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**SECURITIES AND EXCHANGE COMMISSION**

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COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

SEC FORM 17-A

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

Company's Telephone Number

034-399-3588

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Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

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Contact Person's Address

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

To be accomplished by CRMD Personnel

Date

Signature

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: August 31, 2017
2. SEC Identification Number: PW-364 3. BIR Tax Identification No.: 000-270-220-000

4. Exact name of Issuer as specified in its charter: VICTORIAS MILLING COMPANY, INC.

5. Plant site: Victorias City, Negros Occidental 6. (SEC Use Only)

Province, Country or other jurisdiction of
incorporation or organization

Industry Classification Code:

7. VMC Compound, J.I. Ossorio St., Brgy. XVI, Victorias City, 6119
Negros Occidental
Address of office Postal Code

8. (034) 399-33-78; (034) 399-35-88
Issuer's telephone number, including area code

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

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

Title of Each Class

Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding

(a) Common Stock (Par Value of P1.00 per share)

Authorized Capital Stock	3,042,061,094 shares
Subscribed and Paid-up	3,042,061,094 shares
Amount of Debt Outstanding as of August 31, 2017:	Php1,500,000,000 long-term loan

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

Yes [X] No []

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

Philippine Stock Exchange, Inc. - Common 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 ☒ [X]

No ☐ []

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

Yes ☒ [X]

No ☐ []

13. Aggregate market value of the voting stock held by non-affiliates: P10,534,471,047.10
(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 ☒ [X]

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:

2016-2017 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) is a Philippines-based enterprise engaged primarily in sugar manufacturing. Since its founding in 1919, the company has weathered wars and regional crises, becoming one of the largest sugar operations in the world.

The company has since diversified, and formed Victorias Foods Corporation, Canetown Development Corporation, Victoria's Golf & Country Club, Inc., Victorias Agricultural Land Corporation, and Victorias Green Energy Corporation. Through these subsidiaries, VMC continually improves its expertise in the areas of food processing, leisure, real estate, and energy generation.

The company, through its diverse business portfolio, continues to contribute to the economy as it Nourishes, Powers, and Fuels the lives of the Filipino people.

	<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, mackerel, luncheon meat, lechon paksiw, ham, bacon and other meat products
Canetown Development Corporation (CDC)	February 9, 1979	88%	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 Corp. (VGEC)	April 13, 2015	100%	power generation

BUSINESS DEVELOPMENT

The recent past saw VMC further improving its operations, product quality and services. The company has been continually undertaking certain unprecedented major improvement programs to satisfy all its stakeholders.

CURRENT STATUS OF REHABILITATION PROGRAM

On 04 July 1997, VMC filed with the Securities and Exchange Commission (SEC) a Petition for the Declaration of Suspension of Payments, for the Approval of a Rehabilitation Plan, and the appointment of a Management Committee.

Pursuant to the approved Rehabilitation Plan, VMC and the creditor banks executed a Debt Restructuring Agreement (DRA) on 29 April 2002.

VMC plunged into several strategic initiatives to attain financial health, sustain its operations and pay off its debts. Thus in 2013, more than five years ahead of schedule, the Company was able to pay all its remaining balance of the restructured loan as well as the interests accruing thereon.

VMC likewise converted its convertible notes in accordance with the conversion periods as stated in the Debt Restructuring Agreement. In 2014, VMC fully redeemed the remaining notes held by original noteholders

By Aug 31, 2017, VMC reported P 3.0M principal value of convertible notes awaiting conversion held by transferee noteholders

RISKS

The risks of the corporation can be classified into five general categories: (i) Operational risks; (ii) Financial risks; (iii) Regulatory risks, (iv) Strategic risks, and (v) Compliance risks

(i) Operational Risk

One of the major elements in the operational risks of the corporation is its raw materials supply chain. VMC currently gets its cane supply from district and non-district planters. A bigger portion of the central's supply come from the non-district planters who are highly susceptible to aggressive campaigns from their own district centrals. Competition on cane supply has triggered the setting up of various transloading stations by the sugar centrals.

Another new facet in operational risk is in the failure of SAP as the major accounting system which supports the financial data of the company. The company mitigates this through the SAP Support and Maintenance Agreement and a continuous upgrade of its IT structure, both in software and hardware.

(ii) Financial Risk

The Company's financial instruments comprise of cash and cash equivalents, trade and other current receivables, advances to and from subsidiaries, other noncurrent assets, trade and other current payables as well as short and long-term debts. The main purpose of these financial instruments is to raise finances for the Company's operations.

To manage its credit risks, the Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

(iii) 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.

One key element is its compliance with environmental regulatory requirements. Despite VMC being under rehabilitation it has been able to invest on anti-pollution devices. To date VMC has installed eight (8) scrubbers on its smoke stacks and expects to be fully compliant soon with the air emission standards of the DENR.

Government policies on allowing the entry of imported sugar, the schemes used, and the interplay of all stakeholders, affect the flow of sugar in the marketplace.

There are recent pronouncements on taxing "sugary" products. The tax policies of the government will have effects on the industry.

Agrarian reform programs continuously affect the supply of sugar cane which is a plantation crop.

(iv) Strategic Risk

Competition and industry changes form part of strategic risks to which VMC is exposed to.

Sugar substitutes, in particular the High Fructose Corn Syrup (HFCS), became an active threat to the industry due to its very low landed cost in the country.

Standards of customer specifications is something that VMC should also be concerned of to ensure that its product quality suits the dynamics of its customers.

VMC is also fully exposed to the risks of the extreme weather conditions. Since its business is agriculturally-based, weather is a very critical factor for a successful crop year. Low farm inputs from planters will translate to low production that will trigger stiff cane competition among sugar millers in the region and will affect the price following supply and demand forces.

The numerous legal cases are likewise a source of risk for the Corporation. Claims filed against the Corporation are currently under suspension, with VMC being under corporate rehabilitation. The potential impact of these cases on the corporation once the suspension is lifted is continually being assessed.

(vi) Compliance Risk

The Company undergoes various audits for food safety, good manufacturing practices, and other quality audits to ensure that the product produced (sugar) is safe for human consumption.

Compliance with reportorial and disclosure requirements to the Securities & Exchange Commission (SEC), being a listed company, is something that the Company must closely monitor.

Accounting principles and standards are likewise, among the many compliance risks that the Company is constantly exposed to considering that financial reporting is crucial to a listed company.

GOVERNMENT LICENSES REQUIRED

NAME OF LICENSE	DESCRIPTION	DATE SECURED	EXPIRY DATE
01. CERTIFICATE OF ELECTRICAL INSPECTION	Electrical inspection certificate EEDL No. VI-01-2012 issued by DOLE for the VMC sugar factory.	February 2, 2017	February 2, 2018
02. PERMIT TO OPERATE VARIOUS STEAM TURBINE	Permit to Operate DLST No. VI-03-2012. Permit to operate GE, Siemens, Kawasaki, and Shin Nippon Turbine Generators.	February 2, 2017	February 2, 2018
03. PERMIT TO OPERATE INTERNAL COMBUSTION ENGINE	Permit to Operate DLST No. VI-01-2012. Permit to operate CATERPILLAR Diesel Engine Generator.	February 2, 2017	February 2, 2018
04. CERTIFICATE OF REGISTRATION	Certificate of Registration issued by the Department of Energy (DOE). This serves as basis of entitlement to incentives under R.A. No. 9513, otherwise known as Renewable Energy Act of 2008.	May 18, 2011	May 18, 2036
05. MILLING LICENSE	To operate sugar mill and to have centrifugal sugar stored in its mill site/subsidiary warehouses.	August 11, 2017	August 31, 2018
06. REFINING LICENSE	To operate a sugar refinery and to have the refined sugar manufactured stored in its warehouse.	August 11, 2017	August 31, 2018
07. SUGAR TRADER CERTIFICATE OF REGISTRATION	Authority to withdraw purchased sugar from the warehouse of any sugar mill refinery.	August 22, 2017	August 31, 2018
08. MOLASSES TRADER CERTIFICATE OF REGISTRATION	Authority to withdraw molasses from storage tanks of any sugar mill or refinery.	August 22, 2017	August 31, 2018

09. FSSC 22000 CERTIFICATION	Registration subject to minimum annual audit of food safety management systems and annual verification of PRP	February 22, 2016	February 15, 2019
10. ISO CERTIFICATION	Certification subject to annual surveillance and three year renewal audit.	February 17, 2017	November 24, 2018
11. HALAL CERTIFICATION	Certification subject to annual renewal (Raw Sugar & Refined)	August 18, 2017	on process
12. GMP	Certification subject to annual surveillance/inspection audit.	February 9, 2016	April 24, 2020
13. PDEA LICENSE	Permit to use controlled chemicals for Refinery and Manapla Distillery Plant.	November 9, 2016	on process
14. PERMIT TO OPERATE VARIOUS BOILERS	Pursuant to Article 165, Chapter II, Book IV of the Labor Code of the Phil., for Occupational Safety and Health.	August 11, 2017	August 11, 2018
15. PERMIT TO OPERATE VARIOUS BOILERS	Pursuant to Article 165, Chapter II, Book IV of the Labor Code of the Phil., for Occupational Safety and Health.	July 21, 2017	July 21, 2018
16. PERMIT TO OPERATE INTERNAL COMBUSTION ENGINE (VMC MANAPLA DISTILLERY PLANT)	Pursuant to Article 165, Chapter II, Book IV of the Labor Code of the Philippines (LCP), as amended and its implementing rules and regulations. Rule 1170 of the Occupational Safety and Health (OSHS), as amended. ICE No. VI-18-94	September 20, 2016	On Process
17. PERMIT TO OPERATE VARIOUS PRESSURE VESSELS	Pursuant to Article 165, Chapter II, Book IV of the Labor Code of the Phil., Occupational Safety and Health (OSHS).	August 15, 2017	August 15, 2018
18. ENVIRONMENTAL COMPLIANCE CERTIFICATE	Includes existing production wells and monitoring wells of Sugar Mill and Refinery Plant Project.	November 6, 2012	No expiry date
19. REGISTERED MARKS	Registered Mark Nos. 4-2008-500038 and 4-2008-500039 - Class 30.	September 22, 2008	September 22, 2018
	Registered Mark No. 4-2008-012796 -Class 30	May 25, 2009	May 25, 2019
	Registered mark No. 4-2007-500803 -Class 29 and Class 30	October 23, 2009	October 23, 2019
	Registered Mark No. 4-2010-501552 -Class 30	June 2, 2011	June 2, 2021
20. BUSINESS PERMITS	For various products and services.	February 14, 2017	December 31, 2017

21. FIRE SAFETY INSPECTION CERTIFICATE	Certificate of Safety and Protection of VMC's Business Establishment.	February 15, 2017	February 15, 2018
22. LICENSE TO OPERATE	License to Operate as a Food Manufacturer of Sugar issued by the Department of Health Bureau of Food and Drugs.	March 24, 2015	April 24, 2020
23. BIR IMPORTER CLEARANCE CERTIFICATE	Certificate of Accreditation as Importer issued by the Bureau of Internal Revenue.	July 18, 2017	July 18, 2020
24. CERTIFICATE OF REGISTRATION	Certificate of Registration issued by the Bureau of Customs (BOC).	November 6, 2017	November 6, 2018
25. NATIONAL WATER RESOURCES BOARD (NWRB) PERMIT	Permit to use water from various water sources pursuant to Resolution No. 74-4 of the National Water Resources Council, promulgated by authority of the Presidential Decree No. 424 dated March 28, 1974.	November 7, 2014	No expiry date
26. ENERGY REGULATORY COMMISSION CERTIFICATE OF COMPLIANCE	Section 38 of Republic Act No. 9136 (RA 9136).	January 21, 2014	January 21, 2019
27. ICARE CERTIFICATE OF ACCREDITATION	Certificate of Accreditation as Importer issued by the Bureau of Customs Certifies that VMC is an accredited importer in accordance with Customs Memorandum Order No. 47-2010 subject however to suspension or cancellation prior to the expiration thereof pursuant to applicable laws, customs, rules and regulations.	September 17, 2014	September 17, 2017 Renewed - certificate not yet issued by BOC.

All obligations of VMC pertinent to the abovementioned licenses and permits are religiously followed by the Corporation.

CANE SUPPLY

Total canes milled for this Crop Year 2016-2017 reached 3,218,330.28 tons equivalent to 6,031,069.65Lkg sugar. This is 1% higher or 18,330 tons more from VMC's projection this crop year at 3,200,000 tons and likewise 3% higher or 104,851 tons from last year's cane volume of 3,113,479 tons. Increase in tonnage milled is attributed to favorable weather resulting to better farm productivity or more tonnage produced per hectare.

SALE OF SUGAR AND BY-PRODUCTS

VMC's major source of cash is sales of raw sugar mill share, tolling fees from refinery operations, and sale of molasses. The major buyers of VMC's sugar products (sugar & molasses) are the sugar traders.

Raw sugar mill share refers to the Corporation's share (30.5%) of raw sugar produced from canes supplied by the planters.

Refined Sugar is also called "white sugar" while the raw sugar is commonly called as "brown sugar." Raw sugar goes through a process of refining and the result is the refined sugar. VMC produces two different types of refined sugar - premium and standard. These varieties differ mainly in color,

moisture content, ash content, and final use. The premium type, for example, is mainly for industrial users such as beverage manufacturers. The standard type is both for industrial and household consumption.

Molasses is the by-product of both raw sugar and refined sugar operations. The major buyers of VMC's molasses are Asian Alcohol, Distilleria de Bago, Balayan Distillers, Kooll Company, Inc., Absolut Distillers, Shuurmans & Van Gineken Phils., Inc, Roxol Bioenergy Corp., LYL Marketing and FT Zucchero Trading.

