, the BOD also approved the following subject to the approval of the shareholders in a meeting duly called for such purpose: (a) increase in the Company's authorized capital stock from 3,042,061,094 shares to 10,000,000,000 shares, (b) the issuance of stock dividends from the Company's unrestricted retained earnings as at August 31, 2022 consisting of 2,742,050,564 new shares by way and in support of the abovementioned increase in capital stock; (c) and the amendment of the Company's Articles of Incorporation to reflect the proposed increase in authorized capital stock. As at the report date, the Parent Company is yet to file its application for the increase in authorized capital stock and the amendment in its Articles of Incorporation with the SEC.

*Other Equity Reserves*

Details and movements in this account are as follows:

	Note	2022	2021
Revaluation increment on property, plant and equipment:			
Balance at beginning of year		<b>₱77,991</b>	₱65,711
Transfer of revaluation increment to retained earnings		<b>(31,176)</b>	(33,581)
Deferred income tax effect		<b>7,794</b>	8,396
Effect of change in income tax rate		–	37,465
Balance at end of year		<b>54,609</b>	77,991
Cumulative remeasurement gains (losses) on retirement liability:	19		
Balance at beginning of year		<b>2,799</b>	(2,101)
Remeasurement gain		<b>10,216</b>	6,734
Deferred income tax effect		<b>(2,554)</b>	(1,684)
Effect of change in effective tax rate		–	(150)
Balance at end of year		<b>10,461</b>	2,799
		<b>₱65,070</b>	₱80,790

**14. Revenue**

Revenue consists of:

	2022	2021
Sale of goods:		
Raw sugar	<b>₱2,458,598</b>	₱2,439,088
Refined sugar	<b>1,907,446</b>	1,785,803
Ethanol	<b>1,801,816</b>	702,416
Alcohol	<b>48,385</b>	118,103
Power generation	<b>27,015</b>	42,260
Molasses	<b>24,436</b>	343,333
	<b>6,267,696</b>	5,431,003
Service income:		
Milling service	<b>1,497,984</b>	1,395,758
Tolling fees	<b>653,862</b>	531,263
	<b>2,151,846</b>	1,927,021
	<b>₱8,419,542</b>	₱7,358,024

## 15. Cost of Sales and Services

Cost of sales and services consist of:

	Note	2022	2021
Inventories used	5	<b>₱5,194,502</b>	₱4,811,046
Depreciation and amortization	8	<b>393,465</b>	374,753
Repairs and maintenance		<b>382,986</b>	300,806
Materials and supplies		<b>281,209</b>	225,116
Direct labor		<b>185,674</b>	188,868
Light and water		<b>121,966</b>	73,535
Fuel		<b>120,773</b>	90,560
Professional fees and contracted services		<b>104,088</b>	110,080
Taxes and licenses		<b>39,504</b>	39,757
Others		<b>17,431</b>	16,841
		<b>₱6,841,598</b>	<b>₱6,231,362</b>

Cost of hauling for the years ended August 31, 2022 and 2021 amounting to ₱1,616.51 million and ₱1,410.24 million, respectively, is presented as deduction against milling revenue.

## 16. Operating Expenses

### (a) General and Administrative Expenses

The account consists of:

	Note	2022	2021
Taxes and licenses		<b>₱106,192</b>	₱105,586
Professional fees and contracted services		<b>97,399</b>	88,271
Salaries and employee benefits		<b>84,881</b>	83,453
Representation and entertainment		<b>34,622</b>	38,432
Provisions (reversals of allowance) for impairment losses on:			
Trade and other receivables	4	<b>27,101</b>	–
Input and advance output VAT	6	–	(55,204)
Depreciation and amortization	8	<b>23,469</b>	24,785
Net retirement benefits	19	<b>12,293</b>	12,995
Provision for inventory write-down and obsolescence	5	<b>9,512</b>	22,036
Travel and transportation		<b>6,308</b>	4,691
Supplies		<b>5,476</b>	7,457
Repairs and maintenance		<b>3,620</b>	3,282
Others		<b>45,530</b>	23,975
		<b>₱456,403</b>	<b>₱359,759</b>

Others include rental, insurance premium, utilities, communication and other administrative costs.

(b) *Selling Expenses*

The account consists of:

	Note	2022	2021
Freight and handling		<b>₱95,781</b>	₱95,195
Rental		<b>15,075</b>	21,804
Depreciation and amortization	8	<b>7,522</b>	3,569
Taxes and licenses		<b>7,160</b>	12,655
Salaries and employee benefits		<b>5,896</b>	6,702
Materials and supplies		<b>2,105</b>	2,000
Others		<b>8,421</b>	5,594
		<b>₱141,960</b>	₱147,519

17. **Other Income (Charges)**

This account consists of:

	Note	2022	2021
Storage, handling and insurance fee		<b>₱143,271</b>	₱178,051
Insurance claims	5	<b>44,242</b>	–
Net gain on fair value changes of investment properties	9	<b>40,865</b>	19,363
Net foreign exchange gain		<b>17,584</b>	1,071
Gain on sale of investments in UITF	3	<b>14,204</b>	4,091
Rental income	9	<b>6,746</b>	6,130
Scrap sales		<b>4,606</b>	5,091
Interest income	2	<b>4,080</b>	1,899
Unrealized gain (loss) on fair value changes of investments in UITF	3	<b>(2,763)</b>	2,608
Sale of bagasse		–	13,893
Others - net		<b>28,806</b>	18,099
		<b>₱301,641</b>	₱250,296

Storage, handling and insurance fees pertain to warehousing fees, trucking services and fuel costs which are charged to traders and planters.

Others include proceeds from grid testing, miscellaneous fees and penalty charges collected from suppliers and other parties.

## 18. Income Tax

The reconciliation of income tax expense computed at the applicable statutory rate to the effective income tax expense is as follows:

	Note	2022	2021
Income before income tax		<b>₱1,076,108</b>	₱842,090
Income tax expense at statutory rate		<b>269,027</b>	210,522
Tax effects of:			
Income subject to income tax holiday (ITH)		<b>(174,379)</b>	(103,262)
Effect of adoption of accounting standard for financial reporting		<b>21,097</b>	3,705
Interest income subject to final tax		<b>(1,020)</b>	(475)
Other non-deductible expenses		<b>3,614</b>	5,981
Effect of change in effective tax rate		-	(18,247)
		<b>₱118,339</b>	₱98,224

Income subject to income tax holiday (ITH) pertains to income from the sale of power and sale of bioethanol, which are activities registered with the Board of Investments (BOI) on January 23, 2015 and November 28, 2018, respectively. Both activities are entitled to ITH for a period of seven years until 2022 and 2025, respectively.

On July 1, 2022, the BOI approved the registration of biomass cogeneration powerplant with ITH entitlement for a period of seven years until 2029.

The composition of net deferred income tax liabilities is as follows:

	2022	2021
Deferred tax liabilities:		
Cumulative fair value gain on investment properties	<b>₱234,619</b>	₱224,403
Net appraisal increase on property, plant and equipment	<b>171,138</b>	178,932
Capitalized borrowing costs	<b>38,121</b>	40,408
Unrealized foreign exchange gain	<b>1,848</b>	803
	<b>445,726</b>	444,546
Deferred tax assets:		
Provisions for legal claims	<b>128,443</b>	80,715
Payable to claimants	<b>41,446</b>	45,518
Allowance for impairment losses on:		
Trade and other receivables	<b>18,256</b>	11,481
Investments in subsidiaries and an associate	<b>9,516</b>	9,516
Property, plant and equipment	<b>2,001</b>	2,001
Retirement liability	<b>11,815</b>	13,796
Customers' deposits	<b>9,741</b>	20,634
Allowance for Inventory write-down and obsolescence	<b>8,360</b>	9,704
Unrealized loss on change in fair value of UITF	<b>624</b>	-
	<b>230,202</b>	193,365
	<b>₱215,524</b>	₱251,181

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or RA No. 11534 was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the corporate income tax rate from 30% to 25% starting July 1, 2020. In 2021, the change in effective tax rate resulted to a reduction in the current income tax expense by ₱4.39 million, increase in deferred income tax benefit by ₱13.86 million and increase in other comprehensive income by ₱37.32 million.

The composition of current income tax expense in 2021 is as follows:

Current income tax expense for the taxable year August 31, 2021	₱122,846
Impact of change in income tax rate beginning July 1, 2020	(4,388)
	<u>₱118,458</u>

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## 19. Retirement Plan

The Company has a formal retirement plan covering all qualified employees. The Plan is a defined benefit plan registered with the Bureau of Internal Revenue (BIR) as a tax-qualified plan under Republic Act No. 4917, An Act Providing that Retirement Benefits of Employees of Private Firms shall not be subject to Attachment, Levy, Execution, or any Tax, whatsoever, as amended. The Company estimates its retirement benefits under Republic Act No. 7641, Retirement Pay Law, in which retirement benefit due to qualified employees is equivalent to 22.5 days pay of final monthly basic salary for every year of credited service.

The Company, through the retirement committee, has entered into a trust agreement with a trustee bank to manage and administer its plan assets. The plan assets are comprised of cash in bank and debt instruments.

Retirement benefit obligation is actuarially calculated using the projected unit credit method. The Company's latest actuarial valuation was performed by independent actuary as at August 31, 2022.

Components of retirement benefits are as follows:

	Note	2022	2021
Current service cost		<b>₱9,755</b>	₱11,054
Net Interest cost		<b>2,538</b>	1,941
	16	<b>₱12,293</b>	₱12,995

Retirement benefits recognized in profit or loss is included under general and administrative expenses in the separate statements of comprehensive income.

Movements in the cumulative remeasurement losses (gains) on retirement liability recognized in other comprehensive income are as follows (Note 13):

	<b>2022</b>	2021
Balance at beginning of year, net of tax effect	<b>(₱2,799)</b>	₱2,101
Remeasurement gain	<b>(10,216)</b>	(6,734)
Change in income tax rate	-	150
	<b>(13,015)</b>	(4,483)
Deferred income tax charged to other comprehensive income	<b>2,554</b>	1,684
<b>Balance at end of year, net of tax effect</b>	<b>(₱10,461)</b>	<b>(₱2,799)</b>

The amounts recognized as retirement liability in the separate statements of financial position for the retirement plan are determined as follows:

	<b>2022</b>	2021
Present value of defined benefit obligation	<b>₱49,616</b>	₱56,131
Fair value of plan asset	<b>(2,355)</b>	(947)
	<b>₱47,261</b>	₱55,184

Movements in the present value of retirement benefit obligation for the years ended August 31 are as follows:

	<b>2022</b>	2021
Balance as at beginning of year	<b>₱56,131</b>	₱55,815
Current service cost	<b>9,755</b>	11,054
Remeasurement gain:		
Changes in financial assumptions	<b>(8,728)</b>	(5,602)
Changes in experience	<b>(1,508)</b>	(1,196)
Benefits paid from plan assets	<b>(8,616)</b>	(5,949)
Interest cost	<b>2,582</b>	2,009
<b>Balance as at end of year</b>	<b>₱49,616</b>	<b>₱56,131</b>

Plan asset as at August 31, 2022 and 2021 comprise investments in UITF with underlying portfolio of money market instruments.

Changes in the fair value of plan asset are as follows:

	<b>2022</b>	2021
Balance at beginning of year	<b>₱947</b>	₱1,892
Interest income	<b>44</b>	68
Benefits paid	<b>(8,616)</b>	(5,949)
Actual return	<b>(20)</b>	(64)
Actual contributions	<b>10,000</b>	5,000
<b>Balance at end of year</b>	<b>₱2,355</b>	<b>₱947</b>

The Company expects to contribute ₱10.00 million to the plan in 2023.

The principal actuarial assumptions used were as follows:

	<b>2022</b>	2021
Discount rate	<b>6.40%</b>	4.60%
Salary increase rate	<b>3.00%</b>	3.00%

The average remaining service life of employees as at August 31, 2022 and 2021 is 13 years.

The plan exposes the Company to the following risks:

- *Liquidity Risk* - The inability to meet benefit obligation payout when due.
- *Interest Rate Risk* - The present value of defined benefit obligation is relatively sensitive and inversely related to the discount rate. In particular, if the discount rate, which is referenced to government bonds, decreases then the defined benefit obligation increases.
- *Salary Risk* - The present value of defined benefit obligation is relatively sensitive and directly related to future salary increases. In particular, if the actual salary increases in the future are higher than expected then the defined benefit obligation and benefits are higher as well.
- *Market Risk* - As plan assets are invested in financial instruments, the retirement plan is exposed to potential losses due to unexpected changes in external markets, prices, or rates, related to general market movements or a specific asset on the plan assets.

The expected maturity analysis of undiscounted retirement benefit payments are as follows:

	<b>2022</b>	2021
0 to 5 years	<b>₱35,805</b>	₱38,949
6 to 10 years	<b>46,649</b>	39,514
11 to 15 years	<b>31,380</b>	39,174
16 years and up	<b>279,765</b>	294,450

	Impact on retirement liability		
	Change in assumption	Increase in assumption	Decrease in assumption
<b>2022</b>			
Discount rate	1%	Decrease by ₱3,866	Increase by ₱4,526
Salary increase rate	1%	Increase by ₱4,639	Decrease by ₱4,020
<b>2021</b>			
Discount rate	1%	Decrease by ₱4,694	Increase by ₱5,602
Salary increase rate	1%	Increase by ₱5,637	Decrease by ₱4,804

The foregoing sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the separate statements of financial position.

## 20. Related Party Transactions and Balances

Related party transactions are as follows:

<b>August 31, 2022</b>	<b>Transactions for the Year</b>	<b>Outstanding Balance</b>	<b>Terms and Conditions</b>
<b>Subsidiaries</b>			
Advances to subsidiaries (Note 4)		<b>₱128,908</b>	Unguaranteed and unsecured
Advances from subsidiaries (Note 11)		<b>(15,922)</b>	Unguaranteed and unsecured
<b>Under common stockholder</b>			
Sale of goods and services (Note 4)	<b>₱641,593</b>	<b>107,436</b>	Unguaranteed and unsecured; noninterest-bearing
Purchase of goods, rental and other services (Note 11)	<b>87,386</b>	<b>(2,199)</b>	Unguaranteed and unsecured; noninterest-bearing
Cash in bank, money market placements and investments in UITF	–	<b>1,639,802</b>	Payable in cash
Retirement fund held in trust	–	<b>3,145</b>	Payable in cash
<b>Key management personnel</b>			
Salaries and wages	<b>₱16,194</b>	<b>₱–</b>	Payable in cash
Retirement benefits	<b>864</b>	–	Payable in cash
<hr/>			
<b>August 31, 2021</b>	<b>Transactions for the Year</b>	<b>Outstanding Balance</b>	<b>Terms and Conditions</b>
<b>Subsidiaries</b>			
Advances to subsidiaries (Note 4)		<b>₱83,570</b>	Unguaranteed and unsecured
Advances from subsidiaries (Note 11)		<b>(13,039)</b>	Unguaranteed and unsecured
<b>Under common stockholder</b>			
Sale of goods and services (Note 4)	<b>₱1,087,153</b>	<b>423,225</b>	Unguaranteed and unsecured; noninterest-bearing
Purchase of goods, rental and other services (Note 11)	<b>145,522</b>	<b>(4,161)</b>	Unguaranteed and unsecured; noninterest-bearing
Cash in bank, money market placements and investments in UITF	–	<b>1,165,512</b>	
Retirement fund held in trust	–	<b>3,031</b>	
		<b>₱1,587,607</b>	
<b>Key management personnel</b>			
Salaries and wages	<b>₱16,194</b>	<b>₱–</b>	Payable in cash
Retirement benefits	<b>864</b>	–	Payable in cash

### *Advances to Subsidiaries*

In the normal course of business, the Company has transactions with related parties principally consisting of advance payments for operating expenses made on behalf of the subsidiaries. These advances are unsecured and are due and demandable.

As at August 31, 2022 and 2021, allowance for impairment loss on advances to subsidiaries amounted to ₱38.4 million. This assessment is undertaken at each reporting date by examining the financial position of the related party and the market in which the related party operates.

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## 21. Agreements and Commitments

The significant agreements are as follows:

- a. Under Republic Act No. 809, The Sugar Act of 1952, VMC and the planters should share from the sugar and molasses produced from sugar canes owned by the planters milled by VMC. Effective September 1, 2020, the sharing allocation is 70% for the planters and 30% for VMC.
- b. As at August 31, 2022, the Company has in its custody sugar owned by several quedan and delivery order holders with volume of about 0.30 million Lkg and 0.42 million Lkg as at August 31, 2022 and 2021. The said volume of sugar is not reflected in the separate statements of financial position since this is not owned by the Company. The Company is accountable to both quedan holders and sugar traders for the value of these trusted sugar or their sales proceeds.
- c. On August 24, 1993, the Company and VGCCI entered into an agreement (the Agreement) wherein VGCCI will issue shares of stock with total par value of ₱0.23 million to the Company in exchange for a parcel of land with an appraised value of ₱13.21 million. The excess of the appraised value of the land over the par value of shares of ₱12.98 million will be recognized as additional paid-in capital of VGCCI.