CANE SUPPLY TREND

After two (2) years of continuous decline, the province's cane supply this year has attain the highest yield ever in the history of the province at 14,379,303 tons. This year's "bumper" crop is primarily attributed to good weather. The normal weather that provided optimum moisture all throughout the year greatly favors the vegetative growth of the sugarcane producing more tonnage per hectare but also, was a disadvantage on the quality of canes or purity of the cane juice as it resulted to lower Lkg/TC.

VMC's Breakdown of Revenues CY 2016-2017 & CY 2015-2016

	Separate		Consolidated	
	2017-2016	2016-2015	2017-2016	2016-2015
Sale of goods				
Refined sugar	6,157,314	529,584	6,157,314	529,584
Raw sugar	1,497,164	3,332,852	1,497,164	3,332,852
Alcohol	451,331	396,860	451,331	396,860
Molasses	181,207	157,524	181,207	157,524
Power generation	26,230	20,109	26,230	20,109
Others	-	-	58,989	64,442
Total	8,313,246	4,436,929	8,372,235	4,501,371
Revenue from rendering of service				
Tolling fee	334,482	812,523	334,482	812,523
Others	-	-	5,864	-
Total	334,482	812,523	340,346	812,523
Grand Total	8,647,728	5,249,452	8,712,581	5,313,894

*in thousands

Aging of Accounts Receivable

CONSOLIDATED (in thousands)						
Neither past due or impaired	Past due but not impaired				Past due and impaired	Total
	<30 days	31-60 days	61-90 days	>90 days		
140,273	84,903	12,680	36,947	34,733	24,350	333,886

VMC MANPOWER

As of August 31, 2017, VMC has three (3) executive officers, and five (5) senior officers with 657 regular employees and 1,799 outsourced workers.

ITEM 2 - PROPERTY

The total landholdings of the Parent Company is 6,885,075 square meters. The main plant is situated in a 2,338,503 square meters of land within Victorias City. The Parent Company's landholdings in Negros Occidental include 987,909 square meters land other than where the main plant is located in Victorias City, a 2,383,579 square meters land in the Municipality of Manapla, a 1,156,823 square meters

land in Cadiz City, a 1,000 square meters lot in Bacolod City and 159 square meters lot in Talisay City. The Parent Company also owns 4,089 square meters lot in Iloilo City and 13,013 square meters property in Antipolo, Rizal.

The following are the major operational machineries & equipment owned by VMC based on its location:

VMC Compound, Victorias City, Negros Occidental.

- a. A & C Mill
- b. Various Boilers
- c. Boiling House Equipment
- d. Refinery
- e. Powerhouse
- f. Other Engineering Equipment & Machineries

Barangay Purisima, Manapla, Negros Occidental.

- a. Manapla Distillery Plant

The following are the VMC Subsidiaries' respective principal properties, machineries and equipment:

1) VICTORIAS GOLF & COUNTRY CLUB, INC. (VGCCI) - Clubhouse, 18-hole Golf Course, Office Room, Locker & Shower Room, Canteen & Kitchen, Pavilion, Basement, Green Mowers 22", Five Gang Fairway Mower, Golf Carts.

2) VICTORIAS FOODS CORPORATION (VFC) - Cold Storage 2 compressor 9 cooling PL-EVAP with motor, Eviscerating and Packaging Table, Fish Washing System, Primary Exhausters, Can Vacuum Seaming Machine, Retort Machine, Chillers, Steam Generator, Food Processing Plant, Deepwell Water Supply System, Bodega/Packaging House, Canteen/Shop/Oil Bodega, Fish Meal Building, Slaughter House.

3) CANETOWN DEVELOPMENT CORPORATION (CDC) - Subdivision lots in Manapla and Victorias, Landholdings in Victorias and Manapla, Memorial Garden, Agricultural Land, VMC Engineering Complex Land Area, Water Pumping Stations and Distribution System.

4) VICTORIAS AGRICULTURAL LAND CORPORATION (VALCO) - Agricultural Lands with a total of 31.25 hectares (Bacayan Area), Built up areas with total of 9.18 hectares, Industrial Tree Plantation (Hacienda Florencia Area).

ITEM 3 - LEGAL PROCEEDINGS

Cases filed for and against VMC are being handled by the Company's In-house and External Counsels.

The External Counsels are Hilado Hagad & Hilado Law Offices, Villanueva Gabionza & De Santos Law Office, Angara, Abello, Concepcion, Regala & Cruz (ACCRA) Law Offices, Hechanova Bugay & Vilchez, Quiason Makalintal Barot Torres Ibarra & Sison, Zambrano & Gruba Law Offices, Manuel Lao Ong & Linus G. Abaquin Law Firm, Torres & Sy Law Offices and Puyat Jacinto & Santos Law Firm, Puno & Puno Law Offices, Roxas De Los Reyes Laurel Rosario & Leagogo Law Offices, Adarlo Caoile & Associates Law Offices, and Paner Hosaka & Ypil Attorneys-At-Law, , Sabig, Sacramento Law Office, Yulo Villarin & Barcelona Law Offices, Atty. Edmundo F. Manlapao, Jr., Valencia Ciocon Dabao Valencia Dionela Pandan Rubica Garcia Law Office.

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

On May 21, 2012 trading of VMC's shares with the Philippine Stock Exchange (PSE) resumed, pursuant to the Order of the Securities and Exchange Commission (SEC) dated March 2, 2012, lifting the Order of Suspension of Trading of the shares of VMC.

The number of stockholders on record and common shares outstanding as of August 31, 2017 stood at 5,251 and 2,742,050,564, respectively.

VMC has neither declared cash nor stock dividend for the past crop years.

Top 20 Stockholders as of August 31, 2017

	Name	Citizenship	No. of Shares	Percentage (%)
1.	PCD Nominee Corporation	Filipino/Other Alien	782,367,777	28.53%
2.	Premier Network International Limited	Foreign (BVI)	696,036,816	25.38%
3.	LT Group, Inc.	Filipino	473,603,748	17.27%
4.	Narra Capital Investment Corporation	Filipino	206,710,446	7.54%
5.	Fortune Tobacco Corporation	Filipino	131,863,677	4.81%
6.	MC Metroplex Hodlings, Inc.	Filipino	89,752,734	3.27%
7.	Silverbox Equities, Inc.	Filipino	69,826,000	1.05%
8.	Sullases Holdings, Inc.	Filipino	49,331,844	1.80%
9.	FEBTC TA #401-00012	Filipino	27,360,373	1.00%
10.	Hayson Investments Limited	BVI	24,047,000	0.88%
11.	Miguel, Jurdayne N.	Filipino	17,049,926	0.62%
12.	AB Capital & Investment Corporation - Trust & Investment Division	Filipino	11,712,681	0.43%
13.	North Negros Marketing Co., Inc.	Filipino	10,173,459	0.37%
14.	Bank of the Philippine Islands	Filipino	5,658,157	0.21%
15.	Liberty Trading/ Navigation Co.	American	4,772,380	0.17%
16.	Alrac, Inc.	Filipino	4,654,944	0.17%
17.	FEBTC TA #401-0008	Filipino	4,159,990	0.15%
18.	Victorias Insurance Factors Corporation	Filipino	3,456,975	0.13%
19.	Asset Pool A (SPV-AMC), Inc.	Filipino	3,313,417	0.12%
20.	Makati Supermarket Corporation	Filipino	3,146,973	0.11%

ITEM 6 – MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF ACTION

The following Management's Discussion and Analysis should be read in connection with the submitted Audited Consolidated Financial Statements for the years ended August 31, 2017 and 2016.

I. Review of Factory Operations

Crop Year 2016-2017 yielded higher cane tonnage as the industry-wide number of tons cane milled (TCM) increased by 12% resulting from favorable weather conditions after a prolonged drought and slight increases in sugarcane area planted. The Group was also able to increase its total canes hauled by 3.4% with 3.2 million tons as compared to last year's 3.1 million tons. Majority of this year's canes are from farther districts which were delivered directly to the millsite or through transloading stations located across the province.

Raw sugar recovery decreased by 6.5%, from 2.0 50-kilogram bag (LKG) per ton cane milled in 2016 to 1.87 LKG per ton cane milled in 2017. The lower recovery rate is due to the lower quality of canes milled.

Despite the higher TCM, raw sugar output in 2017 decreased by 3.4% to 6.0 million LKG as compared to 6.2 million LKG in 2016. In 2017, the Group implemented its strategy to purchase canes with a raw sugar equivalent of 3.6 million LKG to provide liquidity to planter customers and optimize its refinery operations.

Refined sugar net production decreased by 21% in 2017 with only 4.1 million LKG as compared to 5.2 million LKG in 2016. Majority of production in 2016 pertains to tolled sugar, while in 2017, 90% of production is from company-owned raw sugar. Alcohol production also decreased by 10% in 2017 with only 8.6 million liters as compared to 9.6 million liters in 2016. Molasses output on the other hand increased minimally at 143,353 metric tons in 2017 and 143,031 metric tons in 2016.

II. Results of Operations



The Group continued to deliver sound financial value for its shareholders with a consolidated net income of P654 million for the year ended August 31, 2017 despite challenging market factors, including declining sugar prices. The higher profitability of prior years is attributable to high raw sugar prices, with composite prices from P1,438 to P1,805 per LKG. This composite price declined to a low of P1,230 per LKG in the latter part of fiscal year 2017.

The inventory overhang from a government program of sugar importation and the influx of continued substitution to high fructose corn syrup (HFCS) heavily contributed to the drop in sugar prices. Due to the existing market conditions, management introduced a period of strategic transition for the Group when it focused its efforts in optimizing its refinery operations. As a result, the Group's revenue increased significantly from P5.3 billion in 2016 to P8.7 billion in 2017, where 71% of the latter is attributable to sales of refined sugar. Consequently, the Group's sale of raw sugar was brought down to 17% or P1.5 billion in 2017 from 63% or P3.3 billion in 2016. Tolling operations also declined to 4% or P334 million in 2017 from 15% or P813 million in 2016. On the other hand, the Group's revenue from molasses and alcohol from distillery operations increased by 14% or P633 million in 2017 as compared to P554 million in 2016, as a result of stable prices of alcohol and increased volume of sales during the year. The Group's food processing segment also generated a higher revenue in 2017 of P56.4 million compared to P48.6 million in 2016, where majority of the sales are attributable to canned fish and processed meat. However, for 2017, the driver for the increase in revenue is the sale of processed meat, pork cuts and canned meat which generated a 23% incremental revenue of P5.4 million.

Relative to the increase in revenue, cost of sales for the year ended August 31, 2017, also increased significantly due to (i) lower sugar production yield (ii) longer sugar production weeks which increased repairs, labor and utility costs (iii) high cost of raw materials for refinery operations (iv) high cost of cane hauling as majority of the canes are from farther districts, and (v) high cost of raw materials and overhead in the food processing segment. Though revenue jumped by 64% in 2017, cost of sales increased by 114% compared to last year, which resulted to a slimmer gross margin of 15% in 2017 as compared to 35% in 2016.

The Group's operating expenses is higher by 25% or P160 million in 2017 primarily due to increase in taxes paid and increase in labor costs and consultancy fees as a result of continuous development and improvement of the Group's business operations. However, the total increase in expenses were offset by the savings in substitute fuel cost as a result of the steam economy project, decline in repairs and maintenance activities and lower business development costs, on account of cost control measures implemented in 2017.

The Group's other income increased significantly in 2017 due to (i) reversal of provision for legal claims of P277 million, net of current year amortization (ii) absent losses on revaluation of investment property, loss on sale of fixed assets in 2017, which amounted to P158 million in 2016. Effective income tax rate increased to 33% in 2017 from 30% in 2016 due to the amount of nondeductible expenses for tax purposes.

Despite the challenging industry conditions, the Group retains a positive outlook on its business as demand for sugar is expected to continue to rise as a result of lower domestic prices, an expanding food processing and beverage manufacturing sector, a growing population and strong GDP growth. The Group has also invested significantly in projects geared towards maximizing mill productivity, and implemented measures to contain costs while maintaining a strong brand reputation including the continued development of our human talent.

III. Financial Condition

As one of the leading sugar mills in the country, the Group continues to maintain a strong balance sheet which it regards as its best defense in economic downturns. As of August 31, 2017, the Group's stockholder's equity increased by 13% to P5.6 billion from last year's P5.0 billion with return on equity of 12% in 2017 despite the downward industry trend. The Group's assets grew by 11% to P9.3 billion in 2017 as compared to P8.4 billion in 2016 as significant investments were made to property, plant and equipment and earnings were reinvested to operations which resulted to a significantly higher inventory level in 2017. The Group also has a low debt to equity ratio of 0.65 and high current ratio of 2.6 in 2017.

The Group's core business segments are its sugar milling and distillery operations, which are heavily invested in property, plant and equipment, which represents 67% of the total assets of the Group. Property, plant and equipment mainly comprise machinery and equipment and project under construction (PUC) with carrying value of P3.1 billion and P1.9 billion, respectively, as of August 31, 2017. Significant additions to PUC during the year amounting to P836 million pertains to the construction of the Group's power generation plant. The Group also spent P377 million to date on a steam economy project classified under machinery and equipment which started in September 2014. The project aims to maximize mill efficiency and reduce costs. Depreciation for the year ended August 31, 2017 and 2016 amounted to P345 million and P351 million, respectively.

The Group's current assets comprise mainly of cash and cash equivalents, available for sale (AFS) financial assets and inventories. Increase in cash and cash equivalents of 33% was a result of net cash proceeds from continuing operations, availment of long-term debt and proceeds from termination of UITF investments under AFS financial assets. The net increase in cash compensated for the 68% decline in cash flow from operations compared to the prior year due to poor results of operation, net cash used in capital intensive projects and investments in inventory. Inventories almost tripled in 2017 due to large carryover stocks of raw and refined sugar at the end of the year as sugar withdrawals have slowed down due to increased supply in the market and availability of lower-priced sugar substitutes.

Trade and other current payables are higher by 37% or P178 million due to high level of customers' deposits, which are advance payments received from customers. Long-term debt as of August 31, 2017 was fully drawn at P1.5 billion with 8 tranches and each tranche's principal amount is payable quarterly beginning on March 14, 2018 to December 14, 2020. Current portion of the loan as of August 31, 2017 is P250 million.

In 2017, convertible notes with carrying value of P234 million were converted to capital stock and additional paid-in capital at P129 million and P105 million, respectively, after approval of the increase in authorized capital stock of 128,810,244 shares, which were then fully subscribed.

IV. Group's Top Five (5) Financial Key Performance Indicators

The Group's strategic and operational goal is to be a leader in the sugarcane industry in terms of production volume, efficiency and product quality and financial performance. Management uses below KPIs to demonstrate how effective the Group is in achieving this objective.

(All amounts in thousands of Philippine Peso)

Revenue Performance

Revenue is the measure of all sales made by the Group from its normal business activities. It is used as an indication of earnings quality.

	As of August 31		
	2017	2016	2015
Revenue	8,712,581	5,313,894	4,998,190
% Growth (decline) vs LY	64%	6%	(.2%)

Net Income Margin

Net Income Margin is the measure of how efficient the Group is at converting revenue into actual profits. It is calculated by finding the earnings after interest and tax as a percentage of total revenues.

	As of August 31		
	2017	2016	2015
Net Income	654,193	760,444	1,008,914
% Growth (decline) vs LY	(14%)	(25%)	27%

Return on Assets (ROA)

ROA is a profitability ratio that measures the net income produced by total assets during a period. This ratio shows how well the Group can convert its investments in assets into profits.

	As of August 31		
	2017	2016	2015
Return on Assets	7%	9%	14%
Net Income	654,193	760,444	1,008,914
Total Assets	9,306,804	8,417,171	7,297,098

Basic Earnings per share (EPS)

Basic EPS is used as a barometer to gauge the Group's profitability per unit of shareholder ownership. It is calculated by dividing net income earned in a given reporting period by the weighted average number of shares outstanding during the same term.

	As of August 31		
	2017	2016	2015
EPS	0.22	0.27	0.34
% Growth (decline) vs LY	(19%)	(21%)	0%

Debt-to-Equity Ratio

The debt-to-equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a Group's assets. It is also a key indicator of the financial condition of the Group.

	As of August 31		
	2017	2016	2015
Debt to equity ratio	0.65	0.69	0.42
Debt	3,671,773	3,436,170	2,389,593
Equity	5,635,031	4,981,001	5,716,583

ITEM 7 - FINANCIAL STATEMENTS

(Please see attached duly signed Corporation's Consolidated Financial Statements as of August 31, 2017, together with the notarized Statement of Management's Responsibility, which was prepared by Isla Lipana & Co. (the Philippine member firm of the PwC network), the Corporation's external auditor for crop year 2016-2017, as **Exhibit "A"**.

ITEM 8 - CHANGES IN & DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no disagreement with the external auditor on accounting, financial concerns, and disclosures in the Financial Statements, which is attached hereto as Exhibit "A".

INFORMATION ON INDEPENDENT ACCOUNTANT

For Crop Year 2016-2017, the services of the accounting firm Isla Lipana & Co. (the Philippine member firm of the PwC network), with office address at Philamlife Tower, 8767 Paseo de Roxas, Makati, 1226 Metro Manila, was engaged to be the Corporation's External Auditors, in compliance with the Corporation's Code of Corporate Governance that provides that the Corporation'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 Corporation's annual financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagement for those fiscal years were:

CY 15-16 - P1,400,000 - plus VAT and out of pocket expenses

CY 16-17 - P1,700,000 - plus VAT and out of pocket expenses

Tax Fees

Fees billed pertaining to 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 15-16 - P649,600

CY 16-17 - nil

Audit Committee's Approval Policies and Procedures for the Above Services

The Audit Committee's approval policies and procedures for the above services are as follows:

1. The Audit committee invites bidders for the external audit engagement for preliminary evaluation.
2. The Committee then presents to the bidders, the corporate profiles of the companies to be covered by the audit.

3. The Committee likewise presents its expectations on the deadline for the completion of the Audit and filing of the audited financial statements.
4. The bidders are required to make its corporate profiles, list of experiences, and proposed audit engagement fee.
5. The Committee evaluates the proposals and makes a choice.
6. The choice is endorsed to the Board for approval and announcement during the Stockholder's meeting.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9 – DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

VMC BOARD OF DIRECTORS

During VMC's Annual Stockholder's Meeting held on February 2, 2016, the following were elected as members of the VMC Board of Directors to serve as such from February 2, 2016 and until their successors shall have been duly elected and qualified:

1. **Wilson T. Young**, 61 years old, Filipino, is current Chairman of the Board of Victorias Milling Company, Inc. and director of BK Titans, Inc., 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 member of the Board of Admissions of the National Defense College of the Philippines and Chairman of Total Credit Cooperative. He was formerly an instructor of Taxation and Accounting at Assumption College, San Lorenzo Makati and Financial Accounting at the Ateneo de Manila-Loyola. A Certified Public Accountant and holds a Masters Degree in National Security Administration, 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.
2. **Eduardo V. Concepcion**, 64, Filipino, is currently the President and Chief Operating Officer of VMC as well as President of Victorias Green Energy Corporation ("VGEC") He graduated with Honors at the De La Salle University with a Bachelor of Science in Chemical Engineering. He is a licensed Chemical Engineer and took his Master's in Business Administration (without thesis) at the University of San Agustin-Iloilo. He served as Vice President/Resident Manager of Central Azucarera de La Carlota, Inc. and likewise rendered service to Ma-ao Sugar Central and Passi (Iloilo) Sugar Central, Inc. He has been working with the sugar industry for more than 39 years.
3. **Brian Keith F. Hosaka**, 46, Filipino, is the Corporate Secretary and a director of VMC. He is one of the founding partners of Paner Hosaka & Ypil Attorneys-at-Law. He graduated from the Ateneo de Manila University in 1993, and thereafter obtained a *Juris Doctor* degree from the Ateneo de Manila Law School in 1998. He was admitted to the Philippine Bar in 1999 and has been practicing law since then. He previously worked for the Supreme Court of the Philippines, and served as Deputy General Counsel of the Integrated Bar of the Philippines from 2006 to 2007.
4. **William Y. Chua**, 53, 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., Negros Shipowners Association and Federation of Sugar Traders of the Phils.

5. **Peter Y. Ong**, 70, Filipino. He was elected to the Board of VMC on May 27, 2016 and is a member of the Audit Committee and Risk and Corporate Governance 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 of 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. **Lucio K. Tan, Jr.**, age 51, Filipino, has been a director of VMC, since June 6, 2014. He holds a Master's Degree under the Executive Master of Business Administration Program (EMBA) from the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology. He obtained his Bachelor of Science in Civil Engineering from the University of California, Davis. He serves as an Executive Vice President of Fortune Tobacco Corporation and Foremost Farms Inc. He is the Chief Executive Officer, as well as a director of Tanduay Distillers Inc. He is also a director as well as the Officer-in-Charge of Eton Properties Philippines, Inc. He is a director of LT Group, Inc., Philippine National Bank, Macroasia Corp., Allied Savings Bank, Dynamic Holdings Limited, PAL Holdings, Inc. (formerly Baguio Gold Holdings Corp.), Tanduay Brands International Inc., Tanduay Distillers, Inc., and Philippine Airlines Inc.
7. **Michael G. Tan**, 51, Filipino, is presently the Chief Operating Officer of Asia Brewery, Inc. and the President and Chief Operating Officer of LT Group, Inc. (formerly Tanduay Holdings Inc.). For the past five (5) years, he served as a director of the following corporations: Abacus Distribution Systems Philippines, Inc., Allied Banking Corporation, Eton Properties, Inc., Philippine National Bank and PMFTC.
8. **Terence D. Son Keng Po**, 49, Filipino, is presently the Treasurer of VMC. Mr. Son Keng Po holds a degree in Business Administration and Accountancy (MCL) from the University of the Philippines and a Master's Degree in Business from the University of Chicago. He is the President & CEO of Victorias Foods Corporation ("VFC"). He is currently a director of Victorias Golf & Country Club, Inc. ("VGCCI") and Canetown Development Corporation ("CDC"). He served as a director of Cargill Financial Services, Inc. and Carval Investor Services (both subsidiaries of Cargill, Inc.).
9. **Alvin C. Yu**, age 44, 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.
10. **Martin C. Yu**, 42, Filipino, he has been a director of VMC since Feb. 4, 2014, and President of Firefly Electric & Lighting Corporation since 2001. Mr. Yu has been a director of VCY Sales Corporation since 1998. He took up Business Management at the Ateneo de Manila University.
11. **Victor T. Yu**, 57, 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 has been a director of VMC since February 7, 2017.

The following are the appointed corporate officers for Crop Year 2016-2017:

1. Wilson T. Young, Chairman of the Board of Directors
2. Eduardo V. Concepcion, President & Chief Executive Officer
3. Minnie O. Chua, Chief Operating Officer
4. Terence D. Son Keng Po, Treasurer

5. Brian Keith F. Hosaka, Corporate Secretary
6. Teresita V. Ilagan, Chief Finance Officer
7. Linley A. Retirado, Chief Manufacturing Officer
8. Eva A. Vicencio-Rodriguez, Assistant Corporate Secretary, Compliance and Information Officer, and Chief Administrative Officer

Executive Officers of VMC

1. **Eduardo V. Concepcion** (please see above)
2. **Linley A. Retirado**, age 56, Filipino, is currently occupying the position of 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.
3. **Teresita V. Ilagan**, 58 years old, Filipino, is the Chief Finance Officer of VMC. She is the Treasurer of various VMC subsidiaries, particularly, CDC, Victorias Agricultural Land Corporation ("VALCO"), and VGCCI. She is also a director of VFC and VGEC. She is a Certified Public Accountant and holds a Master's degree in Business Administration from the Ateneo Business Graduate School.
4. **Eva A. Vicencio-Rodriguez**, age 49, Filipino, is the Chief Administrative Officer of VMC. Atty. Rodriguez holds a Master in Business Administration degree from the University of St. La Salle-Bacolod. She is also the Assistant Corporate Secretary and Compliance and Information Officer of VMC. She is likewise the Head of VMC's Legal & Compliance Division and the Corporate Secretary of the following VMC subsidiaries: VGEC, VFC, VGCCI, CDC, where she likewise serves as a director. She is also a director of VALCO.
5. **Minnie O. Chua**, age 45, Filipino, is the Chief Operating Officer of VMC. She is a Certified Public Accountant. She graduated Magna Cum Laude from University of St. La Salle with the degree of Bachelor of Science in Commerce major in Accounting. She likewise served as the Asst. Treasurer of VMC prior to her appointment as COO of the company. She is also a Director of VFC.

To the knowledge and/or information of the Corporation, 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, except hereunder:

Vivian T. Tiongkiao vs. MERALCO, Paner, Hosaka, & Ypil Offices (PHYLAW); ERC Case No. 2010-059CC. Complainant filed a complaint against MERALCO and PHYLAW to ensure continued service of electricity by MERALCO to a condominium unit owned by PHYLAW but occupied by Complainant. The case has been submitted for resolution. On November 14, 2016, PHYLAW received a copy of Motion for Reconsideration (MR) by Complainant. On November 23, 2016, PHYLAW immediately filed its Opposition vis-à-vis the MR filed Pending before the ERC. On May 24, 2017, PHYLAW filed an Ex-Parte Manifestation with Motion for Early Resolution (Ex-Parte Manifestation) dated May 23, 2017. In the Ex-Parte Manifestation, PHYLAW prayed that the MR filed by Complainant be resolved.

There is no person who is not a corporate officer of the Corporation who is expected to make a significant contribution to the business. The Corporation, however, engages the services of consultants. As of August 31, 2017, the Corporation has 12 consultants and none under special contract.

There were no transactions during the last two years or any proposed transactions, to which the Corporation 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

The executive officers of the Corporation are its President and Chief Executive Officer (CEO), Mr. Eduardo V. Concepcion, Chief Operating Officer (COO), Ms. Minnie O. Chua, Chief Finance Officer (CFO), Ms. Teresita V. Ilagan, Chief Manufacturing Officer (CMO), Mr. Linley A. Retirado, and Chief Administrative Officer (CAO), Atty. Eva A. Vicencio-Rodriguez.

The total annual compensation paid to all executive officers was all paid in cash.

Annual Compensation	Salary			Bonus and Other Compensation		
	2018 (projected)	2017	2016	2018 (projected)	2017	2016
Top 5 Most Highly Compensated Officers	P17.040M	P14.900M	20,592,000	P2.840M	P7.530M	13,589,063
All other officers as a group unnamed						
	There are no other executive officers apart from the President and CEO, the Chief Operating Officer (COO), the Chief Finance Officer (CFO), the Chief Manufacturing Officer (CMO) and Chief Administrative Officer (CAO).					

Compensation of VMC Board of Directors

There is no compensatory plan or arrangement including payments to be received from the registrant with respect to a named executive officer.

Employment Contracts

The Corporation entered into a Consultancy Contract with Mr. Roy C. Hautea, Mr. Justo Arcadio M. Solatorio, Mr. Victor T. Yu, Mr. Monserat T. Dumalaos, Mr. Enrique C. Hontiveros, Mr. Raymundo B. Reyes, Mr. Cris D. Tabligan, Mr. Errolplen C. Arroyo, Mr. Alfredo O. Sapa and Mr. Armenio T. Tudence, Mr. Ronnie B. Remegio, and Mr. Dineshwaran S. Munusamy.