As at the report date, the title of the land has not yet been transferred in the name of VGCCI. The land was covered by an MTI agreement between the Company and various creditor banks. However, on August 21, 2020 the SEC En Banc ruled in favor of the discharge of the MTI and the consignment of the properties to the Company. The effectivity of the agreement remains on hold pending the lifting of the revocation of VGCCI's Permit to Sell Securities to the Public.

Pending the execution of the Agreement, the Company agreed to transfer the possession and rights to use the land to VGCCI without consideration. Improvements introduced to the land subsequent to the date of the Agreement are understood to belong to VGCCI.

- d. On September 1, 2022, the Company entered into a Sale and Purchase Agreement (SPA) with Tanduay Distillers, Inc., Prior Holdings Inc. and Castelbridge Investment Corporation for the acquisition of 100% of the outstanding capital stock of Asian Alcohol Corporation (AAC), a manufacturer of rectified and denatured alcohol.

The Company did not continue the acquisition of AAC pursuant to the SPA.

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## 22. Provisions and Contingencies

The Company's management and legal counsels are of the opinion that the positions taken by the Company in the legal proceedings briefly discussed below are highly meritorious. However, the Company cannot anticipate with certainty the progress and the outcome of the legal proceedings, the appreciation of the available evidence by the relevant courts or tribunals involved and the development of jurisprudence or precedents that will be decided by the highest court, which will be relevant to the pending cases.

a. RSDO and RSQ Claims

NONEMARCO availed of bank loans and used RSDO and RSQ, allegedly issued by VMC, as security. NONEMARCO defaulted payments on these loans. Consequently, the creditor banks filed collection cases aggregating ₱1.19 billion against NONEMARCO.

VMC denied liability to creditor banks on the RSDO and RSQ claims because these claims lacked factual or legal basis and that these were issued by officers of NONEMARCO who acted fraudulently.

In 2015 and 2016, the SEC Special Hearing Panel (“SHP”) ordered VMC to settle the claims of certain claimant banks. VMC appealed the relevant orders of the SHP to the SEC En Banc, but were denied. In 2017, VMC filed separate Petitions for Review with Prayer for Preliminary Injunction and Temporary Restraining Order (“Petitions for Review”) before the Court of Appeals (CA) relating to the decisions of the SEC En Banc. On October 13, 2017, the CA granted the Petitions for Review and set aside the SEC En Banc decisions.

VMC continues to contest the claims, but in order to achieve the objectives of the rehabilitation, to buy peace, promote stability in its operations, and avoid further protracted litigation, VMC filed a Motion for the Alteration or Modification of its Plan (“Motion for Alteration”) on April 17, 2018 with respect to the RSDO and RSQ claims. The concerned parties interposed no objection to, agreed with, and supported the Motion for Alteration. On December 3, 2018, the SEC granted the Motion for Alteration and approved the (i) alteration or amendment of the Plan and DRA; and (ii) payment to the RSDO and RSQ claimants a total compromise amount of ₱304.92 million as full settlement of their claims payable beginning December 2019 over a period of 10 years. Accordingly, a portion of the provision for RSDO and RSQ claims was reversed in 2018 (Note 12).

The current portion of the claims amounting to ₱30.49 million and noncurrent portion amounting to ₱135.29 million and ₱151.58 million as at August 31, 2022 and 2021, respectively, were reclassified to “Trade payable and other current liabilities” and “Payable to claimants, net of current portion” accounts, respectively.

b. Labor, Civil and Other Cases

There are various lawsuits and claims such as labor and collection cases filed by third parties against VMC. Relative to this, VMC is required to put up surety bonds (Note 10). On December 3, 2018, the SEC SHP issued an order directing VMC to validate other pending claims of the third parties. VMC continues to monitor these claims and has recognized provisions accordingly (Note 12).

VMC also has legal actions against third parties in the ordinary course of business.

c. Proceeding with the Pollution Adjudication Board (PAB)

VMC has a proceeding with the PAB on non-compliance with water and air standards. To comply with the order of the Department of Energy and Natural Resources, VMC acquired, constructed and installed air and water pollution control devices amounting to about ₱350 million. VMC submitted a number of pleadings to the PAB to prevent a re-imposition of the Cease and Desist Order on which the PAB issued temporary lifting orders (TLO). VMC also filed Position Papers, praying for the reduction of fines imposed by the PAB.

On June 19, 2017, VMC filed a Motion for issuance of Formal Lifting Order before the PAB, which was denied on April 19, 2018. On May 17, 2018, VMC filed a Motion for Reconsideration and Clarification, stating that the denial of the request for Formal Lifting Order was prematurely issued. On December 11, 2019, the PAB issued the Formal Lifting Order.

d. Convertible Note Case against Eastwest Bank Corporation (EWBC)

In 2014, VMC redeemed the convertible note held by EWBC ("EWBC CN") in accordance with the Plan, DRA and convertible note provisions. However, EWBC did not accept the redemption. On a letter dated September 25, 2014, VMC consigned to the SEC-appointed rehabilitation receiver the checks amounting to ₱366.12 million as full payment of the EWBC CN.

On August 11, 2015, the SEC En Banc confirmed VMC's redemption of the EWBC CN and consignment of payments. The SEC En Banc likewise denied EWBC's motion to compel VMC to allow EWBC to exercise its option to convert the EWBC CN. Accordingly, the "Checks payable to EWBC" was extinguished as at August 31, 2015. These were affirmed by the CA in its Decision dated January 19, 2016.

On June 27, 2016, VMC received a copy of the Petition for Review (with application for the issuance of a preliminary injunction) dated June 10, 2016 ("EWBC Petition") filed by EWBC with the SC to appeal the CA's decision. However, on September 23, 2016, the CA resolved that "in view of the result of Case Management Information System verification on September 16, 2016 which shows that no Supreme Court petition has been filed, the decision became final on June 12, 2016. An entry of judgment is ordered issued." Based on the CA Entry of Judgment dated September 23, 2016, the CA decision dated January 19, 2016 became final and executory on June 12, 2016.

EWBC filed a Manifestation dated November 15, 2016 with the CA stating that it filed a Petition for Review before the SC on June 10, 2016. However, EWBC did not seek reconsideration of the CA Resolution dated September 23, 2016. Accordingly, the CA Resolution dated September 23, 2016 and CA Entry of Judgment dated September 23, 2016 may be deemed to have become final and executory.

On February 6, 2017, VMC filed its Motion to Dismiss dated February 3, 2017 ("Motion to Dismiss") vis-à-vis the EWBC Petition with the SC. In December 2019, the case was decided by the Supreme Court (SC) in favor of VMC. On June 22, 2020, VMC received a copy of the Motion for Reconsideration from EWBC. On January 29, 2021, VMC received the resolution of the SC dated September 2, 2020 deciding the case in favor of VMC with finality. The SC ordered the issuance of an Entry of Judgment on the case. On July 28, 2022, EWBC's board of directors agreed to accept the payment for the convertible note.

Provisions for legal claims amounted to ₱513.77 million and ₱322.86 million as at August 31, 2022 and 2021. Management believes that the provisions for legal claims are reasonable and adequate to cover for potential losses from the foregoing legal cases (Note 12).

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### 23. Significant Accounting Judgments and Estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Critical Accounting Judgments

*a. Recognizing Revenue (Note 14)*

Under Republic Act No. 809, *The Sugar Act of 1952*, the Company and the planters should share from the sugar and molasses produced from sugar canes owned by the planters milled by the Company (the Output Sharing Arrangement). Effective September 1, 2020, the sharing allocation is 70% for the planters and 30% for the Company.

The Company assessed that its Output Sharing Arrangement with the planters constitute a milling service, which is a separate performance obligation. The Company recognizes the milling revenue and inventories received based on the fair value of the mill share estimated at the average raw sugar and molasses selling prices in the week of production.

*b. Recoverability of Deferred Tax Assets (Note 18)*

The Company 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 Company 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.

*c. Distinction between Investment Properties and Owner-Occupied Properties (Notes 8 and 9)*

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is either held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

#### Critical Accounting Estimates

*a. Estimating NRV of Inventories (Note 5)*

In estimating NRV of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Company's business is subject to changes which may cause inventory obsolescence and the nature of the Company'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 Company's inventories within the next financial year.

*b. Allocation of Cost to Inventory Products (Note 5)*

Management uses judgment to measure and allocate cost to its inventory products. When the costs of conversion of each product are not separately identifiable, these are allocated among the products on a rational and consistent basis.

*c. Impairment of Financial Assets (Notes 2, 3, 4 and 10)*

Impairment losses on financial assets are determined based on expected credit losses (ECL). In assessing the ECL, the Company uses historical loss experience adjusted for forward-looking factors, as appropriate.

The Company's cash and cash equivalents are maintained at reputable financial institutions with good industry rating and score.

For investments in UITF, the Company estimates impairment based on 12-month ECL. Investments in UITF, which have credit quality equivalent to "high grade" and have low credit risk at reporting date, are presumed to have no significant increase in credit risk since initial recognition.

The Company estimates impairment on trade receivables based on lifetime ECL using a provision matrix that is based on days past due and takes into consideration historical credit loss experience, adjusted for forward-looking factors, as applicable. Management recognizes losses on credit-impaired receivables from related parties considering its ability to pay based on its available assets.

*d. Impairment of Nonfinancial Assets (Notes 6, 7, 8, 9 and 10)*

The Company assesses impairment on its non-financial assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

*e. Estimating Useful Lives of Property, Plant And Equipment (Note 8)*

The Company estimates useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The Company 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 amortization and decrease noncurrent assets.

There are no changes in the estimated useful lives of property, plant and equipment in 2022 and 2021.

*f. Fair Value of Financial Assets (Note 3)*

Investments in UITF are carried at fair value. When the fair values of financial assets recorded in the separate statements of financial position cannot be measured based on quoted prices in active market, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to this model are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

*g. Fair Value of Non-Financial Assets (Notes 8 and 9)*

The fair values of the Company's property, plant and equipment and 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 Company's property, plant and equipment and investment properties.

Since several factors are considered in the estimation fair values of property, plant and equipment and investment properties, the Company has deemed it impracticable to perform a reasonable sensitivity analysis.

*h. Determination of Retirement Liability (Note 19)*

The determination of the cost of retirement benefits and related retirement liability is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. The assumptions, which include among others, discount rate and rate of salary increase are described in Note 19.

Actual results that differ from the assumptions are accumulated and are recognized as part of other comprehensive income. While management believes that the assumptions are reasonable and appropriate, significant differences in the Company's actual experience of significant changes in the assumptions may materially affect the retirement liability.

*i. Estimating Provisions and Contingencies (Notes 11 and 22)*

The Company is currently involved in various legal proceedings (Note 22) which are still pending resolution or under suspension in view of the Company's rehabilitations status. Estimates of probable costs resulting from the resolution of these claims have been developed in consultation with the legal counsels handling the defense in these matters and are based upon an analysis of potential results.

The Company discounts its provisions over the period such provisions are expected to be settled. The discount rate used by the Company is a government bond rate which is a pretax rate that reflects current market assessments of the time value of money and those risks specific to the liability that have not been reflected in the best estimate of the expenditure. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Since several factors are considered in the estimation of provision for legal claims, the Company has deemed it impracticable to perform a reasonable sensitivity analysis. The future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Company's strategies relating to the foregoing proceedings.

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**24. Risk Management, Objectives and Policies**

*Regulatory Risk*

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

The Company 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 Company's financial assets comprise of cash and cash equivalents, trade and other current receivables (excluding advances to officers and employees), investments in UITF, receivable from a government bank, refundable deposits and cash surety bond. The financial liabilities of the Company, which arise directly from its operations, comprise trade payables and other liabilities (excluding due from government agencies), borrowings and payable to claimants.

The Company'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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The BOD of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. Moreover, market and credit risk management is carried out by the Company's Treasury. 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 Company.

The Company 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 separate statements of financial position are net of allowances for impairment losses on receivables, estimated by the Company's management based on prior experience and their assessment of the prevailing economic environment at any given time.

The Company uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for each type of customers. The Company 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 Company's other financial instruments measured at amortized cost, it is the Company's policy to measure ECL on the foregoing 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 Company 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 discussed in Note 23 to the separate financial statements.

As at August 31, 2022 and 2021, the Company's maximum credit exposure is equal to the carrying values of the following financial assets:

	2022	2021
Cash and cash equivalents <sup>(1)</sup>	P2,411,682	P478,586
Trade and other current receivables <sup>(2)</sup>	552,167	835,086
Investments in UITF	151,646	1,104,191
Receivable from a government bank	49,149	81,838
Cash surety bonds	21,813	22,332
Refundable deposits <sup>(3)</sup>	1,267	1,121
	<b>P3,187,724</b>	<b>P2,523,154</b>

<sup>(1)</sup> Excluding cash on hand.

<sup>(2)</sup> Excluding advances to officers and employees, net of allowance for impairment loss.

<sup>(3)</sup> Including refundable deposits presented under "Others" in Other Current Assets

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

The table below presents the summary of the Company'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.

	2022				Total
	12-month ECL – Not Impaired	12-month ECL – Credit Impaired	Lifetime ECL – Not Impaired	Lifetime ECL – Credit Impaired	
<b>Financial Assets at Amortized Cost</b>					
Cash and cash equivalents	₱2,411,682	₱–	₱–	₱–	₱2,411,682
Trade receivables:					
Related parties	–	–	141,313	–	141,313
Third parties	–	–	346,401	27,263	373,664
Advances to related parties	56,708	38,323	–	–	95,031
Other receivables <sup>(1)</sup>	–	–	7,745	7,438	15,183
Receivable from a government bank	49,149	–	–	–	49,149
Cash surety bonds	21,813	–	–	–	21,813
Refundable deposits <sup>(2)</sup>	1,267	–	–	–	1,267
Investments in UITF	151,646	–	–	–	151,646
	<b>₱2,692,265</b>	<b>₱38,323</b>	<b>₱495,459</b>	<b>₱34,701</b>	<b>₱3,260,748</b>

(1) Excluding advances to officers and employees amounting to ₱3,681

(2) Including refundable deposits presented under "Others" in Other Current Assets amounting to ₱500

	2021				Total
	12-month ECL – Not Impaired	12-month ECL – Credit Impaired	Lifetime ECL – Not Impaired	Lifetime ECL – Credit Impaired	
<b>Financial Assets at Amortized Cost</b>					
Cash and cash equivalents	₱478,586	₱–	₱–	₱–	₱478,586
Trade receivables:					
Related parties	–	–	423,225	–	423,225
Third parties	–	–	356,654	162	356,816
Advances to related parties	45,247	38,323	–	–	83,570
Other receivables <sup>(1)</sup>	–	–	9,960	7,438	17,398
Receivable from a government bank	81,838	–	–	–	81,838
Cash surety bonds	22,332	–	–	–	22,332
Refundable deposits <sup>(2)</sup>	1,121	–	–	–	1,121
Investments in UITF	1,104,191	–	–	–	1,104,191
	<b>₱1,733,315</b>	<b>₱38,323</b>	<b>₱789,839</b>	<b>₱7,600</b>	<b>₱2,569,077</b>

(1) Excluding advances to officers and employees amounting to ₱1,288.

(2) Including refundable deposits presented under "Others" in Other Current Assets amounting to ₱311

Information on the Company's trade and other receivables that are impaired as at August 31, 2022 and August 31, 2021 and the movements of allowance for the impairment loss are disclosed in Note 4 of the separate financial statements.

#### 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 Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The following tables summarize the maturity profile of the Company's financial assets and liabilities as at August 31, 2022 and 2021 based on contractual undiscounted payments:

2022				
	On demand	Within One Year	More than One Year	Total
<b>Financial Assets</b>				
Cash and cash equivalents	P2,413,969	P-	P-	P2,413,969
Trade receivables:				
Related parties	141,313	-	-	141,313
Third parties <sup>(1)</sup>	15,657	330,744	-	346,401
Investments in UITF	151,646	-	-	151,646
Advances to related parties <sup>(1)</sup>	56,708	-	-	56,708
Other receivables <sup>(1)</sup>	7,745	-	-	7,745
Other noncurrent assets	30,321	-	-	30,321
	<b>2,817,359</b>	<b>330,744</b>	<b>-</b>	<b>3,148,103</b>
<b>Financial Liabilities</b>				
Payable to claimants	-	30,492	182,955	213,447
Trade payables:				
Third parties	357,701	-	-	357,701
Related parties	2,199	-	-	2,199
Accrued expenses	155,667	-	-	155,667
Retention payable	-	43,333	-	43,333
Other payables <sup>(2)</sup>	31,922	-	-	31,922
	<b>547,489</b>	<b>73,825</b>	<b>182,955</b>	<b>804,269</b>
	<b>P2,269,870</b>	<b>P256,919</b>	<b>(P182,955)</b>	<b>P2,343,834</b>

(1) Net of allowance for impairment loss.