Change in Control

As of August 30, 2017, the following are VMC's principal stockholders: PCD Nominee Corporation – 28.53% Premier Network International, Ltd - 27.43%; LT Group, Inc. – 30.90%; and Narra Capital Investments Corp. – 20.65%.

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, 2017:

TITLE of CLASS	Name & Address of Record Owner and Relationship with Issuer	Citizenship	Number of Shares Held	Percentage (%)
Common	PCD Nominee Corporation	Filipino/Other	782,367,777	28.53%

		Alien		
Common	*Premier Network International Ltd.	BVI	752,171,532	27.43%
Common	**LT Group, Inc.	Filipino	847,367,024	30.90%
Common	***Narra Capital Investment Corporation	Filipino	566,109,504	20.65%

Indirect, **inclusive of 170,133,159 shares in Tanduary Holdings, Inc., *SEC Form 23-B dated 30 May 2017*

Security Ownership of Management as of August 31, 2016

TITLE of Class	Name	Citizenship	No. of Shares	Percentage (%)
Common	Eduardo V. Concepcion – President & CEO	Filipino	1,000 (D) 1,000 (ID)	0.000%
Common	Minnie O. Chua COO; Assistant Treasurer	Filipino	2,942 (ID)	0.000%

ITEM 12 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. Alvin T. Yu and Mr. Martin T. Yu are brothers.

Mr. Michael G. Tan is related with Mr. Lucio K. Tan, Jr., the former being the brother of the latter.

PART IV – CORPORATE GOVERNANCE

ITEM 13 – CORPORATE GOVERNANCE

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

Pursuant to SEC Memorandum No. 19, Series of 2016, the Company has submitted its new Manual on Corporate Governance dated May 30, 2017 to the Securities and Exchange Commission. Further, VMC is committed and is trying its best to comply with the provisions of the Corporation's Manual on Good Corporate Governance.

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.

ANNUAL CORPORATE GOVERNANCE REPORT (ACGR)

Please refer to the attached Annual Corporate Governance Report (ACGR) dated May 30, 2017.

DEVIATION

There is no deviation from the provisions of the Manual 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, 2017
2. EXHIBIT "B" – Reports on SEC Form 17-C
3. EXHIBIT "C" – Annual Corporate Governance Report

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

1. Reported on October 13, 2016, Clarification on News Article posted in Manila Bulletin (Internet Edition) on October 12, 2016, stating that the: "Chief Executive Officer (CEO) of listed sugar manufacturer Victorias Milling Company, Inc. (VMC), Anna Rosario Paner was appointed administration of the Sugar Regulatory Administration (SRA).
2. Disclosed on October 28, 2016, the Board of Directors of Victorias Milling Company, Inc. acted on (1) the resignation of Atty. Anna Rosario V. Paner as Director, Vice-Chairman of the Board, CEO of the Corporation as well as positions in VMC subsidiaries; and (2) Elected Atty. Brian Keith F. Hosaka as Director for the remainder of the term of Atty. Paner and until the election and appointment of his successor.
3. Disclosed on November 24, 2016, the attendance of VMC members of the Board and officers to a Corporate Governance Orientation Program with SEC-approved Training Provider on November 22, 2016.
4. Disclosed on December 6, 2016 the Decision of the Court of Appeals on SEC En Banc Case No, 04-15-368 (SEC Case No. 07-97-555693).
5. Reported on December 9, 2016, the Board of Directors of Victorias Milling Company, Inc. approved the following (1) Appointment of Minnie O. Chua as Deputy Chief Operating Officer effective immediately (2) Release of the Audited Financial Statements for Fiscal Year ending August 31, 2016; and (3) The issuance of a total of 128,810,244 new shares upon the conversion of Convertible Notes in accordance with the provisions of the Alternative Rehabilitation Plan (ARP) and Debt Restructuring Agreement (DRA) approved by the SEC on November 19, 2000 and April 29, 2002, respectively (4) In order to accommodate the issuance of new shares as above-described, the increase in the authorized capital of the Corporation from Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty Pesos (PhP2,913,250,850.00) divided into Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty (2,913,250,850) shares with a par value of One Peso (PhP1.00) per share to Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (PhP3,042,061,094.00) divided into Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (3,042,061,094) shares with a par value of One Peso (PhP1.00) per share; and the amendment of the Articles of Incorporation of the Corporation accordingly.
6. Reported on December 13, 2016, the attendance of VMC members of the Board to a Corporate Governance Orientation Program with SEC-approved Training Provider on December 8, 2016.
7. Reported on January 6, 2017 the nominees to the Board of Directors of Victorias Milling Company, Inc. (VMC) for the year 2017-2018, for election at the 7 February 2017 Annual Stockholders' Meeting.
8. Reported on January 25, 2017, Clarification on News Article posted in Business Mirror (Internet Edition) on January 24, 2017, stating that: "VMC set to build cogeneration biomass power plant in Negros Occidental".
9. Reported on January 24, 2017, Clarification on News Article posted in Business Mirror (Internet Edition) on January 23, 2017, stating that: "Victorias Milling sees 12.3% decline in full-year profit".
10. Reported on Feb. 7, 2017, the results of the Annual Stockholders' Meeting as well as the Organizational Meeting.
11. Disclosed on March 30, 2017, the approval of VMC's listing application with the Philippine Stock Exchange, Inc.

12. Reported on May 9, 2017, the attendance of VMC members of the Board and officers to a Corporate Governance Orientation Program with SEC-approved Training Provider on May 4, 2017.
13. Reported on May 12, 2017, the application for increase in Authorized Capital Stock, and Amendment of Article VII of the Articles of Incorporation.
14. Reported on May 15, 2017, that on May 12, 2017 VMC applied for increase in Authorized Capital Stock from 2,913,250,850 to 3,042,061,094 and Amendment of Article VII of the Articles of Incorporation.
15. Reported on May 16, 2017, the Appeal of the Decision dated March 7, 2017 of the Securities and Exchange Commission (SEC) En Banc to the Court of Appeals.
16. Reported on May 29, 2017, Increase in number of issued and outstanding shares pursuant to the approval of the Securities and Exchange Commission on May 23, 2017 of Victorias Milling Company's (VMC) Amendment of Article VII Articles of Incorporation.

Change(s) in Number of Issued and Outstanding Shares:

	Before	After
Issued Shares (Common)	2,913,250,850	3,042,061,094
Outstanding Shares (Common)	2,613,240,320	2,742,050,564

Breakdown of shares that resulted in the increase of VMC's issued and outstanding shares to 3,042,061,094:

1. LT Group Inc. - 58,942,885 Shares.
2. Premier Network International Ltd. 26,117,150 Shares.
3. Narra Capital Investment Corp. 43,750,209 Shares.

Certificates of Stock issued was dated May 26, 2017 but executed May 29, 2017.

17. Disclosed on May 30, 2017, the Board approved the extension of the corporate term of Victorias Milling Company, Inc. for another fifty (50) years, effective April 25, 2019.

The board likewise approved the amendment of fourth article of the Amended Articles of the Corporation dated 23 May 2017, to read as follows:

“FOURTH - The corporate term according to the Corporation’s Amended Articles of Incorporation is for fifty (50) years starting 07 May 1969. Thus, the corporate term of the Corporation is hereby extended for an additional period of fifty (50) years effective 25 April 2019.”

Also approved was the Revised Manual on Corporate Governance and the Annual Corporate Governance Report for 2016.

18. Reported on June 15, 2017, the attendance of VMC members of the Board to a Corporate Governance Orientation Program with SEC-approved Training Provider on June 14, 2017.
19. Reported on August 2, 2017, the Board of Directors of Victorias Milling Company, Inc. (VMC) approved the following: (1) Promotion of Mr. Eduardo V. Concepcion from President & Chief Operating Officer to President & Chief Executive Officer; and (2) Promotion of Ms. Minnie O. Chua from Deputy Chief Operating Officer to Chief Operating Officer.

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 12 December 2017.

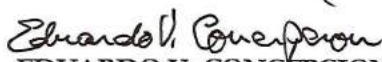
VICTORIAS MILLING COMPANY, INC.

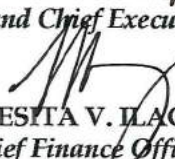
Issuer

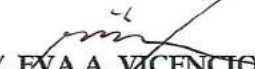
Pursuant to the requirements of the Revised Securities Act, this Annual Report has been signed by the following persons in the capacities and on the dates indicated.

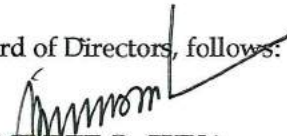
By:

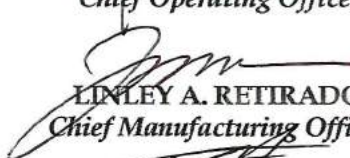
The key officers of the Corporation as designated by the VMC Board of Directors, follows:

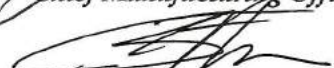

EDUARDO V. CONCEPCION
President and Chief Executive Officer


TERESITA V. ILAGAN
Chief Finance Officer


ATTY. EVA A. VICENCIO-RODRIGUEZ
Chief Administrative Officer
and Compliance and Information Officer


MINNIE O. CHUA
Chief Operating Officer


LINLEY A. RETIRADO
Chief Manufacturing Officer


ATTY. BRIAN KEITH F. HOSAKA
Corporate Secretary

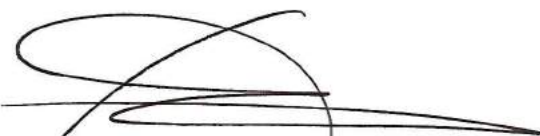

JEB/ADS/JAP/SDC/HJS/TAC/KDC: cea

SUBSCRIBED AND SWORN to before me this DEC 12 2017 affiants
exhibiting to me their valid government issued identification, as follows:

Name
Eduardo V. Concepcion
Minnie O. Chua
Teresita V. Ilagan
Linley A. Retirado
Eva A. Vicencio-Rodriguez
Brian Keith F. Hosaka

Valid I.D.
PP #EB-649-4829
DL #F01-97118005
DL #N07-82-016674
DL #F01-92-073738
DL #F01-03-216141
DL #N02-88-081186

Doc. No. 907;
Page No. 122;
Book No. I;
Series of 2017.


ATTY. JOSE EDWARD A. DAVILA
FOR THE CITIES OF VICTORIAS & SILAY
AND THE MUN. OF S. MAGALONA & MANAPLA
NOT. COMM. 2017-05-NP/UNTIL 12/31/2018
LEGAL OFFICE, VMC COMPOUND, VICTORIAS CITY
IBP NO. 1064577, 1/18/2017, NEGROS OCC.
PTR NO. 0004465, 1/12/2017, VICTORIAS CITY
ROLL NO. 60249, MCLE V-0001367 (UNTIL 04/14/2019)

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

				P	W	-	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	R	O	S		O	C	C	I	D	E	N	T	A	L													

Form Type

A	F	S

Department requiring the report

Secondary License Type, if Applicable

COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

034-399-3588

Mobile Number

034-399-3588

No. of Stockholders

5,251

Annual Meeting (Month/Day)

1st Tuesday of February

Fiscal Year (Month/Day)

8/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Teresita V. Ilagan

Email Address

teresita.ilagan@victoriasmilling.com

Telephone Number/s

034-399-3373

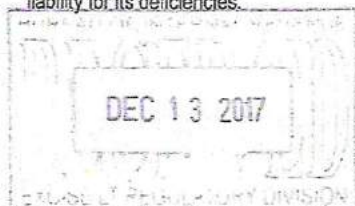
Mobile Number

034-399-3373

CONTACT PERSON'S ADDRESS

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

- Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.
- Note 2:** All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



Victorias Milling Company, Inc. and Subsidiaries

Financial Statements

**As at August 31, 2017 and 2016 and for each of the
three years in the period ended August 31, 2017**



VICTORIAS MILLING COMPANY, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

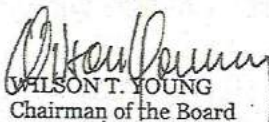
The management of **Victorias Milling Company, Inc.** (the Parent Company) and its Subsidiaries (collectively referred to as the Group), is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at August 31, 2017 and 2016 and for each of the three years in the period ended August 31, 2017 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 financial statements that are free from material misstatement, whether due to fraud or error.

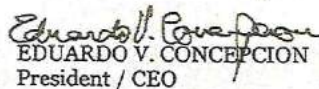
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

The Board of Directors is responsible for 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.

Isla Lipana & 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, has expressed its opinion on the fairness of presentation upon completion of such audit.

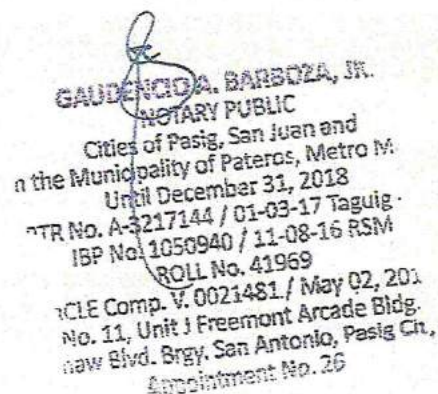

WILSON T. YOUNG
Chairman of the Board


EDUARDO V. CONCEPCION
President / CEO

SUBSCRIBED AND SWORN TO BEFORE ME, AT PASIG
TERESITA V. LAGAN, AFFILIANT EXHIBITING TO ME
Chief Financial Officer, COMPETENT EVIDENCE OF IDENTITY NO. _____
ISSUED AT _____ ON _____

Signed this _____ 2017.