(2) Excluding due to government agencies.

2021				
	On demand	Within One Year	More than One Year	Total
<b>Financial Assets</b>				
Cash and cash equivalents	P479,109	P-	P-	P479,109
Trade receivables:				
Related parties	408,170	15,055	-	423,225
Third parties <sup>(1)</sup>	32,091	324,563	-	356,654
Investments in UITF	1,104,191	-	-	1,104,191
Advances to related parties <sup>(1)</sup>	45,247	-	-	45,247
Other receivables <sup>(1)</sup>	9,960	-	-	9,960
Other noncurrent assets	104,980	-	-	104,980
	<b>2,183,748</b>	<b>339,618</b>	<b>-</b>	<b>2,523,366</b>
<b>Financial Liabilities</b>				
Payable to claimants	-	30,492	213,447	243,939
Trade payables:				
Third parties	209,783	-	-	209,783
Related parties	4,161	-	-	4,161
Accrued expenses	120,483	-	-	120,483
Retention payable	12,680	-	-	12,680
Other payables <sup>(2)</sup>	33,969	-	-	33,969
	<b>381,076</b>	<b>30,492</b>	<b>213,447</b>	<b>625,015</b>
	<b>P1,802,672</b>	<b>P309,126</b>	<b>(P213,447)</b>	<b>P1,898,351</b>

(1) Net of allowance for impairment loss.

(2) Excluding due to government agencies.

### *Market Risk*

Market risk is the risk that the fair value of financial instruments of the Company 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 Company's exposure to interest rate risk is limited only to investments in UITF classified as financial assets at fair value through profit or loss (FVPL) (Note 3). 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 Company's exposure to foreign currency risk is very minimal and is limited only to its bank deposits (included in cash and cash equivalents):

	<b>2022</b>	2021
US Dollar	<b>\$2,225</b>	\$614
Japanese Yen	<b>¥216,034</b>	¥-

Accordingly, no sensitivity analysis is deemed necessary.

### *Fair Value of Financial Assets and Liabilities*

The carrying values of cash and cash equivalents, trade and other current receivables and trade payables and other current liabilities 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.

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## 25. Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return on the investments of stockholders.

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 Company is compliant with respect to this requirement.

The Company 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 total asset ratio of the Company as at August 31, 2022 and 2021, which has been within the Company's acceptable range as set by the BOD, is calculated as follows:

	2022	2021
Total liabilities	<b>₱1,655,897</b>	₱1,349,477
Total assets	<b>10,998,326</b>	10,000,680
	<b>0.15:1</b>	0.13:1

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## 26. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **Basis of Preparation**

These separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standard Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The separate financial statements have been prepared under the historical cost convention, as modified by revaluation of investments in UITF, revaluation of certain property, plant and equipment and investment properties.

The preparation of separate financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 23.

## **Changes in Accounting Policies**

### **Adoption of Amended Standards and Frameworks**

The FRSC approved the adoption of a number of amended standards and framework as part of PFRS.

The Company adopted the amended PFRS effective September 1, 2021:

- Reference to Conceptual Framework (Amendments to PFRS 3). The amendments updated PFRS 3 to refer to the 2018 Conceptual Framework; added a requirement that, for transactions and other events within the scope of PAS 37 or Philippine Interpretation IFRIC 21, Levies, an entity applies PAS 37 or Philippine Interpretation IFRIC 21 instead of the 2018 Conceptual Framework to identify the liabilities it has assumed in a business combination; and added an explicit statement that an entity does not recognize contingent assets acquired in a business combination.

The amendments apply for annual reporting periods beginning on or after January 1, 2022, with early application permitted.

- Property, Plant and Equipment - Proceeds Before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statements of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018 to 2020 Cycle contain changes to four standards, of which the following are applicable to the Company:
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). This amendment clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities, in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The adoption of the foregoing amended standards and framework did not have a material effect on the separate financial statements.

#### Amended Standards but Not Yet Effective or Adopted

A number of amended standards are effective for annual periods beginning after September 1, 2021 and have not been applied in preparing the separate financial statements.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1). This amended standard is not expected to have a significant effect on the financial statements.

The amendments to PAS 1 promote consistency in the application and clarify the requirements on determining whether a liability is current or noncurrent. The amendments:

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Interest Rate Benchmark Reform Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, *Insurance Contracts*, and PFRS 16). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:
  - Practical expedient for particular changes to contractual cash flows. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.
  - Relief from specific hedge accounting requirements. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.
  - Disclosure requirements. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures will be included in the separate financial statements, as applicable.

### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

*Milling Service Revenues.* Revenue is recognized upon conversion of the planters' canes into raw sugar and molasses based on the fair value of the mill share at the average raw sugar and molasses selling prices in the week of production.

The Company provides subsidies to planters for hauling cost of sugar cane transported to the mill site. The consideration payable to the planters is accounted for as a reduction against milling service revenues unless the payment to the planters is in exchange for a distinct good or service that the planters transfer to the Company.

*Sale of Raw Sugar.* Revenue is recognized upon surrendering of quedans and issuance of sugar release order which represents ownership title over the raw sugar.

*Sale of Refined Sugar.* Revenue is recognized upon approval and release of refined sugar delivery order.

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

*Sale of Alcohol and Ethanol.* Revenue is recognized upon delivery of alcohol and ethanol inventories to customers.

*Tolling Revenues.* Revenue is recognized when the tolling services have been rendered.

*Sale of Power.* Revenue from sales of power is recognized on the period the electricity is provided to the Wholesale Electricity Spot Market (WESM).

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

*Rental Income.* Income is recognized on a straight-line basis over the lease term.

*Other Income.* Other income such as income from scrap sales, sale of canned goods and gains from disposal is recorded when earned.

### **Cost and Expense Recognition**

Costs and expenses are recognized in the Company's separate statements of income when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of goods sold and services rendered the direct and allocated indirect costs which are incurred upon processing of the Company's products and rendering of its tolling services. These are recognized when the related goods are sold or the related services are rendered.

Operating expenses are recognized by the Company when incurred. These are the expenses which are not directly related to the cost of goods sold and services of the Company

### **Financial Assets and Liabilities**

*Date of Recognition.* The Company recognizes a financial asset or liability in the separate statements of financial position when the Company becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those measured or designated at FVPL, includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

### **Financial Assets**

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at August 31, 2022 and 2021, the Company has no financial assets classified and measured at FVOCI.

*Financial Assets at Amortized Cost.* A financial asset should be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Financial assets at amortized cost are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company classifies its cash and cash equivalents, trade and other receivables (excluding receivables from officers and employees), refundable deposits, receivable from a government bank and cash surety bonds under this category.

*Financial Assets at FVPL.* Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

This category includes investments in UITF.

### **Financial Liabilities**

*Classification.* The Company classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

The Company does not have financial instruments classified as financial liabilities at FVPL.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost unless either the financial liability is held for trading and is therefore required to be measured at FVPL or the entity elects to measure the liability at FVPL. Financial liabilities are recognized when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. These financial liabilities are initially recognized at fair value less any directly attributable transaction costs.

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

The Company classifies its trade payables and other liabilities (excluding due from government agencies), borrowings and payable to claimants under this category.

#### **Reclassification**

The Company reclassifies its financial assets when, and only when, the Company changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

#### **Impairment of Financial Assets**

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

The Company recognizes impairment loss based on ECL, which is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortized cost, which comprise cash equivalents, other receivables (including due from related parties) and UITF, ECL is based on 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

### **Derecognition of Financial Assets and Liabilities**

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

- The rights to receive cash flows from the asset has expired; or
- The Company 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 Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control over the asset.

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

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

### **Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset and the net amount reported in the separate statements 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 to 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 gross in the separate statements of financial position.

### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

### **Inventories**

Inventories are valued at the lower of cost and NRV. Net realizable value is the estimated selling price less the costs to sell.

Inventories are accounted for as follows:

*Raw Sugar and Molasses.* Determined using weighted average method; cost consists of milling service consideration valued at fair value at the time of production and costs of purchases from third parties.

*Refined Sugar, Alcohol and Ethanol.* Determined using weighted average method; consists of cost of production and related direct labor and overhead cost incurred in the conversion of sugar cane to different outputs. Production costs are allocated to inventories based on a rational and consistent basis.

*Work-in-process.* Cost consists of allocated costs of production, direct labor and overhead cost. The cost is determined using cost allocation based on the production phase of the product.

*Materials and Supplies.* Determined using weighted average method; cost includes purchase and other directly attributable costs determined based on their original purchase price.

The excess of cost over the net realizable value is recognized as write-down in profit or loss. Reversals of previously recorded write-downs are credited to profit or loss based on the result of management's update assessment, considering the available facts and circumstances, including but not limited to net realizable value at the time of disposal.

For raw and refined sugar, alcohol, ethanol, molasses and work-in-process, 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.

An allowance for inventory write-down and obsolescence is provided for slow-moving, obsolete and defective inventories based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Inventories are derecognized when these are sold. The carrying amount of those inventories is recognized as cost of sales and services in profit or loss in the year in which the related sale is recognized.

#### **Other Current Assets**

Other current assets are initially recorded at face value and subsequently measured at carrying value less impairment loss, if any. These mainly include input and advance output VAT, advances to suppliers and prepaid expenses.

*Input and advance output VAT.* Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense as applicable.

The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" in the separate statements of financial position.

#### **Investments in Subsidiaries**

Investments in subsidiaries are accounted for using the cost method. A subsidiary is an entity controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company received distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

An assessment of the carrying amount of the investment is performed when there is an indication that the investment has been impaired.

#### **Investment in an Associate**

Investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the separate statements of financial position at cost plus post-acquisition changes in the Company's share in the net assets of the investee companies, less any impairment in values. The separate statement of income reflects the share of the results of the operations of the investee companies. The Company's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Company and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Company discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Company has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Company will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the year the equity method was suspended.

The reporting date of the investee and the Company are identical and the investee's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the separate statements of income.

#### **Related Party Relationship and Transactions**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises 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 enterprises, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### **Property, Plant and Equipment**

Property, plant and equipment are initially recognized at cost and subsequently revalued based on periodic valuations by external independent appraisers, less accumulated depreciation, amortization and impairment losses, except for land.

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 separate statements of financial position and separate 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 retained earnings. 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 Company. The costs of day-to-day servicing of an asset are recognized as an expense in the year in which these are incurred.

All costs that are directly and clearly associated with the construction of certain property, plant and equipment, including borrowing costs, are 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 Company 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 dismantling 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 and amortization of the Company are computed using the straight-line method over the assets' estimated useful lives. The estimated useful lives of the Company's property, plant and equipment are as follows:

	In Years
Land improvements	10
Buildings and structures	15
Community buildings and equipment	15
Machinery and equipment	15 to 20

Leasehold improvements are amortized over the term of the lease or life of the asset, whichever is shorter.

The assets' estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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, amortization and impairment losses 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 Company'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 Company's property, plant and equipment is the higher between their fair values less cost of disposal and value in use.

If the carrying amount of the Company'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 profit or loss.

An increase in the carrying amount of the Company's property, plant and equipment is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

#### **Investment Properties**

Investment properties composed of land and buildings, which are properties held by the Company 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 profit or loss 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 year in which these arise.

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

Investment property is derecognized when it has either been disposed of or permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the derecognition of an investment property is recognized in profit or loss in the year of derecognition.

#### **Computer Software**

Computer software acquired is measured on initial recognition at cost. Following initial recognition, computer software is carried at cost less accumulated amortization and any impairment losses.

Computer software is amortized over the estimated economic life of five years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortization period and method are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

#### **Impairment of Non-financial Assets**

The carrying amount of the Company's non-financial assets which include investment in subsidiaries and an associate, property, plant and equipment and investment properties 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 of disposal and value in use. Fair value less costs of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, 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. Impairment losses, if any, are recognized in profit or loss unless the asset is carried at revalued amounts. Any impairment loss on a revalued asset is treated as a revaluation decrease.

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 profit or loss to the extent that it reverses an impairment loss that was previously recognized in the profit or loss. Any additional increase in the carrying amount of the asset is treated as a revaluation increase.

#### **Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. Note that under PFRS 13, *Fair Value Measurement*, the use of bid and asking prices is still permitted but not required. These instruments are included in Level 1. The fair value of investments in UITF was determined using Level 1 valuation technique.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3. As at reporting date, the Company does not have financial assets or liabilities included in Levels 2 and 3.

The Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques for non-financial assets are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

### **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company 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 shares. 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 stock 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 Company comprise CN 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 as 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.

The mandatorily CN of the Company are presented as an equity item under the "Convertible notes awaiting for conversion" account. These are non-derivative instrument for which the entity is or may be obliged to deliver a fixed number of the entity's own equity instruments. The Company already fixed the number of shares to be converted into common shares based from the 1:1 share of the principal CN to common shares. The 8% interests accrued from the CN are treated as APIC upon conversion rather than a determinant in identifying the number of shares to be converted.

### **Retained Earnings**

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments.

### **Other Comprehensive Income (Loss)**

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented as other equity reserves under the separate statements of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive income (loss), which is presented as "Other equity reserves," includes revaluation increment on property, plant and equipment, cumulative unrealized gain on fair value changes of investments in UITF and cumulative remeasurement gains or losses on retirement liability.

### **Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

#### *The Company as a Lessee*

The Company recognizes right-of-use assets and lease liabilities at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liabilities comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recognized in profit or loss if the carrying amounts of the right-of-use assets have been reduced to zero.

The Company has elected not to recognize right-of use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

#### *The Company as a Lessor*

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

The accounting policies applicable to the Company as a lessor are not different from those under PAS 17. However, when the Company is an intermediate lessor, it accounts for the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the recognition exemption, it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies PFRS 15 to allocate the consideration in the contract.

#### **Employee Benefits**

##### *Short-term Benefits*

The Company recognizes a liability net of amount already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, and non-monetary benefits.

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

##### *Retirement Benefits*

The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of retirement benefit costs is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest), if any, and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in Other Comprehensive Income (OCI). The Company determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### **Comparatives**

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where PAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. There were no changes to the presentation made for the years ended August 31, 2022 and 2021.

#### **Foreign Currency Transactions and Translations**

*Functional and Presentation Currency.* Items included in the Company's separate financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's separate financial statements are presented in Philippine Peso, which is the Company's functional currency.

*Transactions and Balances.* Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

#### **Income Tax**

The income tax expense for the period comprises current tax and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case the tax is also recognized directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. Deferred income tax is determined using the tax rate (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax liabilities are recognized in full for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **Provisions and Contingencies**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

### **Borrowings and Borrowing Cost**

#### *Borrowings*

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowings are derecognized when the obligation is settled, paid or discharged.

#### *Borrowing Costs*

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognized and charged to profit or loss in the year in which these are incurred.

### **Events after the Reporting Year**

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

---

## **27. Supplementary Tax Information under Revenue Regulations No. 15-2010**

### *I. Value-Added Tax (VAT)*

Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

#### a. Net sales/receipts and output VAT declared in the Company's VAT returns filed for 2022

	VAT exempt	Zero-rated sales	Vatable Sales	Output VAT
Sales of services	₱1,457,911	₱27,014	₱757,749	₱90,930
Sale of goods	2,483,035	1,802,809	2,098,195	251,783
	₱3,940,946	₱1,829,823	₱2,855,944	₱342,713

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the profit or loss.

The roll forward of Input VAT for 2022 follows:

	Amount
Balance as at September 1, 2021	₱4,834
Input VAT on purchase of goods and services including importation	241,997
	246,831
Application against output VAT	243,276
Balance as at August 31, 2022	₱3,555

#### II. Other Taxes and Licenses

Taxes and licenses, local and national, include documentary stamp taxes, real estate taxes, licenses and permit fees included in operating expenses and cost of sales and services for 2022:

	Amount
Input tax allocated to exempt transactions	₱64,886
Real property taxes	48,725
Business taxes	14,200
Licenses and registration fees	7,815
Liens	4,089
Excise tax	36
Others	13,106
	₱152,857

#### III. Withholding Taxes

	Paid	Accrued	Total
Withholding tax on compensation	₱10,553	₱726	₱11,279
Expanded withholding tax	89,509	4,584	94,093
	₱100,062	₱5,310	₱105,372

Accrued withholding taxes are included as part of "Trade payables and other current liabilities" in the separate statements of financial position.

#### IV. Tax Assessments

Preliminary Assessment Notice (PAN) was issued to cover assessment for various tax deficiencies for the fiscal year ending August 31, 2020 amounting to ₱13.00 million, inclusive of surcharges and interest. The said assessment was settled in October 2021.



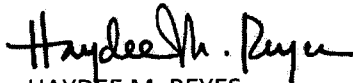
**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Victorias Milling Company, Inc.  
VMC Compound, J.J. Ossorio Street, Barangay XVI  
Victorias City, Negros Occidental

We have audited the accompanying separate financial statements of Victorias Milling Company, Inc. (the Company) as at and for the years ended August 31, 2022 and 2021, on which we have rendered our report dated December 5, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 4,929 stockholders owning 100 or more shares each as at August 31, 2022 and 2021.

**REYES TACANDONG & Co.**



HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 83522-SEC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-006-2022

Valid until October 16, 2025

PTR No. 8851707

Issued January 3, 2022, Makati City

December 5, 2022  
Makati City, Metro Manila



VICTORIAS MILLING COMPANY, INC.

25 May 2022

**HON. RACHEL ESTHER J. GUMTANG-REMALANTE**  
*Director, Corporate Governance and  
Finance Department*  
Securities and Exchange Commission  
Secretariat Building, PICC Complex,  
Roxas Blvd, Pasay, 1307 Metro Manila

Dear Hon. Remalante:

We would like to inform the Honorable Commission that Victorias Milling Company, Inc. (VMC) has submitted a clarification of news reports with the Philippine Stock Exchange, Inc. on May 25, 2022.

Attached is the copy of the said news article <https://business.inquirer.net/348651/biz-buzz-rising-re-player> dated May 25, 2022 as well as VMC's clarification thereof.

Thank you.

Very truly yours,

  
**EVA V. RODRIGUEZ**  
*Compliance & Information Officer*

# COVER SHEET

## COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

**SEC FORM 17-C**

S.E.C. Registration Number

P	W	0	0	0	0	0	3	6	4
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Company Name

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	.			

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

V	M	C		C	O	M	P	O	U	N	D	,		J	J		O	S	S	O	R	I	O		S	T	.				
B	R	G	Y	.	X	V	I		V	I	C	T	O	R	I	A	S		C	I	T	Y		N	E	G	.	O	C	C	.

### COMPANY INFORMATION

Company's Email Address

[emmanuel.ypil@victoriasmilling.com](mailto:emmanuel.ypil@victoriasmilling.com)

Company's Telephone Number

0917-812-8311

Company's Facsimile Number

Conta

### Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

[eva.rodriguez@victoriasmilling.com](mailto:eva.rodriguez@victoriasmilling.com)

Telephone Number/s

0917-631-8057

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. <span style="border: 1px solid black; padding: 2px 20px; display: inline-block;"></span>		
Received by Corporate Filing and Records Division (CFRD)	_____	_____
Forwarded to:		
<input type="checkbox"/> Corporate and Partnership Registration Division	_____	_____
<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-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SEC RULE 17.2(c) THEREUNDER

1. 25 May 2022  
Date of Report (Date of earliest event reported)
2. SEC Identification Number PW-364
3. BIR Tax Identification  
No. 000-270-220-000
4. VICTORIAS MILLING COMPANY, INC.  
Exact name of Issuer as specified in its charter
5. NEGROS OCCIDENTAL  
Province, country or other jurisdiction of  
Incorporation
6. (SEC Use Only)  
Industry Classification Code:
7. VMC Compound, J.J. Ossorio Street, Brgy. XVI, Victorias City, Negros  
Occidental  
Address of office
- 6119  
Postal Code
8. (034) 488-7900  
Issuer's telephone number, including area code
9. Not Applicable  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or  
Sections 4 and 8 of the RSA

a) Common Stock (Par Value P 1.00 per share)

Authorized Capital Stock	3,042,061,094	shares
Subscribed and paid-up	2,742,050,564	shares

11. Indicate the item numbers reported herein: -

## **REPORTED HEREIN:**

### **SUBJECT OF THE DISCLOSURE**

Comment on news article posted in Philippine Daily Inquirer Bizz Buzz dated May 25, 2022 entitled "Rising RE player".

### **SOURCE**

<https://business.inquirer.net/348651/biz-buzz-rising-re-player>

### **SUBJECT OF NEWS REPORT**

"Rising RE player"

### **DATE OF PUBLICATION**

May 25, 2022

### **CLARIFICATION OF NEWS REPORT**

This has reference to the correspondence of the Philippine Stock Exchange (PSE) sent via PSE-EDGE dated May 25, 2022, requesting for Victorias Milling Company, Inc. (VMC) to comment on the news article under Biz Buzz column entitled "Rising RE player" published in the Philippine Daily Inquirer on May 25, 2022. The article reported in part that:

"The race toward renewable energy (RE) dominance is becoming more competitive and Negros Occidental-based Victorias Milling Corp. (VMC)—which is into integrated sugar milling, manufacturing and biomass co-generation—wants to be a bigger contender.

VMC recently put out an ad to give mandatory notice of its application with the Board of Investments for the registration of additional investments as an RE developer.

Recall that VMC received in March a provisional authority from the Energy Regulatory Commission to operate its 40-megawatt biomass co-generation power plant with feed-in-tariff eligible capacity of 21.45 MW and its 2×2 MW black start diesel engine generating units for a period of one year until March 9, 2023.

We heard that VMC plans to invest an additional P1.8 billion to increase the capacity of the biomass co-generation power plant from 40MW to 63MW. The additional capacity is expected to be switched on by the end of 2023.

'We are maximizing use of bagasse as fuel for high-pressure boilers which will, in turn, convert into power via electric turbine,' a reliable company source told Biz Buzz.

...."

"VMC has applied for registration with the Board of Investments (BOI) to avail of the applicable incentives under the Renewable Energy Act of 2008 (Republic Act No. 9513), for the 40MW Biomass Cogeneration Power Plant as Renewable Energy Developer of Biomass Resources, which is covered by the Special Laws List of the 2020 Investment Priorities Plan (IPP) of the BOI/ Strategic Investment Priority Plan (IPP) .

The other items in the quoted news are still in the discussion phase for future consideration.

The Notice was put out as part of the requirements of BOI."

#### SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly carried this report to be signed on its behalf by the undersigned herewith duly authorized.

VICTORIAS MILLING COMPANY, INC.

Issuer

  
EVA V. RODRIGUEZ  
*Compliance & Information Officer*

Date: 25 May 2022

## CERTIFICATION

I, **EVA A. VICENCIO-RODRIGUEZ**, the Compliance and Information Officer of Victorias Milling Company, Inc. (VMC), a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC Registration No. PW-364 and with principal office at VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental, on oath state:

1. That I have caused this SEC Form 17-C dated May 25, 2022 to be prepared on behalf of VMC;
2. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or authentic records;
3. That VMC will comply with the requirements set forth in SEC Notice dated March 9, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
5. That the email account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hands this 22 March 2022.

  
**EVA A. VICENCIO-RODRIGUEZ**  
*Affiant*

SUBSCRIBED AND SWORN TO before me this May 20th, 2022, in Silay City, Negros Occidental, Philippines.

  
**ATTY. NEMESIO BARRANCO LAMONTE**  
NOTARY PUBLIC  
BY COMMISSION EXPIRES ON DECEMBER 31, 2022  
SILAY CITY, E. L. MAGALONA, VICTORIAS CITY & MANAPLA  
2D BANGGA MARAVILLA SUBD. BRGY. 3, E. L. MAGALONA NEG. OCC.  
ATTORNEY'S ROLL NO. 52121 TEL. 322-458-379  
IRP D.R. NO. 133533, 11-20-20 PASIG CITY  
PTR NO. 3695221, 01-04-2011, MAGALONA  
MCLE COMPLIANCE # 0011006

Doc. No.: 258 ;  
Page No.: 52 ;  
Book No.: IV ;  
Series of 2022.



VICTORIAS MILLING COMPANY, INC.

22 March 2022


**HON. RACHEL ESTHER J. GUMTANG-REMALANTE**

*Director, Corporate Governance and  
Finance Department  
Securities and Exchange Commission  
Secretariat Building, PICC Complex,  
Roxas Blvd, Pasay, 1307 Metro Manila*

Dear Hon. Remalante:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. relative to letter advice from the Energy Regulatory Commission (ERC) dated March 10, 2022, which was received by Victorias Milling Company, Inc. on March 21, 2022.

Very truly yours,

  
EVA A. VICENCIO-RODRIGUEZ  
*Compliance & Information Officer*

# COVER SHEET

## COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

S.E.C. Registration Number

**SEC FORM 17-C**

P	W	0	0	0	0	0	3	6	4
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Company Name

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	.	

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

V	M	C		C	O	M	P	O	U	N	D	,		J	J		O	S	S	O	R	I	O		S	T	.				
B	R	G	Y	.	X	V	I		V	I	C	T	O	R	I	A	S		C	I	T	Y		N	E	G	.	O	C	C	.

### COMPANY INFORMATION

Company's Email Address

Company's Telephone Number

Company's Facsimile Number

[emmanuel.ypil@victoriasmilling.com](mailto:emmanuel.ypil@victoriasmilling.com)

**0917-812-8311**

Conta

ct Person Information

Name of Contact Person

Email Address

Telephone Number/s

Facsimile Number/s

**EVA V. RODRIGUEZ**

[eva.rodriguez@victoriasmilling.com](mailto:eva.rodriguez@victoriasmilling.com)

**0917-631-8057**

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) \_\_\_\_\_

Forwarded to:

- |                          |   |       |       |
|--------------------------|---|-------|-------|
| <input type="checkbox"/> | Corporate and Partnership Registration Division | _____ | _____ |
| <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-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SEC RULE 17.2(c) THEREUNDER

1. 22 March 2022  
Date of Report (Date of earliest event reported)
2. SEC Identification Number PW-364
3. BIR Tax Identification  
No. 000-270-220-000
4. VICTORIAS MILLING COMPANY, INC.  
Exact name of Issuer as specified in its charter
5. NEGROS OCCIDENTAL  
Province, country or other jurisdiction of  
Incorporation
6. (SEC Use Only)  
Industry Classification Code:
7. VMC Compound, J.I. Ossorio Street, Brgy. XVI, Victorias City, Negros  
Occidental  
Address of office
- 6119  
Postal Code
8. 0917-812-8311  
Issuer's telephone number, including area code
9. Not Applicable  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA
  - a) **Common Stock (Par Value P 1.00 per share)**

Authorized Capital Stock	3,042,061,094	shares
Subscribed and paid-up	2,742,050,564	shares

11. Indicate the item numbers reported herein: -

**REPORTED HEREIN:**


In a letter advice from the Energy Regulatory Commission (ERC) dated March 10, 2022 which was received by Victorias Milling Company, Inc. on March 21, 2022, Victorias Milling Company Inc. was granted by the Energy Regulatory Commission (ERC) a Provisional Authority to Operate its 40.000 MW biomass co-generation power plant with feed-in-tariff eligible capacity of 21.450 MW and its 2 x 2.000 MW black start diesel engine generating units for a period of one (1) year from 10 March 2022 to 09 March 2023.

**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly carried this report to be signed on its behalf by the undersigned herewith duly authorized.

**VICTORIAS MILLING COMPANY, INC.**

Issuer

  
EVA A. VICENCIO-RODRIGUEZ  
*Compliance & Information Officer*

**Date: 22 March 2022**

## CERTIFICATION

I, **EVA A. VICENCIO-RODRIGUEZ**, the Compliance and Information Officer of Victorias Milling Company, Inc. (VMC), a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC Registration No. PW-364 and with principal office at VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental, on oath state:

1. That I have caused this SEC Form 17-C dated March 22, 2022 to be prepared on behalf of VMC;
2. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or authentic records;
3. That VMC will comply with the requirements set forth in SEC Notice dated March 9, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
5. That the email account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hands this 22 March 2022.

  
**EVA A. VICENCIO-RODRIGUEZ**  
*Affiant*

SUBSCRIBED AND SWORN TO before me this MAR 22 2022, in  
Silay City, Negros Occidental, Philippines.

Doc. No. : 394 ;  
Page No. : 80 ;  
Book No. : V ;  
Series of 2022.

  
**ATTY. JOSE EDWARD A. DAVILA**  
The 1st Office of Victoria N. Silay  
The 1st Div. of the 1st District of Negros Occidental  
Notarial Commission No. 2007-01-00112/01/2008  
P.O. Box 60249, 1st Division Building, Jose E. Latorre St.,  
Negros Occidental City, 6100 Negros Occidental  
IBP No. 16612, 11/04/2001, Negros Occidental  
PTN No. 626700, 01/03/2005, Silay City  
Mail No. 60249 NEGROS OCCIDENTAL 04/14/2019  
SEC. 11 V1.0000070 04/14/2022  
Tel/Fax No. (034)255-8205 / attyjoedward-davila@gmail.com



VICTORIAS MILLING COMPANY, INC.

02 February 2022

HON. RACHEL ESTHER J. GUMTANG-REMALANTE  
*Director, Corporate Governance and  
Finance Department*  
Securities and Exchange Commission  
Secretariat Building, PICC Complex,  
Roxas Blvd, Pasay, 1307 Metro Manila

Dear Hon. Remalante:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. in connection with the results of the Annual Stockholders' Meeting as well as the Organizational Meeting of Victorias Milling Company, Inc. which were held today, 02 February 2022.

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-C**

S.E.C. Registration Number

P	W	0	0	0	0	0	3	6	4
---	---	---	---	---	---	---	---	---	---

Company Name

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	.

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

V	M	C		C	O	M	P	O	U	N	D	,		J	J		O	S	S	O	R	I	O		S	T	.				
B	R	G	Y	.	X	V	I		V	I	C	T	O	R	I	A	S		C	I	T	Y		N	E	G	.	O	C	C	.

**COMPANY INFORMATION**

Company's Email Address

[emmanuel.ypil@victoriasmilling.com](mailto:emmanuel.ypil@victoriasmilling.com)

Company's Telephone Number

**0917-812-8311**

Company's Facsimile Number

Conta

**ct Person Information**

Name of Contact Person

**EVA V. RODRIGUEZ**

Email Address

[eva.rodriguez@victoriasmilling.com](mailto:eva.rodriguez@victoriasmilling.com)

Telephone Number/s

**0917-631-8057**

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)** \_\_\_\_\_

Forwarded to:

<input type="checkbox"/>	Corporate and Partnership Registration Division	_____	_____
<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-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SEC RULE 17.2(c) THEREUNDER

1. 02 February 2022  
Date of Report (Date of earliest event reported)
2. SEC Identification Number PW-364
3. BIR Tax Identification  
No. 000-270-220-000
4. VICTORIAS MILLING COMPANY, INC.  
Exact name of Issuer as specified in its charter
5. NEGROS OCCIDENTAL  
Province, country or other jurisdiction of  
Incorporation
6. (SEC Use Only)  
Industry Classification Code:
7. VMC Compound, J.J. Ossorio Street, Brgy. XVI, Victorias City, Negros  
Occidental 6119  
Address of office Postal Code
8. (034) 488-7900  
Issuer's telephone number, including area code
9. Not Applicable  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or  
Sections 4 and 8 of the RSA
  - a) Common Stock (Par Value P 1.00 per share)

Authorized Capital Stock	3,042,061,094	shares
Subscribed and paid-up	2,742,050,564	shares
11. Indicate the item numbers reported herein: Item No. -

REPORTED HEREIN:

That the meeting of the stockholders of Victorias Milling Company, Inc. (VMC) today, 02 February 2022, through remote communication at the Administrative Building, VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental, at which a quorum was present and acting throughout, resulted in the election of the following as members of the Board of Directors:

For Existing Stockholders

1. Wilson T. Young
2. Michael G. Tan
3. Reggie Hannah Y. Lorenzo

For Secured Creditors

1. Anna Rosario V. Paner

For Creditors with Debt Conversion

1. Minnie O. Chua
2. Alvin C. Yu
3. Martin C. Yu
4. William Y. Chua
5. Victor T. Yu
6. Peter Y. Ong
7. Kyle Ellis C. Tan

In the Organizational meeting that followed immediately, the following were elected as officers:

Chairman	: Wilson T. Young
Vice-Chairman, President	: Minnie O. Chua
Chief Operating Officer	: Phoebe Lou B. Pastera
Corporate Secretary	: Emmanuel S. Ypil
Treasurer	: Reggie Hannah Y. Lorenzo
Asst. Corp. Sec., Chief Information & Compliance Officer & Chief Admin. Officer	: Eva V. Rodriguez
Chief Manufacturing Officer	: Linley A. Retirado

Chief Finance Officer & Creditor  
Appointed-Controller : Kristine D. Cabugason

The following Board Committees were also organized with the corresponding compositions thereof:

EXECUTIVE COMMITTEE

CHAIRMAN : Wilson T. Young

MEMBERS:

1. Minnie O. Chua
2. Kyle Ellis C. Tan
3. Michael G. Tan
4. Alvin C. Yu
5. Martin C. Yu
6. Victor T. Yu
7. William Y. Chua

AUDIT AND RISK COMMITTEE

CHAIRMAN : Reggie Hannah Y. Lorenzo

MEMBERS:

1. Anna Rosario V. Paner
2. Peter Y. Ong
3. Martin C. Yu
4. Victor T. Yu

HUMAN RESOURCE AND REMUNERATION COMMITTEE

CHAIRMAN : Minnie O. Chua

MEMBERS:

1. William Y. Chua
2. Kyle Ellis C. Tan
3. Alvin C. Yu
4. Victor T. Yu

LEGAL, NOMINATIONS, CORPORATE GOVERNANCE AND  
RELATED PARTY TRANSACTIONS COMMITTEE

CHAIRMAN : Anna Rosario V. Paner

MEMBERS:

1. Wilson T. Young
2. Kyle Ellis C. Tan
3. Minnie O. Chua
4. William Y. Chua

BUDGET COMMITTEE

CHAIRMAN : Alvin C. Yu

MEMBERS:

1. Minnie O. Chua
2. Reggie Hannah Y. Lorenzo
3. Michael G. Tan
4. Peter Y. Ong

The Board of Directors also approved the appointment of Reyes Tacandong & Co., as the external Auditor of the Company for the crop year 2021-2022.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly carried this report to be signed on its behalf by the undersigned herewith duly authorized.