Doc. No. 422
Page No. 95
Book No. 28
Series of 2017


GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
Cities of Pasig, San Juan and
in the Municipality of Pateros, Metro M.
Until December 31, 2018
PTR No. A-3217144 / 01-03-17 Taguig
IBP No. 1050940 / 11-08-16 RSM
ROLL No. 41969
ICLE Comp. V. 0021481 / May 02, 201
No. 11, Unit J Freemont Arcade Bldg.
Law Blvd. Brgy. San Antonio, Pasig Cn.
Appointment No. 26

VMC Compound, J.J. Ossorio St., Barangay XVI, Victorias City, Negros Occidental, Philippines 6100

victoriasmilling.com



Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Victorias Milling Company, Inc. and its Subsidiaries
VMC Compound, J.J. Ossorio Street
Brgy. XVI, Victorias City, Negros Occidental

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Victorias Milling Company, Inc. (the "Parent Company") and its Subsidiaries (together, the "Group") as at August 31, 2017 and 2016, and the consolidated financial performance and consolidated cash flows for each of the three years in the period ended August 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at August 31, 2017 and 2016;
- the consolidated statements of income for each of the three years in the period ended August 31, 2017;
- the consolidated statements of total comprehensive income for each of the three years in the period ended August 31, 2017;
- the consolidated statements of changes in equity for each of the three years in the period ended August 31, 2017;
- the consolidated statements of cash flows for each of the three years in the period ended August 31, 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

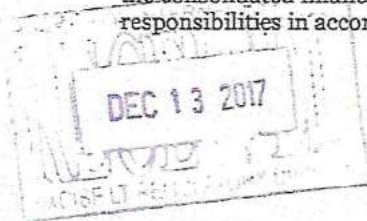
Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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 our audit 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.



Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.



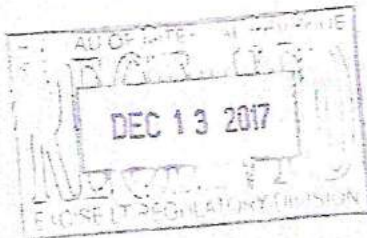
Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Victorias Milling Company, Inc. and its Subsidiaries
Page 2

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



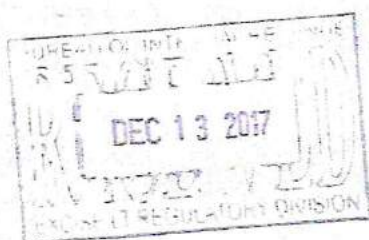


Independent Auditor's Report
To the Board of Directors and Shareholders of
Victorias Milling Company, Inc. and its Subsidiaries
Page 3

Key audit matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provisions for legal claims Refer to Notes 12 and 25 of the consolidated financial statements. The Group has set up provision for legal claims in connection with legal proceedings that are pending resolution in various courts. A provision is a liability of uncertain timing and amount. We considered provision for legal claims as a key audit matter as its calculation involves significant assumptions made by management. Likewise, there is a high degree of judgment in ascertaining the timing and amount of the claims. The management of the Group has carefully evaluated all relevant information in consultation with their legal counsels to assess the likely outcomes of the ongoing cases and the best estimate of claims.	Our audit procedures included the following: • We evaluated the integrity and competence of the Group's legal counsels to establish our reliance on their assessments and representations on the likely outcome of pending cases against the Group. • We obtained and reviewed written representations from the Group's legal counsels regarding their assessment of the likely outcomes of the outstanding cases including their best estimates of claims against the Group. • We tested the reasonableness of assumptions used in the calculation of the provisions for legal claims based on the information provided to us by the Group and their legal counsels. • We recalculated the amount of provisions for legal claims using the assumptions provided by the Group. Based on the results of the foregoing audit procedures, we have determined that the amounts of provisions for legal claims as at August 31, 2017 and 2016 are consistent with our independent validation and analysis.





Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Victorias Milling Company, Inc. and its Subsidiaries
Page 4

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's 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 above 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

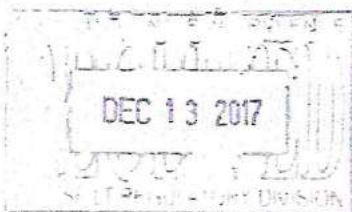
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement,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

In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity within the Group 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 entity 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.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 PSAs 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.





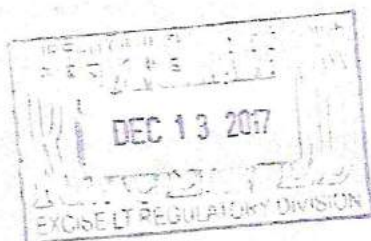
Independent Auditor's Report
To the Board of Directors and Shareholders of
Victorias Milling Company, Inc. and its Subsidiaries
Page 5

As part of an audit in accordance with PSAs, 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 ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause an entity within 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 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 audit.

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





Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Victorias Milling Company, Inc. and its Subsidiaries
Page 6

From the matter communicated with those charged with governance, we determine a matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's 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 auditor's report is Zaldy D. Aguirre.

Isla Lipana & Co.

Zaldy D. Aguirre

Partner

CPA Cert No. 105660

P.T.R. No. 0024447, issued on January 6, 2017, Makati City

SEC A.N. (individual) as general auditors 1176-AR-1, Category A; effective until January 13, 2018

SEC A.N. (firm) as general auditors 0009-FR-4, Category A; effective until July 15, 2018

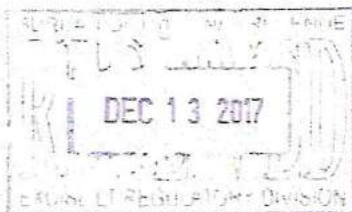
TIN 221-755-698

BIR A.N. 08-000745-77-2015, issued on January 29, 2015; effective until January 28, 2018

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City

December 6, 2017





Isla Lipana & Co.

Statements Required by Rule 68, Part I, Section 4
Securities Regulation Code (SRC),
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
Victorias Milling Company, Inc. and its Subsidiaries
VMC Compound, J.J. Ossorio Street
Brgy. XVI, Victorias City, Negros Occidental

We have audited the consolidated financial statements of Victorias Milling Company, Inc. and its subsidiaries as at and for the year ended August 31, 2017, on which we have rendered the attached report dated December 6, 2017. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, Map of the Conglomerate or Group of Companies within which the Victorias Milling Company, Inc. belongs and the Schedule of Philippine Financial Reporting Standards effective as at August 31, 2017, as additional components required by Part I, Section 4 of Rule 68 of the Securities Regulation Code and Schedules A to H, as required by Part II, Section 6 of Rule 68 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

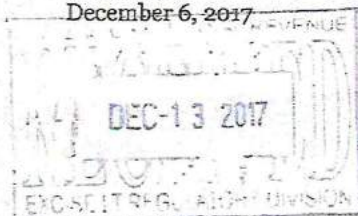
Isla Lipana & Co.

Zaldy D. Aguirre
Partner

CPA Cert No. 105660

P.T.R. No. 0024447, issued on January 6, 2017, Makati City
SEC A.N. (individual) as general auditors 1176-AR-1, Category A; effective until January 13, 2018
SEC A.N. (firm) as general auditors 0009-FR-4, Category A; effective until July 15, 2018
TIN 221-755-698
BIR A.N. 08-000745-77-2015, issued on January 29, 2015; effective until January 28, 2018
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
December 6, 2017



Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph

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Victorias Milling Company, Inc. and Subsidiaries

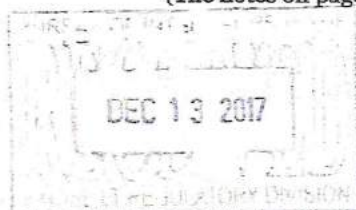
Consolidated Statements of Financial Position

As at August 31, 2017 and 2016

(All amounts in thousands of Philippine Peso)

	Notes	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	3	600,748	451,680
Trade and other current receivables, net	4	309,536	183,396
Available-for-sale financial assets	5	219,168	753,118
Inventories, net	6	918,683	326,534
Other current assets	7	383,894	463,938
Total current assets		2,432,029	2,178,666
Non-current assets			
Property, plant and equipment, net	8	6,193,432	5,359,990
Investment properties	9	592,616	677,593
Other non-current assets, net	10	88,727	200,922
Total non-current assets		6,874,775	6,238,505
Total assets		9,306,804	8,417,171
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other current payables	11	657,138	478,981
Borrowings - current portion	13	250,000	300,000
Income tax payable		11,533	60,569
Total current liabilities		918,671	839,550
Non-current liabilities			
Provisions for legal claims	12,25	1,277,693	1,554,693
Borrowings	13	1,250,000	850,000
Retirement liability	22	38,536	25,521
Deferred tax liabilities, net	21	180,873	160,406
Other non-current liabilities		6,000	6,000
Total non-current liabilities		2,753,102	2,596,620
Total liabilities		3,671,773	3,436,170
Equity	14		
Share capital		3,042,061	2,913,251
Additional paid-in capital		840,720	735,544
Convertible notes awaiting conversion		3,000	131,810
Interest on convertible notes awaiting conversion		2,450	107,626
Retained earnings		2,757,719	2,079,730
Accumulated other comprehensive income		483,459	505,425
Treasury shares		(1,501,882)	(1,501,882)
		5,627,527	4,971,504
Non-controlling interests		7,504	9,497
Total equity		5,635,031	4,981,001
Total liabilities and equity		9,306,804	8,417,171

(The notes on pages 1 to 65 are integral part of these consolidated financial statements)



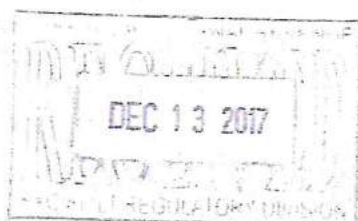
Victorias Milling Company, Inc. and Subsidiaries

Consolidated Statements of Income

For each of the three years in the period ended August 31, 2017
(All amounts in thousands of Philippine Peso, except per share amounts)

	Notes	2017	2016	2015
Revenue	17			
Sale of goods		8,372,235	4,501,371	3,721,916
Rendering of services		340,346	812,523	1,276,274
		8,712,581	5,313,894	4,998,190
Cost of goods sold and services rendered	18			
Cost of sale of goods		7,164,465	2,923,305	2,261,222
Cost of rendering of services		206,652	514,174	850,319
		7,371,117	3,437,479	3,111,541
Gross profit		1,341,464	1,876,415	1,886,649
Operating expenses	19			
General and administrative		639,392	477,119	399,826
Selling		151,094	152,911	148,471
		790,486	630,030	548,297
Income from operations		550,978	1,246,385	1,338,352
Reversal of provisions for legal claims	12,25	367,084	-	-
Finance cost from:				
Interest on borrowings	13	(9,210)	(6,199)	-
Unwinding of discount on provisions for legal claims	12,25	(90,084)	(135,817)	(41,308)
Other income (expense), net	20	157,717	(16,189)	142,067
Income before income tax		976,485	1,088,180	1,439,111
Income tax expense	21	322,292	327,736	430,197
Net income for the year		654,193	760,444	1,008,914
Net income attributable to:				
Equity holders of Victorias Milling Company, Inc.		656,186	766,196	1,011,105
Non-controlling interests		(1,993)	(5,752)	(2,191)
		654,193	760,444	1,008,914
Earnings per share for net income attributable to equity holders of Victorias Milling Company, Inc.:	15			
Basic and Diluted		0.22	0.27	0.34

(The notes on pages 1 to 65 are integral part of these consolidated financial statements)

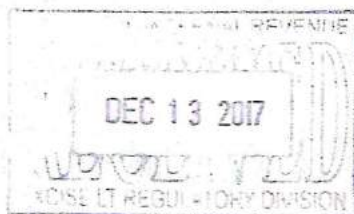


Victorias Milling Company, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income
For each of the three years in the period ended August 31, 2017
(All amounts in thousands of Philippine Peso)

	Notes	2017	2016	2015
NET INCOME FOR THE YEAR		654,193	760,444	1,008,914
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be subsequently reclassified to profit or loss:				
Net unrealized gain (loss) on available-for-sale financial assets	5	(968)	(278)	2,589
Items that will not be subsequently reclassified to profit or loss:				
Revaluation increment of property, plant and equipment	8	-	5,653	-
Remeasurement gains (losses) on retirement liability, net of tax	22	805	470	(121)
		(163)	5,845	2,468
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		654,030	766,289	1,011,382
Total comprehensive income attributable to:				
Equity holders of Victorias Milling Company, Inc.		656,023	770,967	1,013,573
Non-controlling interests		(1,993)	(4,678)	(2,191)
		654,030	766,289	1,011,382

(The notes on pages 1 to 65 are integral part of these consolidated financial statements)



Victorias Milling Company, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity For each of the three years in the period ended August 31, 2017 (All amounts in thousands of Philippine Peso)