VICTORIAS MILLING COMPANY, INC.  
Issuer

  
EVA A. VICENCIO-RODRIGUEZ  
*Compliance & Information Officer*

Date: 02 February 2022

**CERTIFICATION**

I, **EVA A. VICENCIO-RODRIGUEZ**, the Compliance and Information Officer of Victorias Milling Company, Inc. (VMC), a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC Registration No. PW-364 and with principal office at VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental, on oath state:

1. That I have caused this SEC Form 17-C dated February 2, 2022 to be prepared on behalf of VMC;
2. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or authentic records;
3. That VMC will comply with the requirements set forth in SEC Notice dated March 9, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
5. That the email account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hands this 07 December 2021.

  
**EVA A. VICENCIO-RODRIGUEZ**  
*Affiant*

SUBSCRIBED AND SWORN TO before me this FEB 02 2022, in Silay City, Negros Occidental, Philippines.

Doc. No.: 312 ;  
Page No.: 64 ;  
Book No.: V ;  
Series of 2022.

  
**ATTY. JOSE EDUARDO DAVILA**  
Bar and Clerk of Court in Negros Occidental  
and the City of Cebu, Philippines  
Integrated Commission No. 2021-00-007 dated 02/02/2022  
P.O. Box 1234, Silay City, Negros Occidental  
MOP No. 10001, 02/02/2022, Negros Occidental  
P.O. Box 1234, Silay City, Negros Occidental  
Bar No. 10001, 02/02/2022, Negros Occidental  
P.O. Box 1234, Silay City, Negros Occidental  
P.O. Box 1234, Silay City, Negros Occidental



VICTORIAS MILLING COMPANY, INC.

07 December 2021

**HON. RACHEL ESTHER J. GUMTANG-REMALANTE**

*Director, Corporate Governance and  
Finance Department  
Securities and Exchange Commission  
Secretariat Building, PICC Complex,  
Roxas Blvd, Pasay, 1307 Metro Manila*

Dear Hon. Remalante:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. in connection with its appropriation of retained earnings.

Very truly yours,

  
**EVA A. VICENCIO-RODRIGUEZ**  
*Compliance & Information Officer*

# COVER SHEET

## COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

**SEC FORM 17-C**

S.E.C. Registration Number

P	W	0	0	0	0	0	3	6	4
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Company Name

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	.	

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

V	M	C		C	O	M	P	O	U	N	D	,		J	J		O	S	S	O	R	I	O		S	T	.				
B	R	G	Y	.	X	V	I		V	I	C	T	O	R	I	A	S		C	I	T	Y		N	E	G	.	O	C	C	.

**COMPANY INFORMATION**

Company's Email Address

[emmanuel.ypil@victoriasmilling.com](mailto:emmanuel.ypil@victoriasmilling.com)

Company's Telephone Number

0917-812-8311

Company's Facsimile Number

Conta

**Contact Person Information**

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

[eva.rodriguez@victoriasmilling.com](mailto:eva.rodriguez@victoriasmilling.com)

Telephone Number/s

0917-631-8057

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) \_\_\_\_\_

Forwarded to:

- Corporate and Partnership Registration Division \_\_\_\_\_
- Green Lane Unit \_\_\_\_\_
- Financial Analysis and Audit Division \_\_\_\_\_
- Licensing Unit \_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SEC RULE 17.2(c) THEREUNDER

1. 07 December 2021  
Date of Report (Date of earliest event reported)
2. SEC Identification Number PW-364
3. BIR Tax Identification  
No. 000-270-220-000
4. VICTORIAS MILLING COMPANY, INC.  
Exact name of Issuer as specified in its charter
5. NEGROS OCCIDENTAL  
Province, country or other jurisdiction of  
Incorporation
6. (SEC Use Only)  
Industry Classification Code:
7. VMC Compound, J.J. Ossorio Street, Brgy. XVI, Victorias City, Negros  
Occidental  
Address of office
- 6119  
Postal Code
8. 0917-812-8311  
Issuer's telephone number, including area code
9. Not Applicable  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

a) Common Stock (Par Value P 1.00 per share)

Authorized Capital Stock	3,042,061,094	shares
Subscribed and paid-up	2,742,050,564	shares

11. Indicate the item numbers reported herein: ;

**REPORTED HEREIN:**

In the meeting of the Board of Directors today, December 7, 2021, the Board of Directors approved the appropriation of the Company's retained earnings amounting to P1.1 billion for the acquisition of a medium pressure boiler and construction of warehouse facilities. The projects were previously approved by the Board of Directors and are expected to be completed by 2023.

The Board of Directors also approved the appropriation of the Company's retained earnings amounting to P274.2 million for the declaration of regular cash dividends in the amount of P0.05 per share and special cash dividends in the amount of P0.05 per share. Both regular and special cash dividends will be paid to all common shareholders of record as of December 22, 2021 and will be paid to them on January 18, 2022.

**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly carried this report to be signed on its behalf by the undersigned herewith duly authorized.

**VICTORIAS MILLING COMPANY, INC.**

Issuer



**EVA A. VICENCIO-RODRIGUEZ**  
*Compliance & Information Officer*

**Date: 7 December 2021**

## CERTIFICATION

I, **EVA A. VICENCIO-RODRIGUEZ**, the Compliance and Information Officer of Victorias Milling Company, Inc. (VMC), a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC Registration No. PW-364 and with principal office at VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental, on oath state:

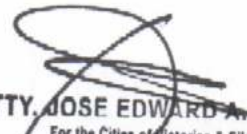
1. That I have caused this SEC Form 17-C dated December 07, 2021 to be prepared on behalf of VMC;
2. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or authentic records;
3. That VMC will comply with the requirements set forth in SEC Notice dated March 9, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
5. That the email account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hands this 07 December 2021.

  
**EVA A. VICENCIO-RODRIGUEZ**  
*Affiant*

SUBSCRIBED AND SWORN TO before me this DEC 09 2021, in  
Silay City, Negros Occidental, Philippines.

Doc. No.: 219;  
Page No.: 45;  
Book No.: V;  
Series of 2021.

  
**ATTY. JOSE EDWARD A. DAVILA**  
For the Cities of Victorias & Silay  
and the Mun. of E. B. Maglona & Manapla  
Notarial Commission No. 2021-08-HP until 12/31/2022  
No. 3, G/F Hugos-Walden Building, Jose C. Locain St.  
Brgy. 5, Silay City, 6116 Negros Occidental.  
IBP No. 133101, 11/09/2020, Negros Occidental  
PTR No. 3368970, 01/04/2021, Silay City  
Roll No. 80249 MCLE V-0001367 until 04/14/2019  
MCLE VI-0008670 until 04/14/2022  
Telefax No. (034)485-5506 / attyedward.davila@gmail.com



VICTORIAS MILLING COMPANY, INC.

22 November 2021

**HON. RACHEL ESTHER J. GUMTANG-REMALANTE**

*Director, Corporate Governance and  
Finance Department  
Securities and Exchange Commission  
Secretariat Building, PICC Complex,  
Roxas Blvd, Pasay, 1307 Metro Manila*

Dear Hon. Remalante:

In compliance with the Honorable Commission's Memorandum Circular No. 20, Series of 2013, Victorias Milling Company, Inc. (VMC) hereby submits the attached copy of the Certificates of Participation of the following VMC members of the Board and Officers to a Corporate Governance Orientation Program with SEC-Accredited Training Provider on 17 November 2021.

1. Mr. Wilson T. Young - Chairman of the Board
2. Ms. Minnie O. Chua - President
3. Ms. Phoebe Lou B. Pastera - Chief Operating Officer
4. Atty. Anna Rosario V. Paner - Director
5. Mr. William Y. Chua - Director
6. Mr. Alvin C. Yu - Director
7. Mr. Martin C. Yu - Director
8. Ms. Reggie Hannah Y. Lorenzo - Director
9. Atty. Emmanuel S. Ypil - Corporate Secretary
10. Mr. Linley A. Retirado - Chief Manufacturing Officer
11. Ms. Kristine D. Cabugason - Chief Finance Officer, and Creditor Appointed Controller
12. Atty. Eva A. Vicencio-Rodriguez - Chief Administrative Officer, Compliance and Information Officer and Asst. Corp. Sec.
13. Ms. Judy Anne G. Tiongco - Corporate Communications Director and Investor Relations Officer
14. Ms. Debbie Jane D. Vallar - Internal Audit
15. Atty. Luis Ma. G. Uranza - SEC Appointed Rehabilitation Receiver

Thank you very much.

Very truly yours,

  
**EVA A. VICENCIO-RODRIGUEZ**  
*Compliance & Information Officer*

# COVER SHEET

## COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

**SEC FORM 17-C**

S.E.C. Registration Number

P	W	0	0	0	0	0	3	6	4
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Company Name

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	.

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

V	M	C		C	O	M	P	O	U	N	D	,		J	J		O	S	S	O	R	I	O		S	T	.				
B	R	G	Y	.	X	V	I		V	I	C	T	O	R	I	A	S		C	I	T	Y		N	E	G	.	O	C	C	.

### COMPANY INFORMATION

Company's Email Address

[emmanuel.ypil@victoriasmilling.com](mailto:emmanuel.ypil@victoriasmilling.com)

Company's Telephone Number

0917-812-8311

Company's Facsimile Number

Contact Person Information

#### Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

[eva.rodriguez@victoriasmilling.com](mailto:eva.rodriguez@victoriasmilling.com)

Telephone Number/s

0917-631-8057

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) \_\_\_\_\_

Forwarded to:

- Corporate and Partnership Registration Division \_\_\_\_\_
- Green Lane Unit \_\_\_\_\_
- Financial Analysis and Audit Division \_\_\_\_\_
- Licensing Unit \_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SEC RULE 17.2(c) THEREUNDER

1. 22 November 2021  
Date of Report (Date of earliest event reported)
2. SEC Identification Number PW-364
3. BIR Tax Identification  
No. 000-270-220-000
4. VICTORIAS MILLING COMPANY, INC.  
Exact name of Issuer as specified in its charter
5. NEGROS OCCIDENTAL  
Province, country or other jurisdiction of  
Incorporation
6. (SEC Use Only)  
Industry Classification Code:
7. VMC Compound, J.J. Ossorio Street, Brgy. XVI, Victorias City, Negros  
Occidental  
Address of office
- 6119  
Postal Code
8. 0917-812-8311  
Issuer's telephone number, including area code
9. Not Applicable  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and  
8 of the RSA
  - a) **Common Stock (Par Value P 1.00 per share)**

Authorized Capital Stock	3,042,061,094	shares
Subscribed and paid-up	2,742,050,564	shares
11. Indicate the item numbers reported herein: ----



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Wilson T. Young**

Victorias Milling Company, Inc.

for having completed the online course

### Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

A handwritten signature in black ink, appearing to read 'Carlos Jose P. Gatmaitan', is written over a thin horizontal line.

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

# Certificate of Participation

to

**Minnie O. Chua**

Victorias Milling Company, Inc.

for having completed the online course

## Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

A handwritten signature in black ink, appearing to read 'Carlos Jose P. Gatmaitan', is written over a thin horizontal line.

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Phoebe Lou B. Pastera**

Victorias Milling Company, Inc.

for having completed the online course

### Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

A handwritten signature in black ink, appearing to read 'Carlos Jose P. Gatmaitan', is written over a horizontal line.

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Anna Rosario V. Paner**

Victorias Milling Company, Inc.

for having completed the online course

### Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

# Certificate of Participation

to

**William Y. Chua**

Victorias Milling Company, Inc.

for having completed the online course

## Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

A handwritten signature in black ink, appearing to read 'Carlos Jose P. Gatmaitan', is written over a thin horizontal line.

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

# Certificate of Participation

to

**Alvin C. Yu**

Victorias Milling Company, Inc.

for having completed the online course

## Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

# Certificate of Participation

to

**Martin C. Yu**

Victorias Milling Company, Inc.

for having completed the online course

## Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

A handwritten signature in black ink, appearing to read 'Carlos Jose P. Gatmaitan', is written over a thin horizontal line.

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Reggie Hannah Y. Lorenzo**

Victorias Milling Company, Inc.

for having completed the online course

### Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Emmanuel S. Ypil**

Victorias Milling Company, Inc.

for having completed the online course

### Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

# Certificate of Participation

to

**Linley A. Retirado**

Victorias Milling Company, Inc.

for having completed the online course

**Advanced Corporate  
Governance Training**

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

A handwritten signature in black ink, appearing to read 'Carlos Jose P. Gatmaitan', is written over a thin horizontal line.

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Kristine D. Cabuguason**

Victorias Milling Company, Inc.

for having completed the online course

### Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Eva V. Rodriguez**

Victorias Milling Company, Inc.

for having completed the online course

### Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

A handwritten signature in black ink, appearing to read 'Carlos Jose P. Gatmaitan', is written over a thin horizontal line.

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Judy Anne G. Tiongco**

Victorias Milling Company, Inc.

for having completed the online course

### Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Debbie Jane D. Vallar**

Victorias Milling Company, Inc.

for having completed the online course

### Advanced Corporate Governance Training

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

Carlos Jose P. Gatmaitan  
Chief Executive Officer



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Luis Ma. G. Uranza**

Victorias Milling Company, Inc.

for having completed the online course

**Advanced Corporate  
Governance Training**

held on

17 November 2021 | 1:00 PM - 5:00 PM  
through ZOOM Meetings

A handwritten signature in black ink, appearing to read 'Carlos Jose P. Gatmaitan', is written over a faint, repeating circular watermark pattern.

Carlos Jose P. Gatmaitan  
Chief Executive Officer

## CERTIFICATION

I, **EVA A. VICENCIO-RODRIGUEZ**, the Compliance and Information Officer of Victorias Milling Company, Inc. (VMC), a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC Registration No. PW-364 and with principal office at VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental, on oath state:

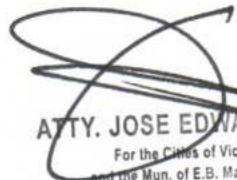
1. That I have caused this SEC Form 17-C dated November 22, 2021 to be prepared on behalf of VMC;
2. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or authentic records;
3. That VMC will comply with the requirements set forth in SEC Notice dated March 9, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
5. That the email account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hands this 22 November 2021.

  
**EVA A. VICENCIO-RODRIGUEZ**  
*Affiant*

SUBSCRIBED AND SWORN TO before me this NOV 22 2021, in Silay City, Negros Occidental, Philippines.

Doc. No.: 189 ;  
Page No.: 31 ;  
Book No.: V ;  
Series of 2021.

  
**ATTY. JOSE EDWARD A. DAVILA**  
For the Cities of Victorias & Silay  
and the Mun. of E.B. Magalona & Manapla  
Notarial Commission No. 2021-06-NP until 12/31/2022  
No.9, G/F Hugos-Walden Building, Jose C. Loco St.  
Brgy. 5, Silay City, 6116 Negros Occidental.  
IBP No. 133101, 11/09/2020, Negros Occidental  
PTR No. 3368970, 01/04/2021, Silay City  
Roll No. 60249 MCLE V-0001367 until 04/14/2019  
MCLE VI-0008670 until 04/14/2022  
Telefax No. (034)485-5505 / attyjedward.davila@gmail.com



VICTORIAS MILLING COMPANY, INC.

09 November 2021


**HON. RACHEL ESTHER J. GUMTANG-REMALANTE**  
*Director, Corporate Governance and  
Finance Department  
Securities and Exchange Commission  
Secretariat Building, PICC Complex,  
Roxas Blvd, Pasay, 1307 Metro Manila*

Dear Hon. Remalante:

We are sending the attached amended report (SEC Form 17-C) of Victorias Milling Company, Inc. (VMC) relative to the resignation of a Director and election of a replacement to fill up the vacancy; appointment of a new Chief Operating Officer with statement of their qualification and work experience.

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-C**

S.E.C. Registration Number

P W 0 0 0 0 0 3 6 4

Company Name

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	.

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

V	M	C		C	O	M	P	O	U	N	D	,		J	J		O	S	S	O	R	I	O		S	T	.				
B	R	G	Y	.	X	V	I		V	I	C	T	O	R	I	A	S		C	I	T	Y		N	E	G	.	O	C	C	.

**COMPANY INFORMATION**

Company's Email Address

[emmanuel.ypil@victoriasmilling.com](mailto:emmanuel.ypil@victoriasmilling.com)

Company's Telephone Number

0917-812-8311

Company's Facsimile Number

Conta

**ct Person Information**

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

[eva.rodriguez@victoriasmilling.com](mailto:eva.rodriguez@victoriasmilling.com)

Telephone Number/s

0917-631-8057

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: _____	_____	_____
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Document I.D. <span style="border: 1px solid black; padding: 2px 20px;"></span>		
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SEC RULE 17.2(c) THEREUNDER

1. 09 November 2021  
Date of Report (Date of earliest event reported)
2. SEC Identification Number PW-364
3. BIR Tax Identification  
No. 000-270-220-000
4. VICTORIAS MILLING COMPANY, INC.  
Exact name of Issuer as specified in its charter
5. NEGROS OCCIDENTAL  
Province, country or other jurisdiction of  
Incorporation
6. (SEC Use Only)  
Industry Classification Code:
7. VMC Compound, J.J. Ossorio Street, Brgy. XVI, Victorias City, Negros  
Occidental  
Address of office
6. 6119  
Postal Code
8. (034) 488-7900  
Issuer's telephone number, including area code
9. Not Applicable  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4  
and 8 of the RSA

a) **Common Stock (Par Value P 1.00 per share)**

Authorized Capital Stock	3,042,061,094	shares
Subscribed and paid-up	2,742,050,564	shares

11. Indicate the item numbers reported herein: -

## REPORTED HEREIN:

That the Board of Directors of Victorias Milling Company, Inc. (VMC) acted on the following:

1. Accepted the resignation of Mr. Lucio C. Tan, III as Director;
2. Elected Mr. Kyle Ellis C. Tan, to fill up the vacancy and serve as director for the unexpired portion of the original term of Director Lucio C. Tan, III. effective immediately; and
3. Appointed Ms. Phoebe Lou B. Pastera as Chief Operating Officer.

## OTHER RELEVANT INFORMATION:


**Kyle Ellis C. Tan**, presently an officer and director in various corporations namely Kilter Realty & Development Corporation, Tanduay Distillers, Inc., Pan Asia Securities Corporation, Allied Club, Inc., LT Digital, Inc., PNB Global Remittance and Financial Co. (HK) Ltd., Maranaw Hotels and Resorts Corporation. He has worked as IT Intern for companies namely Cisco, USC Viterbi & ITP, Siemens, and Microsoft. In 2019 he served as Software Engineer for Microsoft. He graduated Magna Cum Laude in his Bachelor's Degree in Computer Science and Computer Engineering from the University of Southern California, USA. In 2020, he also finished his Master's Degree in Computer Science from the same university.

**Phoebe Lou B. Pastera**, presently the Chief Finance Officer and Business Development Head of VCY Sales Corp. She worked with Punongbayan Araullo, an auditing firm for three (3) years, then moved to ANZ Global Services and Operations (Manila) as Operations Manager. She is a graduate of UP-Visayas with a degree in Accountancy and is a CPA by profession.

## SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly carried this report to be signed on its behalf by the undersigned herewith duly authorized.

**VICTORIAS MILLING COMPANY, INC.**  
Issuer

  
**EVA A. VICENCIO-RODRIGUEZ**  
*Compliance & Information Officer*


**Date: 09 November 2021**

**CERTIFICATION**

I, **EVA A. VICENCIO-RODRIGUEZ**, the Compliance and Information Officer of Victorias Milling Company, Inc. (VMC), a corporation duly registered under and by virtue of the laws of the Republic of the Philippines, with SEC Registration No. PW-364 and with principal office at VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental, on oath state:


1. That I have caused this SEC Form 17-C dated November 9, 2021 to be prepared on behalf of VMC;
2. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or authentic records;
3. That VMC will comply with the requirements set forth in SEC Notice dated March 9, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;
4. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and
5. That the email account designated by the company pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the company in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto set my hands this 10 November 2021.

  
**EVA A. VICENCIO-RODRIGUEZ**  
*Affiant*

SUBSCRIBED AND SWORN TO before me this NOV 10 2021, in  
Silay City, Negros Occidental, Philippines.

Doc. No. : 181 ;  
Page No. : 38 ;  
Book No. : V ;  
Series of 2021.

  
**ATTY. JOSE EDWARD A. DAVILA**  
For the Cities of Victorias & Silay  
and the Mun. of E.B. Magalona & Manapla  
Notarial Commission No. 2021-05-NP until 12/31/2022  
No. 8, QIF Hugos-Walden Building, Jose C. Locsin St.  
Brgy. 5, Silay City, 6116 Negros Occidental.  
IBP No. 133101, 11/09/2020, Negros Occidental  
PTR No. 3368970, 01/04/2021, Silay City  
Roll No. 60249 MCLE Y-0001367 until 04/14/2019  
MCLE VI-0008870 until 04/14/2022  
Telefax No. (034)485-5505 / attyjedward.davila@gmail.com



VICTORIAS MILLING COMPANY, INC.

## Sustainability Report

Company Details	
Name of Organization	VICTORIAS MILLING COMPANY, INC. (VMC)
Location of Headquarters	VMC Compound, J.J. Ossorio St., Barangay XVI, Victorias City, Negros Occidental
Location of Operations	<ul style="list-style-type: none"> <li>▪ VMC Compound, Victorias City</li> <li>▪ Brgy. Purisima, Municipality of Manapla</li> </ul>
Report Boundary: Legal entities included in this report*	Victorias Milling Company, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	Integrated Raw and Refined Sugar, Biomass Co-generation, Bioethanol Production and Rubbing Alcohol
Reporting Period	Fiscal year ended August 31, 2022 (CY 2021-22)
Highest Ranking Person responsible for this report	Wilson T. Young, Chairman



## **Materiality Process**

**Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.**

For this year's materiality assessment, we revisited our materiality topics given our pandemic experience, the effects of climate change and recent pressing developments in the sugarcane industry, and prepared ourselves in addressing new issues and challenges in the post-pandemic environment.

Based on GRI and SEC sustainability frameworks and guided by the principles of materiality and stakeholder inclusiveness, the Sustainability Team together with management, concerned teams and employees identified new impacts, risks and opportunities affecting our stakeholders. These were validated by the group through its various engagement methods with its stakeholders, namely, questionnaires, interviews and dialogue, designed to maximize feedback from each group. The group likewise investigated the stakeholders' expectations for corporate responsibility and sustainability for the company.

Upon deliberation of all gathered information, we were able to prioritize a new set of material topics across a materiality matrix comparing each topic with significant economic, environmental and social impacts against topics of importance to stakeholders. The final output of this process served as our basis for formulating business and sustainability strategies and action plans in the immediate to long term.



VICTORIAS MILLING COMPANY, INC.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount <i>(in Php 000s)</i>
Direct economic value generated (revenue)	8,419,542
Direct economic value distributed	7,714,165
a. Payments to employees	275,406
b. Payments to suppliers/contractors	7,038,099
c. Dividends given to stockholders	274,205
d. Payments to government	121,877
e. Payments to communities	4,577



VICTORIAS MILLING COMPANY, INC.

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

As the country slowly recovered from the effects of the pandemic, the sugar industry continued to cope with the declining provincial sugarcane production year on year. This crop year, the drop in sugar volume production by 14% was attributed mainly to lower sugarcane yield resulting from the impact of typhoon Odette and significantly lower fertilizer application by farmers on their crops given the high fertilizer prices. The costs involved in sugar production remain high primarily due to rising fuel and fertilizer prices, as well as outdated farming and milling practices leading to cost inefficiencies. The demand for sugar grew as a result of loosening COVID-19 restrictions but remains constrained due to high sugar prices during the year. Domestic sugar prices need to be competitive so as not to lose out on the cheaper imported sugar products.

Despite these industry challenges, the Company generated higher sales revenues for refined sugar, ethanol and rubbing alcohol. The implementation of distillery expansion plans increased production by 45% and improved recovery efficiency. This development comes at a crucial time as the need to move towards the use of renewable energy becomes more compelling.

The Company continued to invest in capital expenditures aimed to further improve operational efficiencies, maximize production capacities and improve environmental compliance. Higher taxes were paid to government from the raw sugar and distillery segments. As post-pandemic recovery environment became more evident, the Company undertook community-based investments which included lighting and road infrastructure for sugar planters' support and renovations and repairs of daycare centers, schools and churches for the local communities.

**Which stakeholders are affected?**

Shareholders and Directors, Customers, Planters, Government, Community.



VICTORIAS MILLING COMPANY, INC.

## Management Approach

VMC has slowly integrated its sustainability goals into its business processes, and maintained its overall cost leadership strategy in managing its resources in order to sustain its recovery from the pandemic-stricken business environment and address the growing demands of the sugar industry. The policies and programs of the company that are seen to give support to its stakeholders and businesses are as follows:

- 1) Marketing strategies that aim to increase market share as well as give support to its sugar planters, struggling with high costs of production;
- 2) Automation of processes through development of web applications for internal and external parties for speed of transactions and better service;
- 3) Balanced portfolio mix of investments alongside the core business segments: sugar, ethanol and power co-generation products, to maximize profits;
- 4) HROD programs on employee's training and development, health and economic well-being, and employee engagement activities to attract and retain talent; and
- 5) Data base and information systems for monitoring environmental impacts and complement with social programs benefitting the local communities.

## What are the Risk/s Identified?

The Company recognizes the following risks: 1) Continuing decline of sugar cane production output of the province as a result of changing weather patterns and impact of climate change; 2) Highly competitive environment among mills due to the continued decline in cane supply; 3) Lower fertilizer application due to rising prices resulting to lower yields and sugar recovery; 4) Higher rate of inflation increasing cost of goods and services; 5) Imposition of sugar import liberalization that could adversely impact the business; 6) Increased volatility in sugar and ethanol prices; and 7) Increased environmental scrutiny and compliance requirements.



### Which stakeholders are affected?

Shareholders and Directors, Customers, Sugar Planters and Employees.

### Management Approach

To address the risks, the Company has adopted a horizontal strategy through the systematic integration of its core business segments: sugar mill and refinery, distillery and power co-generation. This strategy sought the introduction of better technologies and sharing of facilities and personnel among its different business segments in order to achieve corporate synergy and economies of scale and economies of scope.

The Company adopts policies to continually explore sound cost reduction measures to protect margins; maximize the use of data analytics in strategy development and short-term decision making; develop second-tier supply chain that includes local suppliers that can fill in foreign supply delays; increased support to sugar planters to improve productivity and reduce cost through provision of organic fertilizers; continuous upgrade and adequate maintenance of plant equipment and machinery to maximize its efficiencies and capacity utilization; and maximize use of renewables to generate power. The Company continues to develop applications that will automate manual processes to ensure efficient coordination between and among business segments. This will streamline the physical operations of the different segments and in the process identify and fill up the input-output gaps in the manufacturing operations and avoid inefficiencies and wastage.

### What are the Opportunity/ies Identified?

In the Company's process of improving manufacturing efficiencies that lessen negative impacts on the environment, opportunities in renewable energy arise, such as solar energy and biogas production. The Company is also investing in research and development activities that will help improve cane productivity and capital expenditures to improve efficiencies, making its operations more sustainable. With the installation of a new administration which prioritizes the agricultural sector, more collaboration with government agencies can be seen.



VICTORIAS MILLING COMPANY, INC.

**Which stakeholders are affected?**

Shareholders and Directors, Customers, Suppliers and Employees.

**Management Approach**

The Company will maintain its investments in the sugar and distillery segments to ensure maximized efficiencies and capacity utilization. The Company will likewise embark on utilizing funding support from the national government such as Sugar Regulatory Administration and Green financial institutions.

**Climate-related Risks and Opportunities**

**Governance**

The Company has adopted a 10-20% reduction of GHG emission as its institutional target by end 2024. The Board of Directors has continued to support its VMC Sustainability Team which is tasked with managing climate-related risks and opportunities. The Team is composed of managers representing the Plant Operations from the Mill, Distillery and Cogen, HROD Department, Finance, Administrative, Research and Development and Quality Control and Assurance Department.



VICTORIAS MILLING COMPANY, INC.

## Strategy

To meet its environmental sustainability objectives, the Sustainability Team has identified 4 key areas of action in the next 3 years. (1) Energy and material consumption reduction; (2) Waste minimization; (3) Renewable energy sources and energy sufficiency; and (4) carbon sequestration.

Reduction in energy and material consumption is now being undertaken through recycling of used materials and by-products. The Sugar Mills and Distillery are actively involved in the recycling of water instead of discharging it back to the river and recovery and distribution of slops to the farmers for their fertilizer use. The company has embarked on paperless reporting although its environmental impact is still not significant. While the company is engaged in developing renewable energy through the operation of bio-gas digesters and bio-mass power plant, it shall explore the viability of operating solar panels to run the mills and distillery. Company's carbon sequestration initiatives can be expanded from tree planting activities inside the company land to neighboring denuded or untapped lands. The company will undertake study on more technologies on how to capture carbon dioxide.

The Company seeks to integrate the principles of Circular Economy in all its manufacturing operations to achieve zero waste through recycling and regenerative production activities. It has likewise adopted a policy of integrating all the data related to Sustainability management and reporting to the company's MIS which will target the creation of a data base on climate mitigation activities which will serve as basis for adopting a comprehensive a Climate Change Action Plan (CCAP) which will: 1) identify the sources of GHG emission in the Company; and 2) set targets of accomplishment for every department to reduce GHG emissions. The said action plan forms part of the over-all strategy to capitalize on renewable energy and apply the principle of 'closed loop' management system.

## Risk Management

The Sustainability Team together with the heads of each core business segment will identify priority risks, including but not limited to regulatory, environmental and social risks. It shall be responsible for the formulation and implementation of risk response strategies.

## Metrics and Targets

On a quarterly basis, the Sustainability Team shall monitor, among other things, climate-related data, and track progress towards sustainability goals.



VICTORIAS MILLING COMPANY, INC.

**Recommended Disclosures**

The Sustainability Team is tasked to gather data from the different departments and draft the Sustainability Report in compliance with the requirements of the Securities and Exchange Commission (SEC). Time horizons used for enterprise climate risk assessment when evaluating likelihood include: 1) Short term from 0-1yr; 2) Medium term from 1-3yrs; and 3) Long term from 3-5yrs. The Company shall set up multi-disciplinary and company-wide climate risk identification, assessment, and management processes and the Company's metric denominator is: Unit total / total volume.

**Procurement Practices**

**Disclosure**

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	85%
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**What is the impact and where does it occur? What is the organization's involvement in the impact?**

The Company's procurement policy helps promote local business growth in order to sustain the sugar-based agro-industries and its ancillary sectors and services. Aside from providing livelihood and employment opportunities to the community, local procurement policies seek to help reduce the Company's carbon footprint.

**Which stakeholders are affected?**

Suppliers. Community. Company.



VICTORIAS MILLING COMPANY, INC.

### Management Approach

The Company's procurement policy allows for a wide list of suppliers, proper and transparent bidding, convenient Purchase Order (PO) procedures and reasonable payment terms. The Company gives priority to local suppliers by allowing them to match the prices offered by foreign suppliers. As a parallel procurement activity, the Company's cane sourcing is administered by its Cane sourcing and Farm Expansion Development Group.

### What are the Risk/s Identified?

Supply chain disruption, surging prices of goods, increased taxes and regulation

### Which stakeholders are affected?

Shareholders and Directors. Customers. Suppliers, Employees

### Management Approach

To implement a sustainable procurement policy, the Company shall undertake a more comprehensive supply chain management framework that will guide the Management in determining the optimal ratio between the traditional suppliers and the new suppliers that offer better prices, quality and with sustainability track record. The Company shall work for the final completion of a system of suppliers' accreditation to give priority to suppliers who practice sustainability in their operations.