	Attributable to equity holders of Victorias Milling Company, Inc.									
	Share capital (Note 14)	Additional paid-in capital (Note 14)	Convertible notes awaiting conversion (Note 14)	Interest on convertible notes awaiting conversion (Note 14)	Accumulated other comprehensive income (Note 14)	Retained earnings (Note 14)	Treasury shares (Note 14)	Total	Non-controlling interests	Total equity
Balance at September 1, 2014	2,367,535	292,264	677,526	550,906	542,805	257,810	(11)	4,688,835	16,366	4,705,201
Comprehensive income										
Net income for the year	-	-	-	-	-	1,011,105	-	1,011,105	(2,191)	1,008,914
Other comprehensive income for the year	-	-	-	-	2,468	-	-	2,468	-	2,468
Total comprehensive income for the year	-	-	-	-	2,468	1,011,105	-	1,013,573	(2,191)	1,011,382
Transactions with owners										
Equity conversion of convertible notes	272,858	220,486	(272,858)	(220,486)	-	-	-	-	-	-
Transfer of revaluation increment to retained earnings	-	-	-	-	(22,514)	22,514	-	-	-	-
Balance at August 31, 2015	2,640,393	512,750	404,668	330,420	522,759	1,291,429	(11)	5,702,408	14,175	5,716,583
Comprehensive income										
Net income for the year	-	-	-	-	-	766,196	-	766,196	(5,752)	760,444
Other comprehensive income for the year	-	-	-	-	4,771	-	-	4,771	1,074	5,845
Total comprehensive income for the year	-	-	-	-	4,771	766,196	-	770,967	(4,678)	766,289
Transactions with owners										
Equity conversion of convertible notes	272,858	222,794	(272,858)	(222,794)	-	-	-	-	-	-
Purchase of shares from a shareholder	-	-	-	-	-	-	(1,501,871)	(1,501,871)	-	(1,501,871)
Total transactions with owners	272,858	222,794	(272,858)	(222,794)	-	-	(1,501,871)	(1,501,871)	-	(1,501,871)
Transfer of revaluation increment to retained earnings	-	-	-	-	(22,105)	22,105	-	-	-	-
Balance at August 31, 2016	2,913,251	735,544	131,810	107,626	505,425	2,079,730	(1,501,882)	4,971,504	9,497	4,981,001
Comprehensive income										
Net income for the year	-	-	-	-	-	656,186	-	656,186	(1,993)	654,193
Other comprehensive loss for the year	-	-	-	-	(163)	-	-	(163)	-	(163)
Total comprehensive income (loss) for the year	-	-	-	-	(163)	656,186	-	656,023	(1,993)	654,030
Transactions with owners										
Equity conversion of convertible notes	128,810	105,176	(128,810)	(105,176)	-	-	-	-	-	-
Transfer of revaluation increment to retained earnings	-	-	-	-	(21,803)	21,803	-	-	-	-
Balance at August 31, 2017	3,042,061	840,720	3,000	2,450	483,459	2,757,719	(1,501,882)	5,627,527	7,504	5,635,031

(The notes on pages 1 to 65 are integral part of these consolidated financial statements)

Victorias Milling Company, Inc. and Subsidiaries

Consolidated Statements of Cash Flows For each of the three years in the period ended August 31, 2017 (All amounts in thousands of Philippine Peso)

	Notes	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		976,485	1,088,180	1,439,111
Adjustments for:				
Depreciation	8	345,041	351,453	407,975
Net retirement benefit cost	22	14,897	7,939	6,557
Finance cost from:				
Interest on borrowings	13	9,210	6,199	
Unwinding of discount on provisions for legal claims	12,25	90,084	135,817	41,308
Loss on revaluation of investment properties	9	3,838	50,685	27,631
Provision for impairment losses	19	3,777		
Loss on retirement of investment properties	9	298	102,582	
Provision for inventory write-down	18	289		
Reversal of provisions for legal claims	12,25	(367,084)		
Realized gain from sale of available-for-sale financial assets				
	5,20	(12,226)	(8,083)	
Interest income	20	(5,038)	(13,888)	24,915
(Gain) loss on sale of property, plant and equipment	8,20	(1,639)	15,856	(33)
Operating income before working capital changes		1,057,932	1,736,740	1,947,464
Changes in operating assets and liabilities:				
Decrease (increase) in assets:				
Trade and other current receivables		(131,541)	(47,260)	(116,587)
Inventories		(592,438)	22,203	(104,501)
Other current assets		80,044	(489,579)	318,456
Increase (decrease) in trade and other current payables		178,157	(68,411)	(190,866)
Net cash from operations		592,154	1,153,693	1,853,966
Interest received		5,038	13,888	(23,431)
Retirement benefits paid	22	(731)	(923)	(998)
Income tax paid		(348,991)	(400,880)	(488,781)
Net cash from operating activities		247,470	765,778	1,340,756
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments in available-for-sale financial assets		(445,000)	(1,775,014)	(283,878)
Decrease (increase) in other non-current assets		111,603	(51,498)	
Decrease (increase) in investment property			10,081	
Proceeds from sale of:				
Available-for-sale financial assets		990,208	1,532,489	
Property, plant and equipment		2,986	231	125,288
Additions to property, plant and equipment		(1,098,989)	(1,431,099)	(247,446)
Net cash used in investing activities		(439,192)	(1,714,810)	(406,036)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of borrowings		1,350,000	1,350,000	
Payment of borrowings		(1,000,000)	(200,000)	
Interest paid		(9,210)	(5,748)	
Purchase of treasury shares		-	(1,501,871)	
Net cash from (used in) financing activities		340,790	(357,619)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		149,068	(1,306,651)	934,720
CASH AND CASH EQUIVALENTS	3			
At beginning of year		451,680	1,758,331	823,611
At end of year		600,748	451,680	1,758,331

(The notes on pages 1 to 65 are integral part of these consolidated financial statements)

Victorias Milling Company, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

As at August 31, 2017 and 2016 and for each of the three years in the period ended August 31, 2017
(In the notes, all amounts are shown in thousands of Philippine Peso unless otherwise stated)

1 General information

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) with an original corporate life of 50 years or until May 7, 1969. The corporate life was extended for an additional period of 50 years or until May 7, 2019. The primary purpose of the Parent Company is to operate mill and refinery facilities for sugar and allied products, as well as engineering services.

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

The Parent Company's shares of stock are listed in the Philippine Stock Exchange (PSE). The Parent Company undertook a public offering of its common shares in 1993. There has been no subsequent listing made after its initial offering. In 1997, the Parent Company filed the petition for rehabilitation with the SEC due to financial difficulties (Note 2). In the same year, the trading of the shares was temporarily suspended. On May 21, 2012, the trading of VMC shares resumed after the SEC and the PSE lifted the order of its suspension.

The Parent Company and its Subsidiaries (collectively herein referred to as the "Group") were incorporated in the Philippines (Note 31.1).

Positive developments in financial performance

As disclosed in Note 2, the Parent Company is still under rehabilitation and debt restructuring programs. As at August 31, 2017, the Parent Company still has obligations under its rehabilitation documents. The Parent Company does not anticipate any concern regarding compliance therewith by August 31, 2018, which is the end of the rehabilitation period.

The actions made by management during the past several years to improve the Parent Company's operations and its financial position achieved the following:

- Generated cumulative net income of P2.5 billion in the last three years;
- Significant improvements in the capital structure of the Parent Company which resulted in retained earnings;
- Conversion of certain convertible notes to equity, in accordance with the Debt Restructuring Agreement (DRA) (Note 14);
- Resumption of trading of the Parent Company's shares in the PSE on May 21, 2012;
- Full payment of the Parent Company's outstanding restructured loans in 2013; and
- Redemption of all its convertible notes except those awaiting mandatory conversion (Note 14).

In its efforts to achieve continuing successful operations and effective implementation of the provisions of the rehabilitation plan, the Parent Company has continuously focused its corporate objectives, goals, strategies, and measures to attain sustainable financial stability through, among others:

(a) synchronization of refined sugar and raw sugar operations; (b) significant improvements in plant efficiency; (c) increase in profitability by addressing cost efficiency (which includes, among others, trimming down of corporate overtime expenses, and sourcing out and maximizing use of cheaper fuel substitutes instead of bunker fuel); and (d) ongoing programs for the optimization of human resources.

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

1. Recapitalization and quasi-reorganization to reduce the deficit through reduction in share capital and application of appraisal increment (Note 14).
2. Conversion of debt into equity (Note 14).
3. Conversion of debt into convertible notes and ultimately, conversion of certain convertible notes to equity (Note 14).
4. Management of cash flows.

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

Furthermore, as per section 13.2 of the DRA, in the event that the restructured loans are fully settled before the fifteen (15) years repayment period, the Parent Company cash flows in excess of Capital Expenditure requirements shall be used to pay/redeem the convertible note (principal plus accumulated interest).

In compliance with terms of the DRA, the Parent Company has been able to fully pay the restructured loans and its convertible notes in 2013 and 2015, respectively.

5. Composition of the Board of Directors (BOD) and appointment of Management Committee (MANCOM) by the SEC.

Effective December 16, 2002, the new BOD (which replaced the MANCOM) consists of the following: three representatives from the existing stockholders, one representative from the secured creditors, six representatives from creditors with debt conversion, and one joint venture partner. Further, the SEC issued an Order dated January 27, 2003 appointing a Rehabilitation Receiver to monitor, together with the new BOD elected and committees, the implementation of the ARP. In its Order dated March 3, 2014, the SEC allocated a seat in the BOD, which was previously reserved for the joint venture partner, as an additional seat for the creditors with debt conversion.

The Parent Company's registered office, principal place of business and manufacturing plant is 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 Audit Committee on December 6, 2017 as authorized by the BOD.

2 Rehabilitation plan and debt restructuring programs

Rehabilitation plan

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

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

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

The basic features of the ARP follow:

1. Increase in the authorized capital stock from P495.96 million consisting of 495.96 million shares of common shares at P1 par value per share to P4.61 billion consisting of 4.61 billion shares of common stock at P1 par value per share (Note 14). The new capital stock of P4.61 billion will be allocated among others to initial paid-in capital of P496 million, conversion of portion of unsecured loan into equity amounting to P1.1 billion, and conversion of a portion of unsecured loan into convertible notes of VMC in the amount of P2.4 billion (Note 14);
2. Conversion into equity of all unpaid interest and part of the principal of the unsecured loan amounting to P1.1 billion;
3. Conversion of a portion of unsecured loan into convertible notes amounting to P2.4 billion;
4. Restructuring of the secured and unsecured loans amounting to P4.4 billion over a period of fifteen years, including a 3-year grace period as to the principal, at 10% annual interest for peso loans and 6% for dollar loans; and
5. Call for an acceptable joint venture partner to provide additional cash of approximately P300 million payable after three years or an option to convert the loan into equity.

All other terms and conditions of the ORP which have been previously approved by the SEC remain.

Debt restructuring agreement (DRA)

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

- Conversion of P1.1 billion unsecured loans and unpaid interest to equity

On October 9, 2002, loans from unsecured creditors of P1.1 billion were converted into common shares of VMC at a ratio of P1 of debt to 1 of common share with a par value of P1. The said conversion resulted in change in management control of the Parent Company, whereby the creditor control 69% of the ownership of the Parent Company while the ownership of existing stockholders prior to conversion was reduced to 31%.

- Conversion of P2.4 billion loans into convertible notes (Note 14)

On September 1, 2003, the unsecured creditors proportionately converted, on a mandatory basis, P2.4 billion of their principal loans into convertible notes. The convertible notes bear an annual interest of 8% which is cumulative and payable only in respect of those convertible notes which have not been actually converted into common shares of the Parent Company. The conversion resulted to the recognition of an equity component of the convertible feature. This will be reclassified to *"Additional paid-in capital"* upon conversion of the related convertible notes (Note 14).

The convertible notes presented in the statements of financial position as *"Convertible notes awaiting conversion"* will be reclassified to *"Share Capital"* while its accrued interest presented in the statements of financial position as *"Interest on convertible notes awaiting conversion"* will be reclassified to *"Additional paid-in capital"*.

Starting September 1, 2003, annual interest of 8% has been accrued in respect of all outstanding convertible notes. The convertible notes provide for a term of payment of 15 years from the effectivity date of the DRA.

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

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

The Parent Company has fully paid the outstanding restructured loans as at May 31, 2013.

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

The outstanding principal loans, including interest, held by these creditors holding sugar quedans as collateral shall have the same terms and conditions as that of the restructured loans of the unsecured creditors under the DRA, including a restructuring period of 15 years. These loans were fully settled in 2013.

- Treatment of Refined Sugar Delivery Order (RSDO) claims, which were the subject of a pending litigation before the SEC at the time of the execution of the DRA.

The aforementioned claims involved RSDOs that were allegedly used by North Negros Marketing Company, Inc. (NONEMARCO) to avail of loans for NONEMARCO's own use and benefit. The RSDOs were purportedly issued by VMC. In the event that VMC shall be held liable by final judgment to pay such RSDO claims, VMC shall restructure the said RSDO claims under the same terms and conditions of the terms of restructuring for VMC's unsecured creditors. (Notes 12 and 25).

- Restructuring of the trade liabilities as follows: 25% during the first year of rehabilitation, 37.5% during the second year of rehabilitation, and 37.5% during the third year of rehabilitation. The restructured trade liabilities were fully settled in 2013.

Compliance with the ORP, ARP and DRA

As at August 31, 2017 and 2016, VMC is in full compliance with the provisions of the DRA. No further updates or revisions were made on the ORP, ARP and DRA for the year.

3 Cash and cash equivalents

This account as at August 31 consists of:

	2017	2016
Cash on hand	58,143	97,579
Cash in banks	502,384	135,451
Cash equivalents	40,221	218,650
	600,748	451,680

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

Cash equivalents are composed of short-term, highly liquid investments with maturities of no longer than 90 days, and bear annual interest rates as follows:

	2017	2016
Philippine peso	1.25% - 2.25%	1.25% - 2.00%
US dollar	0.75% - 1.75%	1.25% - 1.75%

Total interest income on cash and cash equivalents amounted to P5.03 million (2016 - P13.89 million; 2015 - P24.92 million) (Note 20).