VICTORIAS MILLING COMPANY, INC.

What are the Opportunity/s Identified?
<p>Developing a second-tier local supply chain offers an opportunity to develop procurement flexibility in times of supply disruption and price fluctuations. Tapping local suppliers is an opportunity to stabilize the entire supply chain and reduce the Company's carbon footprint. While the Company has developed an automated system of receiving canes and planter-miller sharing calculation at its cane receiving station, it is also looking into possibilities of adopting an online procurement and payment system to improve transparency and efficiency of operations.</p>
Which stakeholders are affected?
<p>Suppliers. Company.</p>
Management Approach
<p>In the short to medium-term, the Company shall maintain a list of foreign suppliers that are exposed to high supply risk and of alternative local suppliers to have a basis for achieving a timely and adequate delivery of material requirements from existing suppliers. The Company is also planning to develop an online procurement system that can meet its requirements.</p>

**Anti-corruption**

**Training on Anti-Corruption Policies and Procedures**

Disclosure	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%



VICTORIAS MILLING COMPANY, INC.

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

As in the past, the Company continues to prevent all forms of corruption within the organization which result in revenue loss and deterioration of the Company's image. These corruption practices include:

- 1) Accepting directly or indirectly payments, loans, kickbacks, special privileges and favors from anyone;
- 2) Fraudulent or irregular transactions that favor a certain employee, officer or supplier; and
- 3) Theft, misappropriation of funds and falsification of documents.

**Which stakeholders are affected?**

Shareholders and Directors, Employees.

**Management Approach**

To deter corruption practices inside the organization, the Company has continued to implement policies such as: 1) Giving proper orientation to new employees and constant reminders to old employees on its Anti-Corruption policy; 2) The offenses are stated in the ECCD with appropriate and applicable sanctions; 3) The Related Party Transactions (RPT) policy that ensures that all related party transaction of the company and its subsidiaries are at arms-length and inure to the best interest of the company; 4) The Whistle-blowing policy which encourages and protects anyone to report any incident of corruption; and 5) The No Gifts policy which discourages employees to accept all forms of bribery.

**What are the Risk/s Identified?**

Despite the Company's strong anti-corruption policy, there persists the risk of corruption that originates from external stakeholders especially from the whole supply chain. These risks may still affect the long-term profitability and goodwill of the Company.

**Which stakeholders are affected?**

Shareholders and Directors. Employees. Customers and Suppliers.



VICTORIAS MILLING COMPANY, INC.

### Management Approach

The Company encourages active participation of all its stakeholders in reporting corruption incidences by providing an effective anti-corruption platform that is accessible and with multiple reporting channels.

### What are the Opportunity/s Identified?

The Company's planned anti-corruption policies and training program offer an opportunity to gather feedback from employees and other stakeholders on how to detect, report and remove all forms of corruption in the Company.

### Which stakeholders are affected?

Company, Suppliers, and Employees.

### Management Approach

The HR Department shall continue to conduct a regular review of compensation and benefits to ensure a fair wage structure and strengthen its programs of giving recognition to employees with outstanding ethical behavior to further motivate them and other employees.



## ENVIRONMENT

### Resource Management

#### 1. Energy Consumption

Disclosure	Quantity	Units
Energy Consumption (renewable sources)	7,383,581	GJ
Energy Consumption (gasoline)	609	GJ
Energy Consumption (LPG)	1,124	GJ
Energy Consumption (diesel)	53,835	GJ
Energy Consumption (electricity)	93,743,452	KW
Reduction of Energy Consumption	Quantity	Units
Energy Reduction (renewable sources)	(534,435)	GJ
Energy Reduction (gasoline)	(85)	GJ
Energy Reduction (LPG)	294	GJ
Energy Reduction (diesel)	26,246	GJ
Energy Reduction (electricity)	4,931,876	kW

What is the impact and where does it occur? What is the organization's involvement in the impact
Which stakeholders are affected?
Shareholders and Directors, Employees. Community.



VICTORIAS MILLING COMPANY, INC.

### Management Approach

Each core business segment crafted its respective value chain map toward generating renewable energy such as biogas and reducing the GHG emissions inside the Company's compound and its surrounding communities. In the medium term, the Company has allocated an investment level that shall further improve the operational efficiency of its Bio-mass Cogeneration Plant to reduce non-renewable energy consumption in all of the Company's business segments (sugar mill, distillery, cogeneration facility) and administrative offices. In the short-term, the Company shall continue using energy efficient methods such as using LED lights in its lighting system.

### What are the Risk/s Identified?

Being in the manufacturing business, the Company is vulnerable to environmental issues and concerns that pose environmental risks to the efficiency of the core business segments and the organization as a whole.

### Which stakeholders are affected?

Employees. Community. Government.

### Management Approach

Each business segment has created an a value chain map to reduce the environmental impact of its manufacturing operations. The Distillery has committed to continue and upgrade its Liquid Fertilization Program and improve its community-based water conservation and waste water treatment.

### What are the Opportunity/s Identified?

The Company sees the opportunity of expanding its renewable energy production through the maximization of its bio-gas production and bio-mass plant's capacity and in the process minimize the use of non-renewable energy sources.



VICTORIAS MILLING COMPANY, INC.

Which stakeholders are affected?
Customers; Directors and Shareholders.
Management Approach
The approach includes the holistic integration of the value chains of each core segment (sugar mill, distillery and power-cogeneration) to achieve corporate synergy, economies of scale and economies of scope. Through the value chain approach, each business segment identifies and synchronizes its primary and support activities with the other segments to avoid duplicity of functions and resource wastage.

## 2. Water Consumption

Disclosure	Quantity	Unit
Water consumption	3,221,824	Cubic meters
Water recycled and reused	1,375,636	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?
Based on previous year's water consumption, the Company had lower consumption this year due to improved recycling process especially in the boiler operations. The treated waste water in the Distillery has been re-used as organic fertilizer. Each business segment has committed to strengthen the Company's present water conservation program which supports the recycle and reuse of its water resources to reduce groundwater and surface water pumping to the factory. To cite an example, the Distillery has committed to take initiatives in expanding water recycling and reuse through its liquid fertilization program.



VICTORIAS MILLING COMPANY, INC.

**Which stakeholders are affected?**

Community, Employees and Customers.

**Management Approach**

Each core business segment is committed to undertake initiatives to reduce water consumption through water recycling and reuse. Specifically, the Distillery Plant is committed to reduce fifty percent of its waste water through direct fertigation and fifty percent will be hauled to planter farms. To minimize overflow of wastewater and/or spent wash. The Distillery Plant will strengthen dikes around the surrounding ponds to prevent surface run-off and conserve grey water for future treatment and recycling. Additional storm drain canals are to be built in the medium-term to contain more rain water and prevent flooding. Part of the operational commitments of the core business segments is the installation of monitoring devices for the flare stack of the new anaerobic digester, an effluent pond level sensor and alarm, and a charcoal net to neutralize odor from the ponds.

**What are the Risk/s Identified?**

Being in the manufacturing business, the Company is vulnerable to environmental issues and concerns.

**Which stakeholders are affected?**

Employees. Community. Government.



VICTORIAS MILLING COMPANY, INC.

### Management Approach

The Company continues to implement the circular economy across the value chains of the three core business segments whereby a by-product of one segment serves as an input to another segment. This is concretized in the value chain map of the three segments. Specifically the said framework covers the following key operational commitments of the business segments: 1) Complete and upgrade its new facilities for pollution prevention and control; 2) Rehabilitate the lagoons and support infrastructure; and 3) Engage in various community projects such as tree planting and river rehabilitation programs to protect the environment.

### What are the Opportunity/s Identified?

The Company recognizes the huge opportunity in achieving significant cost savings in water consumption. To realize and institutionalize this cost savings, the Company sees the need to improve its current water harvesting and containment system that can increase groundwater table, decrease pumping cost, increase surface water supplies, and lessen water contamination. This opportunity is best observed in the operations of the Distillery Plant which has committed recycle and reuse of its wastewater thereby reducing virgin water consumption.

### Which stakeholders are affected?

Shareholders and Directors, Community.

### Management Approach

The three business segments share the common operational commitment to achieve cost savings in terms of water consumption and improve efficiency in its established system for the recirculation, recycling and reuse of treated wastewater. An example of operational initiatives by the business segments is improving equipment efficiencies such as the Distillation and Fermentation set-up thereby reducing water volume requirements.



VICTORIAS MILLING COMPANY, INC.

### 3. Materials Consumption

Disclosure	Quantity	Units
Renewable		
~ Sugarcane	2,761,626.09	Tons
~ Molasses	79,403.37	Tons
Non-renewable		
~ Fuels, Liquid process materials (lower by)	1,651,920	L
~ Solid process materials (higher by)	12,883,664	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?
For this crop year, the Distillery increased its molasses consumption due to increase in its operating capacity.
Which stakeholders are affected?
Company, Employees. Community, NGO's
Management Approach
The Company has adopted a key initiative of developing a more robust incentive scheme to encourage the sugar planters to supply their canes and molasses to the Company.
What are the Risk/s Identified?
The Company recognizes the following priority risks: low supply of materials, especially sugar cane, which can affect the manufacturing plants' operating efficiency; low sugar cane supply causes the



VICTORIAS MILLING COMPANY, INC.

price of molasses to increase thereby affecting the operating efficiency of the Distillery.

**Which stakeholders are affected?**

Company, Customers, Planters.

**Management Approach**

In the short to medium term, the Company shall implement the following priority programs: 1) A more robust incentive program for the sugar planters; 2) A supplemental livelihood program to the sugar planters; 3) A periodic review of and upgrading of the manufacturing operations' efficiency which can help maximize output such as molasses' recovery rate and bagasse's conversion to power; and 4) Engage the local government and NGO's to partner with the Company in this livelihood project.

**What are the Opportunity/s Identified?**

The Company sees the expansion of the manufacturing capacity of its core business segments: Sugar Mill, Distillery and Power Co-generation as a result of stable supply of sugar cane (as a result of a more effective cane sourcing strategy) and its by-products (bagasse and molasses).

**Which stakeholders are affected?**

Sugar Planters, Company. Community. Customers.

**Management Approach**

The Company has identified the following operational commitments and initiatives: 1) Increase the operating capacity of the each core segment following market demand; 2) Ensure the synergistic integration of the value chains among the manufacturing operations of the Sugar mill, Distillery and Power Co-gen; and 3) Expand environmental conservation programs such as the solid and liquid fertilization program of the Distillery.



## Environmental impact management

### 1. Air Emissions

#### GHG

Disclosure	Quantity	Unit
Direct (Scope 1) GHG Emissions (for 7 boilers, Cogen Plant and Distillery Taihu Boiler)	548	Tons CO/year

#### Air Pollutants

Disclosure	Quantity	Unit
NOx (for 2 Diesel Generators and Taihu Boiler)	352	Tons/year
SOx (for Taihu Boiler)	36	Tons/year

#### What is the impact and where does it occur? What is the organization's involvement in the impact?

Air pollutants are evident in the Sugar mill and Power Co-generation. In coping with the energy demand of its manufacturing facilities, the Company has adopted an environmentally-sound energy mix of renewable energy source with some traditional source of energy, most especially diesel. The Company is gearing toward a more renewable energy mix in the medium to long-term.

#### Which stakeholders are affected?

Employees. Community. Government.



VICTORIAS MILLING COMPANY, INC.

### Management Approach

In the past crop years, the Company has continued the installation of new facilities and adopted various measures in pollution prevention across the manufacturing plants. However, it was found out that there is a need for installing air pollution measuring devices to constantly monitor and devise measures to proactively reduce if not eliminate the sources of air pollution. This has formed part of the operational commitments of each core business segment.

### What are the Risk/s Identified?

Being in the manufacturing business, the Company is vulnerable to air emissions and pollution which may pose health risks to the employees and surrounding communities.

### Which stakeholders are affected?

Company, Community, Employees, Government and NGO's.

### Management Approach

The Company has committed to the decommissioning of old boilers and smoke stacks that contribute to air pollutants. To address the management of air pollutants, the constant training of manpower in charge of handling the boilers and air pollution control devices will be implemented.

### What are the Opportunity/s Identified?

The Company continues to explore opportunities in controlling its air emission and pollution through the upgrading of its inefficient equipment such as boilers and in tapping renewable sources of energy. Beginning 2020, the Company has adopted the key initiative to upgrade equipment and technologies to reduce if not eliminate air emissions and pollution.



Which stakeholders are affected?
Company, Community, Employees, Government, NGOs.
Management Approach
Applying value chain approach in formulating its Operational Plan for 2022-23, each business segment is committed to reviewing and maintaining primary activities that are critical in creating sustainable value for the company and its local communities. Those activities that only waste vital resources are eliminated and replaced with innovative ones that support operational commitments of each business segment. The reduction of air emission and pollution has become a key indicator of performance management of each business segment.

## 2. Solid and Hazardous Wastes

### *Solid Waste*

Disclosure	Quantity	Unit
Recyclable	136,963	Tons
Residuals/Landfilled	244	Tons

What is the impact and where does it occur? What is the organization's involvement in the impact?
<p>During the crop year under review, the Company's milling and distillery operations had lower recyclable by-products due to lower TCM and lower residuals due to the use of reusable food containers. The potential impacts of the company's policy on solid waste disposal are evident on:</p> <p>a) The reduced use of sanitary landfill for residual wastes which harm the environment; and b) The reduced degradation of land and water resources due to contamination of the ground aquifer.</p> <p>The Company is mindful of its role in managing solid wastes which if not properly managed may cause negative environmental impacts.</p>



VICTORIAS MILLING COMPANY, INC.

**Which stakeholders are affected?**

Employees. Community. Government.

**Management Approach**

The Company seeks to manage the impacts through the integration of the following approaches in the value chain of the core business segments over a three-year solid waste management strategy: 1) The application of the Life Cycle Perspective Approach; 2) The strict Implementation of integrated waste management; 3) Introduction of materials that are reusable and recyclable and; 4) The continuous implementation of the closed loop production system.

**What are the Risk/s Identified?**

Improper solid waste management may cause health risks and low employee productivity. This in turn translates into lost man-hours and lost profits. It also makes the Company vulnerable to government sanctions and bad publicity.

**Which stakeholders are affected?**

Company. Employees. Government.

**Management Approach**

The Company has completed the installation of new facilities and measures for the effective management of its solid and hazardous wastes. The recycling of mud press from sugar mills into organic fertilizer and the liquid fertilization program of the Distillery plant are good examples of how the Company reduces its landfill use and help the sugar planters adopt organic fertilization that restores the good health of their soils.



VICTORIAS MILLING COMPANY, INC.

**What are the Opportunity/s Identified?**

Each core business segment has embedded in its respective value chain various initiatives that explore the following opportunities: 1) The search for available recyclable material in the market; 2) The search for available new technologies of recycling and reuse of solid and hazardous waste; and 3) The forging of joint ventures with private companies and NGO's in recycling projects.

**Which stakeholders are affected?**

Shareholders and Directors, Community, Government and NGOs.

**Management Approach**

It is the operational commitment of each core business segment to execute the following policies and strategies: 1) Adopt the framework of 'circular economy' where waste is an input to another business segment of the Company; 2) Apply the Product Life Cycle for every product of the company to extend the life and use of its products; and 3) Forge collaborative ventures with universities and research companies in piloting certain recycling technologies.

*Hazardous Waste*

Disclosure	Quantity	Unit
Total weight of hazardous waste currently stored in storage facility	18	Tons
Total weight of hazardous waste transported	zero	Tons

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

The generation of hazardous and toxic wastes in the area.



VICTORIAS MILLING COMPANY, INC.

**Which stakeholders are affected?**

Community, Government, Employees, Company.

**Management Approach**

The Company shall undertake the following courses of actions: 1) Compliance with RA 6969 Control of Toxic Substances and Hazardous and Nuclear Wastes; 2) Implementation of a Procedural Manual for Chemical Management; and 3) Employees' training.

**What are the Risk/s Identified?**

The Company has identified the possibility of disease outbreaks and disruption of livelihood as risks.

**Which stakeholders are affected?**

Community, Government, Employees, LGUs.

**Management Approach**

In the short to medium term, the Company shall undertake the following measures:  
1) Renewal of contract with Hazardous Waste Treater and Hauler accredited and authorized by the government; 2) Conduct of regular supplier's audit to ensure compliance with the standards; and 3) Active participation in environmental advocacy programs of the government.

**What are the Opportunity/s Identified?**

The Company has identified the following opportunities: 1) The utilization of available bio-degradable material in the market; 2) The utilization of new technologies of disposing hazardous materials; and 3) Possible joint ventures with private companies, universities and NGO's in the disposal and replacement of hazardous materials.



VICTORIAS MILLING COMPANY, INC.

**Which stakeholders are affected?**

Shareholders and Directors, Community, Government and NGOs.

**Management Approach**

The Company shall manage the opportunities by forging collaborative ventures with universities and research companies in piloting certain technologies in the storage and disposal of hazardous materials and their eventual replacement by biodegradable and environment-friendly materials.

*Effluents*

Disclosure	Quantity	Units
Total volume of water discharges	zero	cubic meters
Percent of wastewater recycled (higher by)	88	%

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

As in the past, the Company's recycled and reused water has reduced sustained groundwater and surface water pumping to its mill, distillery and cogeneration plants, leaving more for the community to benefit from. Such water recycling practice recharges the area's aquifer and allows for sustained livelihood for the community.

**Which stakeholders are affected?**

Shareholders and Directors, Community, Government and NGOs.



VICTORIAS MILLING COMPANY, INC.

### Management Approach

The implementation of the closed loop system is part of the company's commitment to minimize its dependence on water streams for water. Moreover, plans to develop the natural lagoons and its surroundings as not only a place for the children in nearby communities to engage in fishing activities but also, as a recreation spot for the residents and visitors. To effectively execute this approach, each business segment has prioritized effluent management as its key operational commitment starting 2022.

### What are the Risk/s Identified?

Unnecessary water discharges and poorly maintained waste-water lagoons are common causes of health risks and loss livelihood opportunities in the community.

### Which stakeholders are affected?

Company, Employees. Community.

### Management Approach

In the short-term, the Company has adopted the following measures: a) Canals leading to the river have been sealed off; and b) Water levels are constantly monitored especially during heavy rains. In the medium-to-long-term, the Company shall design a more robust and cost-effective water-recycling-liquid-fertilization scheme, especially in the Distillery Plant.

### What are the Opportunity/s Identified?

The Company has identified the following opportunities: a) Research on water-recycling and aquifer recharging technologies; b) The area has a vast potential source of recharging its aquifer through rain water harvesting; and c) There exist many local and international water conservation programs that the Company may avail of to effectively manage its water conservation issues.



VICTORIAS MILLING COMPANY, INC.

Which stakeholders are affected?
Community. Shareholders and Directors, Government and NGO's
Management Approach
In the medium term, the Company through its Sustainability Team will continue implementing the following measures in the Sugar Mills, Distillery and Power Co-generation plants: 1) Improvement of piping system for recirculation, recycling and reuse of treated wastewater; 2) Joint rainwater harvesting projects initiated by NGO's, LGU's and community; and 3) Company-initiated greening and green landscaping activities that will help recharge aquifer in the area.

## Environment compliance

### 1. Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Unit
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	630,000	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	zero	Php
No. of cases resolved through dispute resolution mechanism	zero	Php

What is the impact and where does it occur? What is the organization's involvement in the impact?
The Company's regulatory compliance efforts help build trust among the members of the community, customers and its employees and stockholders. In this regard, it is the company's policy to undertake consistent monitoring of the continuing environmental impacts of all its manufacturing and administrative operations.



VICTORIAS MILLING COMPANY, INC.

**Which stakeholders are affected?**

Community. Government. Customers and Shareholders.

**Management Approach**

The need to integrate in its Management Information System the design of a Sustainability Report Data Base is necessary to ensure its compliance with all environmental laws and regulations. With the formation of VMC's Sustainability Management Team, the Company is able to monitor and adopt corrective measures to manage all its environmental impact.

**What are the Risk/s Identified?**

The untimely acquisition of knowledge of new environmental laws and regulations may hamper the adequate preparation of the Company to adjust to the changing governmental environmental policies and regulations. Since the enforcement of new environmental regulations may require time to adjust, retrofit some equipment and re-train its technical personnel, the Company is vulnerable to being unduly penalized.

**Which stakeholders are affected?**

Shareholders and Directors, Employees, Community and Government.

**Management Approach**

The VMC Sustainability Team is tasked to conduct on-going research on new government environmental laws and regulations and to ensure proper and timely information dissemination among the Company's core business segments. The upgrading of the Company's MIS to include information on environmental management will be of great help.



VICTORIAS MILLING COMPANY, INC.

### What are the Opportunity/s Identified?

Through its policy of environmental self-awareness and self-regulation, the Company has identified the following opportunities: 1) The search for available new technologies that can enhance the Company's environment-friendly manufacturing processes; 2) The search for available government and private environmental programs with which the Company can leverage its resources toward adopting environment-friendly technologies; and 3) The search for local and international Green Finance institutions that support the Company's sustainability programs.

### Which stakeholders are affected?

Shareholders and Directors. Community. Government.

### Management Approach

The Company shall continue to monitor its strengths and weaknesses in implementing new environmental regulations and align its manufacturing operations with the Company's environmental conservation targets. To achieve its short and medium term objectives, the Company has crafted an Operational Plan which calls for the active involvement and collaboration of each business segment in managing its respective value chain and achieving the corporate-wide horizontal strategy and sustainability goals and objectives.



VICTORIAS MILLING COMPANY, INC.

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### *Employee Data*

Disclosure	Quantity	Unit
Total number of employees	659	-
a. Number of female employees	110	-
b. Number of male employees	549	-
Attrition rate	13.65%	rate
Ratio of lowest paid employee against minimum wage		ratio

##### *Employee Benefits*

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS (higher)	Y	28%	30%
PhilHealth (the same)	Y	2.73%	0.18%
Pag-ibig (higher)	Y	23%	51%
Parental leaves (higher)	Y	2.63%	1.82%
Vacation leaves (higher)	Y	98%	97%
Sick leaves (females higher/males the same)	Y	54%	13%
Medical benefits (aside from PhilHealth) (higher and why more than 100%)	Y	26%	30%



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Housing assistance (aside from Pag-ibig) (lower)	Y	27%	21%
Retirement fund (aside from SSS) (females same/males lower)	Y	2%	.36%
Further education support	Y	0.00%	0%
Company stock options	N	0.00%	0.00%
Telecommuting (female lower, males slightly higher)	Y	11%	.73%
Flexible-working hours	N	0.00%	0.00%
(Others) Group Personal Accident Insurance (higher)	Y	0.00%	0.00%

**What is the impact and where does it occur? What is the organization's involvement in the impact?**

The Company has always maintained its corporate policy of ensuring the economic and social well-being of all its employees across all its business segments and administrative offices. The Company's involvement in providing favorable employees' conditions in the workplace is being managed by its HROD Department.

**Management Approach**

The VMC HROD Department has included in the Value Chain maps of each business segment the offering of compensation packages and employees' programs that maximize employee performance, retain the employees, maximize productivity, reduce the absenteeism and motivate the employees.

**What are the Risk/s Identified?**

Due to the location of the mill and plant operations and the resulting limited talent pool available in Victorias City, the Company sees the risk of poaching.



VICTORIAS MILLING COMPANY, INC.

### Management Approach

The Company shall implement the key Initiative on carrying out the flexible deployment of its technical and rank and file personnel across all its business segments. This initiative will boost the present company's employee retention program as it requires re-training and added employees' productivity and benefits, will help retention programs that offer flexible benefits that match an employee's career path and skills. For the medium term (Crop year 2022-23), each core business segment will implement shared services and personnel program that will ensure their joint economies of scale and corporate synergy.

### What are the Opportunity/s Identified?

In light of its strategy to promote corporate synergy, the Company sees the following opportunities: 1) A learning curve on implementing horizontal strategy in a diversified company like VMC; 2) A knowledge capital development on the nature and mechanics of flexible deployment of technical and rank and file personnel across all business segments; 3) A training opportunity for cross-functional and technical skills training and upgrading; and 4) A technical opportunity to engage in digitalization of operations of each business segment and virtual training programs amid the pandemic-induced constraints.

### Management Approach

The Company shall implement the key initiative on designing cross-functional and cross-technical training and development programs. For medium-term (Crop year 2021-22), the Company shall design and roll out of mixed on-line, virtual and face-to-face training modules for the employees.



VICTORIAS MILLING COMPANY, INC.

**Employee Training and Development**

Disclosure	Quantity	Unit
Total training hours provided to employees		
a. Female employees (higher)	2,026	hours
b. Male employees (higher)	3,248	hours
Average training hours provided to employees		
a. Female employees (higher)	7.21	hours/employee
b. Male employees (the same)	3.9	hours/employee

**Labor-Management Relations**

Disclosure	
Number of employees covered with CBA (higher)	450
Number of consultations conducted with employees concerning employee-related policies (higher)	13

**Diversity and Equal Opportunity**

Disclosure	
% of female workers in the workforce (the same)	17%
% of male workers in the workforce (the same)	83%



**Workplace Conditions, Labor Standards, and Human Rights**

**Occupational Health and Safety**

Disclosure	
Safe Man-hours (lower)	845,986 man-hours
Number of work-related injuries (the same)	2
Number of work-related fatalities	zero
Number of safety drills (higher)	2

What is the impact and where does it occur? What is the organization's involvement in the impact?
Occupational Health and Safety (OHS) standards mandate the reduction, removal, or replacement of job site hazards. OHS programs also help minimize the effects of such hazards. Occupational health and safety considerably benefit the Company, as healthy employees are guaranteed to be more productive.
Management Approach
OHS programs in place and are implemented strictly by the Safety Officers.
What are the Risk/s Identified?
The Company recognizes the reputational risk involved when accidents occur in the workplace.
Management Approach
The Company's OSH programs are in place and are implemented strictly by the Safety Officers.



VICTORIAS MILLING COMPANY, INC.

**What are the Opportunity/s Identified?**

The Company can achieve from its OHS programs the following benefits: a) A safer and healthier work environment for its employees; b) Increased employee's morale; and c) An opportunity to attract smart, talented and high caliber persons to be part of the Company.

**Management Approach**

The HROD shall initiate programs that build a culture that values the importance of safety, quality and health of the workers.

**Disclosure**

Number of legal actions or employee grievances involving forced or child labor	zero
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Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If yes, cite reference in the Company policy
Forced labor	Y	Code of Conduct's provision that company's policies adhere to Philippine laws and regulations
Child Labor	Y	
Human Rights	Y	

**Supply Chain Management**

Topic	Y/N	If yes, cite reference in the Company policy
Environmental performance	Y	Sustainability Team's preferred policy to environment-friendly suppliers.



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Forced labor	Y	Sustainability Team’s preferred policy to those with no forced labor practices.
Child Labor	Y	Sustainability Team’s preferred policy to those with no child labor workers.
Human Rights	Y	Sustainability Team’s preferred policy to those with good human rights records.
Bribery and corruption	Y	Sustainability Team’s preferred policy to those with no bribery practices.

**Relationship with Community**

**Significant Impacts on Local Communities**

MC Operations *	Location	Description	Mitigating / enhancement measures
Water Conservation Program and Access to Clean Water	Malihao and Sicaba River	<p>VMC conducts regular clean-up drives of the Malihao and Sicaba Rivers where employees volunteer to collect 600+ kilos of waste every clean-up. Over 3,500 kilos of waste has been collected to date and is participated in by over 50 volunteers per clean up.</p> <p>And as part of VMC’s Access to Clean Water program, five deep wells (at PHP25,000 each) were installed in some areas in Brgy. Purisima during the pandemic so people residing in remote areas can have access to water, affecting over 373 households</p>	Mitigates water pollution and siltation and enhances livelihood in the community.



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<p>Environmental Programs</p>	<p>Manapla Distillery area and Sugar Mill WWTP</p>	<p>Involves the planting of over 275,000 seedlings in more than 250 hectares of land in the surrounding areas of Manapla Distillery and Sugar Mill.</p> <p>Under the company's Greening Program, VMC employees plant trees every year in strategic locations around the mill. 11,000 tree seedlings have been planted, gathering around 300 VMC volunteers for this event.</p>	<p>Helps in sequestering carbon dioxide and serves as a natural filter to reduce foul odor in the area.</p> <p>This is one way that VMC reinforces among its employees the benefits of trees and fosters environmental stewardship.</p>
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VICTORIAS MILLING COMPANY, INC.

<p>Waste Management</p>	<p>Manapla Distillery and Sugar Mill</p>	<p>Under VMC’s Fertilization Program, organic slops, a by-product from the plant, is given to farmers as an alternative to chemical fertilizers. VMC employees from the Cane Supply department collaborate with the planters themselves as they select the farmer-beneficiaries. The farmers get to save huge amounts on fertilizers as these are very expensive nowadays. Furthermore, the production of the fertilizers (the distillery’s treated wastewater) is aligned with the company’s zero waste and sustainability policy. From 2019 up to the present time, the project has benefited a total of 66 haciendas or a total fertilized area of 88,027.2 hectares, with about PHP17,000 in cost savings per hectare.</p> <p>Farmers can save money on fertilizers via the Fertilization Program wherein organic slops, a distillery by-product, is given to them as an alternative to chemical fertilizers.</p>	<p>Mitigates water pollution and enhances waste recycling and farmers’ livelihood.</p> <p>Involves the recycling of slops into organic fertilizer. Reuse of solid waste as soil conditioner in sugarcane fields.</p> <p>Production of these fertilizers supports VMC’s zero waste and sustainability policy.</p>
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VICTORIAS MILLING COMPANY, INC.

<p>Logistics Operations</p>	<p>Manapla Distillery and Sugar Mill</p>	<p>Involves community planning projects like road constructions, canal widening, streetlighting, and repairs of daycare centers and churches. The road construction projects are VMC's way of taking care of the planters and making sure their sugarcane gets to the mills faster. This preserves the cane's quality and helps planters save on cost of truck maintenance.</p>	<p>Facilitates planting, hauling of sugar cane to the sugar mill.</p> <p>The road construction projects are VMC's way of taking care of the planters (around 400 of them) and making sure that their sugarcane will get to the mills faster. This ensures that the cane's quality will be preserved. Aside from that, this also helps planters save costs on truck maintenance because the roads are in good condition. The residents of the communities along these roads get to enjoy the benefits of having cemented roads—safety, ease of travel, and improved livelihood.</p> <p>The streetlight project was developed to ensure safety and security among the residents.</p>
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VICTORIAS MILLING COMPANY, INC.

<p>Youth Programs</p>	<p>Manapla Distillery Plant</p>	<p>VMC helped the youth community to put up the organisation CMYF (Central Manapla Youth Federation) in February 2022, which has around 400 members at last count. This youth organisation is responsible in developing programs that would engage and lead to active participation and involvement in community activities among its members.</p> <p>The company built basketball courts and donated volleyball nets to several zones in Brgy. Purisima. To support the youths' physical and mental wellness and help instill positive values in them, the company helped CMYF hold a 3-month long sports fest in April 2022, which was participated in by about 150 young players.</p> <p>In July 2022, the company started a Summer Job Program for the youth to give them the opportunity to work and earn money during the break. This involves the participation of 10 CMYF members every week in a summer job program at the distillery, doing landscaping and housekeeping tasks. Total participant-beneficiaries are at 40 members, who receive daily wages for 6 days a week.</p>	<p>These projects promote the health, safety and well-being of community members and require the participation of the youth and other community members in the activities. It is important to develop lasting relationships with them, filled with trust and openness, with VMC guiding them and the community members driving the programs.</p>
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\* excluding CSR projects



VICTORIAS MILLING COMPANY, INC.

<b>What are the Risk/s Identified?</b>
Low participation and involvement in Company's initiated community engagement programs.
<b>Management Approach</b>
Establish relationships with barangays and implement a feedback mechanism process as well as a communication link with the community to identify programs that are relevant to the community.
<b>What are the Opportunity/s Identified?</b>
Enables a collaborative culture among key community players, the government, residents and the Company in order to work towards the improvement of the community's quality of life.
<b>Management Approach</b>
Design programs that respond to the needs and aspirations of the community and enrich the livability of their community.



VICTORIAS MILLING COMPANY, INC.

**Customer Management**

**Customer Satisfaction**

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer Satisfaction	The Company plans to conduct an internal customer satisfaction survey.	No.

What is the impact and where does it occur? What is the organization's involvement in the impact?
The Company has built credibility and loyalty among its customers through the years.
Management Approach
The Company will continue to enhance its Customer Claim & Complaint Management Procedure which aims to provide solutions and improvements in a timely manner and to prevent the recurrence of complaints.
What are the Risk/s Identified?
The Company recognizes the risk of losing customers due to product and service quality issues.
Management Approach
The Company continues holding regular meetings to address quality issues as well as to ensure that measures are in place to prevent the incidence of such.



VICTORIAS MILLING COMPANY, INC.

**What are the Opportunity/s Identified?**

Product improvements and innovations to tap new market segments.

**Management Approach**

Engage R&D in the development of innovative products and processes for the Company.