4 Trade and other current receivables, net

This account as at August 31 consists of:

	Note	2017	2016
Trade receivables:			
Related parties	23	234,876	124,309
Third parties		71,960	63,903
Advances to:			
Planters' association		2,828	6,816
Officers and employees		788	552
Others		23,434	8,389
		333,886	203,969
Allowance for impairment losses		(24,350)	(20,573)
		309,536	183,396

Trade receivables

Trade receivables pertain to noninterest-bearing amounts due from customers for sale of raw sugar, refined sugar, molasses and alcohol, and for rendering of tolling services with average credit period taken on sale of goods from 30 to 60 days.

Advances to planters' association

Advances to planters' associations are noninterest bearing and are collectible within one year.

Advances to officers and employees

Advances to officers and employees pertain to cash advances made to employees, which are recoverable through salary deduction.

Other receivables

Other receivables consist of accrued interest receivable, receivable from rent and sale of properties (Note 9).

The table below shows the movement in the allowance for impairment losses:

	2017	2016
At beginning of year	20,573	20,573
Provision for the year	3,777	-
At end of year	24,350	20,573

Allowance for impairment losses pertains to allowances made for non-trade receivables and advances to related parties.

5 Available-for-sale (AFS) financial assets

The account as at August 31 consists of:

	2017	2016
Cost	217,723	750,705
Unrealized gain on AFS financial assets	1,445	2,413
	219,168	753,118

The account represents investments in various Unit Investment Trust Funds (UITFs) whose portfolio primarily consists of short-term fixed income instruments.

Movements in the account for the years ended August 31 are as follows:

	20	2016
At beginning of year	753,118	502,787
Additions	445,000	1,775,015
Disposals	(977,982)	(1,524,406)
Fair value adjustments	(968)	(278)
At end of year	219,168	753,118

Gain realized from the disposal of UITFs amounted to P12.23 million in 2017 (2016 - P8.08 million) (Note 20).

The fair value of AFS investments is based on the published net asset value per unit (NAVPU). NAVPU is computed as total assets of the fund less total liabilities over the total units outstanding as of the end of the reporting period. The funds are primarily invested in Bangko Sentral ng Pilipinas special deposit accounts and time deposits with other banks. The Parent Company uses the Level 2 valuation technique in determining fair value of AFS financial assets.

As at August 31, 2017 and 2016, there was no transfer between Level 1, Level 2, and Level 3 of fair value measurements.

6 Inventories, net

The account as at August 31 consists of:

	2017	2016
At net realizable value (NRV)		
Raw sugar	-	41,234
At cost		
Raw sugar	374,661	10,769
Refined sugar	285,220	1,261
Alcohol	49,777	49,889
Molasses	-	14,491
	709,658	76,410
Total sugar cost inventory	709,658	117,644
At cost		
Materials and supplies	182,554	186,577
Real estate held-for-sale	20,984	21,157
Finished goods	12,875	10,676
Jobs-in-progress	7,794	5,886
Manufactured and fabricated products	1,168	1,168
	225,375	225,464
Allowance for inventory write-down and obsolescence	(16,350)	(16,574)
Total non-sugar cost inventory	209,025	208,890
	918,683	326,534

Cost of raw sugar inventory stated at NRV amounted to P43.32 million as at August 31, 2016.

The movement of allowance for inventory write-down and obsolescence pertaining to materials and supplies is as follows:

	Note	2017	2016
At beginning of year		16,574	16,574
Provision for the year	18	289	-
Reversal of write-down of inventory for the year		(513)	-
At end of year		16,350	16,574

A summary of the movement of inventories is set out below:

	Raw sugar	Refined sugar	Molasses	Alcohol	Finished goods and jobs-in-progress	Real estate held-for-sale	Total
At September 1, 2015	176,084	-	-	-	15,505	21,525	213,114
Production cost	1,888,595	261,802	267,840	202,837	52,346	959	2,674,379
Purchased quedans	191,175	-	-	-	-	-	191,175
Molasses transferred to distillery	-	-	(163,479)	163,479	-	-	-
Amount charged to cost of goods sold	(2,203,851)	(260,541)	(89,870)	(316,427)	(51,289)	(1,327)	(2,923,305)
At August 31, 2016	52,003	1,261	14,491	49,889	16,562	21,157	155,363
Production cost	996,579	393,942	39,723	121,240	34,698	-	1,586,182
Purchased canes and quedans	606,340	5,415,660	152,231	-	-	-	6,174,231
Molasses transferred to distillery	-	-	(164,858)	164,858	-	-	-
Amount charged to cost of goods sold	(1,280,261)	(5,525,643)	(41,587)	(286,210)	(30,591)	(173)	(7,164,465)
At August 31, 2017	374,661	285,220	-	49,777	20,669	20,984	751,311

Materials and supplies charged to cost of goods sold and services for the year ended August 31, 2017 amounted to P149.00 million (2016 - P326.75 million, 2015 - P448.82 million).

7 Other current assets

This account as at August 31 consists of:

	2017	2016
Value-added input tax, net of advance output tax	180,051	32,315
Advances to suppliers	114,157	106,195
Prepaid expenses	63,533	62,473
Biological assets	12,740	10,473
Short term investments	12,000	66,428
Deferred tolling cost	209	168,391
Others	1,204	17,663
	383,894	463,938

Advances to suppliers

Advances to suppliers are amounts paid for purchase orders not yet received by the Group. These are noninterest-bearing and are expected to be settled through delivery of goods and services by the suppliers within one year.

Prepaid expenses

Prepaid expenses consist of advance payments for real property tax, utilities and other supplies. Prepayments pertaining to utilities are in the nature of advances made by the Group for construction of assets related to its power generation project. The advances are to be reimbursed by the electricity distributor through billing offset of an agreed component of the Group's monthly electricity bill.

Short-term investments

Short-term investments pertain to money market placements with maturity of more than 3 months but not later than one year after the reporting period.

Deferred tolling cost

Deferred tolling cost represents cost incurred from advance refining of sugar and is not yet billed to customers. This will be recognized subsequently as expense upon surrender of quedan for refining.

Biological assets

Biological assets comprise the purchase price of fry and fingerlings including all expenses incurred in cultivating and propagating the live and unharvested fish. Due to the absence of an active market and basis of a reliable estimate to measure fair value, the Group measured its biological assets at cost less any impairment in value.

8 Property, plant and equipment, net

The roll forward and movements of this account follows:

As at August 31, 2017

	Land	Land improvements	Buildings and structures	Community buildings and equipment	Machinery and equipment	Project under construction (PUC)	Total
Cost							
At September 1, 2016	292,157	186,953	680,970	20,158	5,105,708	1,449,750	7,735,696
Reclassification of completed projects	-	4,164	26,912	96	405,553	(436,725)	-
Additions	-	10,810	4,255	-	231,948	851,976	1,098,989
Disposals	-	(84)	(21,375)	(2,513)	(29,801)	-	(53,773)
Transfer from investment properties	80,841	-	-	-	-	-	80,841
At August 31, 2017	372,998	201,843	690,762	17,741	5,713,408	1,865,001	8,861,753
Accumulated depreciation							
At September 1, 2016	-	148,474	575,897	13,771	3,097,347	-	3,835,489
Depreciation	-	4,969	21,144	226	191,937	-	218,276
Disposals	-	(84)	(21,252)	(2,513)	(28,577)	-	(52,426)
At August 31, 2017	-	153,359	575,789	11,484	3,260,707	-	4,001,339
	372,998	48,484	114,973	6,257	2,452,701	1,865,001	4,860,414
Appraisal increase							
At September 1, 2016	565,054	259,870	648,459	1,370	4,157,128	-	5,631,881
Additions	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
As at August 31, 2017	565,054	259,870	648,459	1,370	4,157,128	-	5,631,881
Accumulated depreciation							
At September 1, 2016	-	172,151	643,455	1,370	3,355,122	-	4,172,098
Depreciation	-	1,414	9,036	-	116,315	-	126,765
At August 31, 2017	-	173,565	652,491	1,370	3,471,437	-	4,298,863
	565,054	86,305	(4,032)	-	685,691	-	1,333,018
Net carrying value	938,052	134,789	110,941	6,257	3,138,392	1,865,001	6,193,432

As at August 31, 2016

	Land	Land improvements	Buildings and structures	Community buildings and equipment	Machinery and equipment	Project under construction (PUC)	Total
Cost							
At September 1, 2015	292,205	185,198	680,946	20,158	4,947,802	178,128	6,304,437
Reclassification of completed projects	-	1,723	-	-	162,808	(164,531)	-
Additions	-	32	24	-	2,195	1,436,153	1,438,404
Disposals	(48)	-	-	-	(7,097)	-	(7,145)
At August 31, 2016	292,157	186,953	680,970	20,158	5,105,708	1,449,750	7,735,696
Accumulated depreciation							
At September 1, 2015	-	139,165	539,245	13,175	2,923,546	-	3,615,131
Depreciation	-	9,309	36,652	596	179,910	-	226,467
Disposals	-	-	-	-	(6,109)	-	(6,109)
At August 31, 2016	-	148,474	575,897	13,771	3,097,347	-	3,835,489
	292,157	38,479	105,073	6,387	2,008,361	1,449,750	3,900,207
Appraisal increase							
At September 1, 2015	580,104	259,870	648,459	1,370	4,157,128	-	5,646,931
Additions	-	-	-	-	-	-	-
Disposal	(15,050)	-	-	-	-	-	(15,050)
As at August 31, 2016	565,054	259,870	648,459	1,370	4,157,128	-	5,631,881
Accumulated depreciation							
At September 1, 2016	-	163,743	642,033	1,370	3,239,966	-	4,047,112
Depreciation	-	8,408	1,422	-	115,156	-	124,986
At August 31, 2017	-	172,151	643,455	1,370	3,355,122	-	4,172,098
	565,054	87,719	5,004	-	802,006	-	1,459,783
Net carrying value	857,211	126,198	110,077	6,387	2,810,367	1,449,750	5,359,990

Significant additions to PUC during the year mainly include costs of construction of power generation plant, major repair of buildings, construction and assembly of boilers and mill equipment. During the year, projects with accumulated cost of P436.73 million (2016 - P164.53 million) were completed and transferred mainly to machinery and equipment. Borrowing costs in relation to this project amounting to P67.20 million in 2017 (2016 - P18.74 million) were capitalized and recognized under PUC (Note 14).

During the year, the Group disposed some of its property, plant and equipment resulting to a net gain of P1.57 million (2016 - P.78 million; 2015 - P.03 million) (Note 20).

The fair value measurement for the net appraisal increase of property, plant and equipment amounting to P1.33 billion in 2017 (2016 - P1.46 billion) has been categorized as Level 2 for land and Level 3 for the other class of assets.

The value of the land was computed using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

The value of other class of assets is based on the Cost Approach. 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. Since several factors need to be considered in the sensitivity analysis of the valuation of buildings, the Group deemed it impracticable to perform.

The Group's property, plant and equipment were last appraised by an independent appraiser on August 31, 2013. Management has not identified any conditions or indicators that would cause the fair value of property, plant and equipment to be materially different from the last appraisal date up to the reporting date.

In 2017, the Group transferred 29.76 hectares of land from investment properties to be used in its industrial tree planting project (Note 7). The fair value of the land at the time of transfer amounted to P80.84 million.

A summary of depreciation on cost and on appraisal increase and the distribution follows:

	Notes	2017	2016	2015
Cost of goods manufactured and sold	18	257,837	210,360	217,360
Cost of rendering services	18	7,334	105,575	58,123
General and administrative expenses	19	72,937	26,719	17,579
Selling expenses	19	6,933	8,799	7,191
		345,041	351,453	300,253

On September 1, 2003, Group's land, building and machineries and equipment with aggregate carrying value of P2.48 billion are used as mortgage lien for loans under the Mortgage Trust Indenture (MTI). The loans under the MTI have been fully paid as at August 31, 2015 while the said properties have not yet been released from the MTI as at August 31, 2017.

However as early as 2013, when the restructured loans were fully paid, the Group filed a motion to direct BPI and Metrobank to discharge the MTI liens on the subject VMC properties. The motion is still pending resolution as at August 31, 2017.

9 Investment properties

The details of this account follow:

	Land	Buildings	Total
At September 1, 2015	783,718	57,223	840,941
Disposal	(112,663)	-	(112,663)
Fair value loss	(16,840)	(33,845)	(50,685)
At August 31, 2016	654,215	23,378	677,593
Retirement	(298)	-	(298)
Transfer to property, plant and equipment due to change in use	(80,841)	-	(80,841)
Fair value (loss) gain	2,413	(6,251)	(3,838)
At August 31, 2017	575,489	17,127	592,616

The investments properties are held for short-term leases and capital appreciation.

The fair value measurement for investment properties in 2017 amounting to P554.15 million (2016 - P677.59 million) has been categorized as Level 2 for land and Level 3 for buildings based on the inputs to the valuation technique used.

The Group's investment properties were appraised by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The latest appraisal was conducted as at August 31, 2017.

The value of the land was computed using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

The value of buildings was computed using the Cost Approach. 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. Since several factors need to be considered in the sensitivity analysis of the valuation of buildings, the Group deemed it impracticable to perform.

Rental income earned from investment properties presented under "Rental income" in "Other income (expenses)" amounted to P12.50 million in 2017 (2016 - P9.80 million; 2015 - P12.67 million) (Note 20).

The historical cost of the investment properties amounted to P54.41 million as at August 31, 2017 (2016 - P54.71 million).

Direct expenses incurred for the Group's investment properties comprising mainly of real property taxes presented under "Taxes and licenses" amounted to P5.69 million in 2017 (2016 - P5.91 million; 2015 - P5.91 million) (Note 19).

10 Other non-current assets, net

This account as at August 31 consists of:

	2017	2016
Cash surety bonds	32,503	32,356
Land subject to voluntary offer to sell	26,171	26,171
Security and utility deposits	38,396	38,382
Investment in an associate	5,727	5,727
Construction bond	50	50
Long-term investment	-	112,356
	102,847	215,042
Allowance for impairment losses	(14,120)	(14,120)
	88,727	200,922

Cash surety bonds

Cash surety bonds pertain to cash collateral for the labor cases against the Group (Note 25). The account also includes cash in a closed bank amounting to P8.39 million which was fully provided with allowance for impairment.

Land subject to voluntary offer to sell

Certain parcels of land aggregating 2.5 million square meters were put under Voluntary Offer to Sell pursuant to the Comprehensive Agrarian Reform Program. As the consideration for the properties is still being contested, the said properties are still carried in the books of the Group as of reporting date.

Long-term investments

Long-term investments refer to money market placements with maturity date of more than one year after the reporting period bearing interest rate of 1.75% per annum. During the year, the Group pre-terminated its long term investments.

Security and utility deposits; construction bond

Security and utility deposit and construction bond are amounts held by the lessor to answer for any possible damage to the leased premises aside from ordinary wear and tear, and any unpaid obligation and liabilities of the Group at the end of the lease term.

Investment in an associate

The Group owned 30% ownership of Victorias Industrial Gases Corporation (VIGASCO) which 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. The registered office of VIGASCO is located in VICMICO Compound, Victorias City, Negros Occidental.

VIGASCO ceased its business operations effective December 31, 2014 and no transactions since. The investment is fully provided with allowance for impairment loss.

11 Trade and other current payables

This account as at August 31 consists of:

	2017	2016
Customers' deposits	284,932	143,892
Trade suppliers	213,160	242,575
Accrued expenses	56,006	21,043
Retention payable	51,431	20,421
Liens payable	23,128	11,295
Due to government agencies	8,649	15,238
Others	19,832	24,517
	657,138	478,981

Customers' deposits

Customers' deposits pertain to 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.

Trade suppliers

Trade suppliers represent amounts of obligation of the Group to third parties. These are non-interest bearing and are normally settled on 30 to 90 day term.

Accrued expenses

Accrued expenses pertain to accruals made for contracted services, janitorial and security services, utilities, postage and other operating expenses which are payable within one year.

Retention payable

Retention payable refers to amounts withheld from contract price for construction contracts entered into by the Group. This is normally set at 10% of the total contract price or to an amount equal as stipulated in the contract. This becomes payable upon completion or performance of terms and condition as stated in the contract.

Liens payable

Liens payable on sugar refers to amounts payable to the Sugar Regulatory Authority as imposed based on the volume of sugar produced due to be settled within one year.

Due to government agencies

Withholding and other taxes refers to accrued remittances for statutory taxes withheld for the year. Included therein also are contributions payable to Social Security System, Home Mutual Development Fund and Philippine Health Insurance Corporation.

Other payables

Other payables include amounts pertaining to social amelioration fund set aside for the sugar workers and association dues payable to the different planters association accredited by the Group.

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

12 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 (Note 25).

Estimates of probable costs for the resolution of these claims have been developed in consultation with legal counsels handling the defense in these matters and are based upon an analysis of potential results. Based on the progress of the legal cases (Note 25) as of reporting date, management has revised its previous estimate resulting to the reversal of excess provision of P367.08 million in 2017.

The Group recognized provisions as follows:

	2017	2016
At beginning of year	1,554,693	1,418,876
Reversal of provisions for the year	(367,084)	-
Unwinding of discount	90,084	135,817
At end of year	1,277,693	1,554,693

On annual basis, the provisions are re-evaluated and recalculated to consider the latest available information and estimates. If the resulting difference between the original amount and the recalculated amount is significant, an adjustment is recognized.

As at August 31, 2017 the discount rate is estimated at 4.93% (2016 - 3.90%) (Note 2).

13 Borrowings

Following the full repayment of the restructured loans consistent with the DRA, the Parent Company obtained loans in 2017 and 2016 to fund various capital projects. Details as follows:

Short-term borrowings

Short-term borrowings consist of unsecured loan facility availed from various banks for the Group's working capital requirements. These borrowings carry 2.5% to 3.25% interest rate in 2017 (2016 - 2.5% to 3.0%), which are payable in lump sum over an average term ranging from 90 to 180 days until 2018.

Movements in short-term borrowings follow:

	2017	2016
At beginning of year	300,000	-
Availments	700,000	500,000
Repayments	(1,000,000)	(200,000)
At end of year	-	300,000

Interest expense charged to profit or loss during the year amounted to P9.21 million (2016 - P6.20 million; 2015 - nil).

(a) Long-term borrowings

Long-term borrowings consist of unsecured loan facility availed from a creditor bank for the Parent Company's power generation project (Note 8). These borrowings carry 4.625% interest rate in 2017 (2016 - 4.625%) with principal amount payable quarterly beginning March 14, 2018 to December 14, 2020.

There are no undrawn amount from the total loan facility as at reporting date (2016 - P650 million).

Movements in the long-term borrowings follow:

	2017	2016
At beginning of year	850,000	-
Availments	650,000	850,000
At end of year	1,500,000	850,000

Borrowings are presented in the consolidated statements of financial position as at August 31 as follows:

	2017	2016
Current	250,000	-
Non-current	1,250,000	850,000
	1,500,000	850,000

Borrowing costs arising from long-term borrowings amounting to P67.20 million in 2017 (2016 - P18.74 million) were capitalized (Note 8). Borrowing costs from short-term borrowings amounting to P9.21 million in 2017 (2016 - P6.20 million) were charged to profit or loss.

The debt covenants for the long-term borrowings require the Parent Company to maintain certain financial ratios. As at August 31, 2017 and 2016, the Parent Company is compliant with these debt covenants.

14 Equity

Share capital

Details of share capital follow:

	2017		2016		2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Common shares at P1 par value per share						
<u>Authorized</u>						
At beginning of year	2,913,250,850	2,913,251	2,640,392,882	2,640,393	2,367,534,914	2,367,535
Increase in authorized share capital	128,810,244	128,810	272,857,968	272,858	272,857,968	272,858
At end of year	3,042,061,094	3,042,061	2,913,250,850	2,913,251	2,640,392,882	2,640,393
<u>Issued and outstanding</u>						
At beginning of year	2,913,250,850	2,913,251	2,640,392,882	2,640,393	2,367,534,914	2,367,535
Conversion of convertible notes	128,810,244	128,810	272,857,968	272,858	272,857,968	272,858
	3,042,061,094	3,042,061	2,913,250,850	2,913,251	2,640,392,882	2,640,393
Treasury shares	(300,010,530)	(300,011)	(300,010,530)	(300,011)	(10,530)	(11)
At end of year	2,742,050,564	2,742,050	2,613,240,320	2,613,240	2,640,382,352	2,640,382

On September 24, 2015, to comply with the provisions of DRA, BOD approved the issuance of 272.86 million shares in compliance with the mandatory equity conversion of convertible notes amounting to P272.86 million. This will be issued out of and in support of an increase in VMC's authorized share capital from 2.64 billion shares to 2.91 billion shares. The increase in VMC's authorized share capital was approved by SEC on November 11, 2015.

On May 23, 2017, the SEC approved the Parent Company's application for increase in its authorized capital stock from 2,913,250,850 common shares to 3,042,061,094 common shares with par value of P1 each. The increase of 128,810,244 common shares were fully subscribed through conversion of convertible notes to equity.

Additional paid-in capital

Movements of the account follow:

	Note	2017	2016	2015
At beginning of year		735,544	512,750	292,264
Conversion of interest on convertible notes to additional paid-in capital	2	105,176	222,794	220,486
At end of year		840,720	735,544	512,750

Convertible notes awaiting for conversion and interest on convertible notes awaiting conversion

Movement in the convertible notes awaiting conversion follows:

	Note	2017	2016	2015
At beginning of year		131,810	404,668	677,526
Conversion of convertible notes to share capital	2	(128,810)	(272,858)	(272,858)
At end of year		3,000	131,810	404,668

Movement in the interest on convertible notes awaiting conversion:

	2017	2016	2015
At beginning of year	107,626	330,420	550,906
Conversion of interest on convertible notes to additional paid in capital	(105,176)	(222,794)	(220,486)
At end of year	2,450	107,626	330,420

Accumulated other comprehensive income

Details and movement in accumulated other comprehensive income follow:

	2017	2016	2015
Revaluation increment on PPE			
At beginning of year	504,651	522,177	544,691
Transfer of revaluation increment to retained earnings (deficit)	(31,147)	(32,163)	(32,163)
Revaluation	-	7,586	-
Deferred income tax effect	9,344	7,051	9,649
At end of year	482,848	504,651	522,177
Reserve on remeasurement on retirement liability			
At beginning of year	(1,639)	(2,109)	(1,988)
Actuarial (losses) gains for the year	1,151	671	(174)
Deferred income tax effect	(346)	(201)	53
At end of year	(834)	(1,639)	(2,109)
Reserve on fair value on AFS financial assets			
At beginning of year	2,413	2,691	102
Unrealized fair value (loss) gain before tax	(968)	(278)	2,589
Deferred income tax effect	-	-	-
At end of year	1,445	2,413	2,691
	483,459	505,425	522,759
Total comprehensive income attributable to:			
Equity holders of VMC	469,822	488,267	508,204
Non-controlling interests	13,637	17,158	14,555
	483,459	505,425	522,759

Retained earnings

The Second Amendment to the Rehabilitation Plan dated July 22, 1999 provided for the reduction of the share capital and revaluation as of actual implementation which shall be used to reduce the deficit of the Parent Company at the time of the implementation of the quasi reorganization. The Second Amendment to the Rehabilitation was approved by the SEC in its order dated August 17, 1999.

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

However, in an SEC Order dated August 17, 1999, the SEC granted the Parent Company's prayer for exemption from the application of paragraph 7 of SEC's Guidelines for Quasi Reorganization which requires that for purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out and not recovered by accumulated depreciation or appraisal increment by the appraisal surplus.

Treasury shares

On February 15, 2016, the BOD approved the acquisition of 365 million shares. The sale agreement was executed on February 18, 2016 which led to the acquisition of 300 million treasury shares by the Parent Company at P5 per share or a total of P1.50 billion.

15 Earnings per share (EPS)

The following table presents information necessary to calculate the EPS of the Group:

	2017	2016	2015
	(In thousands Peso, except per share data)		
Net income attributable to the Parent	656,186	766,196	1,011,105
Weighted average number of common shares	2,947,203	2,831,705	2,980,234
Basic and Diluted EPS	0.22	0.27	0.34

The weighted average number of common shares includes the mandatory convertible shares arising from the Parent Company's DRA (Note 14).

16 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 Parent Company.

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

Sugar milling

Revenues from sugar milling consist of the following:

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

For its raw sugar and molasses operations, the 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 who have milling contracts with VMC. The production sharing agreement is 69.5% for planters and 30.5% for VMC.

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

Distillery operations

The Group's alcohol distillery division, which resumed operations in November 2011 and started commercial operations in March 2013.

For its operations, the division operates an alcohol production with an actual daily capacity of 25,000 liters and with molasses as the primary raw material. Molasses is sourced from sugar operations which produces it as a by-product.

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

Power generation

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

Joint 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

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

Real estate

This segment is involved in the development and sale of subdivision and memorial lots. Among its projects are 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

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

Entertainment

This segment derives income from membership fees when billed and when corresponding services is 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 and depreciation. The carrying amount of certain assets used jointly by the various segments is allocated to the segments on a systematic basis. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals, value added tax 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, 2017 and 2016 and revenue and income information for each of the three years in the period ended August 31, 2017:

2017	Sugar milling	Distillery operations	Power generation	Others	Elimination items	Total
Revenue						
External sales	8,170,167	451,331	26,230	64,853	-	8,712,581
Inter-segment sales	-	-	6,484	1,135	(7,619)	-
Total	8,170,167	451,331	32,714	65,988	(7,619)	8,712,581
Segment result	1,039,204	286,624	2,887	6,265	6,484	1,341,464
Unallocated corporate expense	(745,118)	-	-	(46,503)	1,135	(790,486)
Operating profit	294,086	286,624	2,887	(40,238)	7,619	550,978
Reversal of provisions for legal claims	367,084	-	-	-	-	367,084
Finance cost	(99,294)	-	-	-	-	(99,294)
Interest income	4,908	-	-	130	-	5,038
Other income (expense)	148,124	-	-	12,174	(7,619)	152,679
Income tax expense	(321,340)	-	-	(952)	-	(322,292)
	393,568	286,624	2,887	(28,886)	-	654,193

18 Cost of goods sold and services rendered

This account consists of:

	2017	2016	2015
Cost of goods sold	7,164,465	2,923,305	2,261,222
Cost of services	206,652	514,174	850,319
	7,371,117	3,437,479	3,111,541

Cost of goods sold consists of:

	Notes	2017	2016	2015
Sugarcane and raw sugar purchased		5,133,263	204,339	56,366
Cost of hauling		1,368,141	1,511,096	942,511
Repairs and maintenance		371,969	255,685	412,001
Depreciation	9	257,837	210,360	217,360
Materials and supplies		206,965	205,214	262,888
Direct labor		138,352	96,027	94,645
Professional fees and contracted services		73,706	111,538	112,296
Input tax from exempt sales		64,699	143,778	40,983
Fuel		53,484	55,159	67,486
Light and water		45,537	22,469	44,204
Taxes and licenses		31,737	36,170	31,159
Rental		2,408	1,562	1,950
Insurance		170	4,696	3,571
Provision for inventory write-down	6	289	-	-
Others		11,856	26,089	99,078
Total cost of goods manufactured		7,760,413	2,884,182	2,386,498
Inventories at beginning of year		155,363	194,486	69,210
Inventories at end of year		(751,311)	(155,363)	(194,486)
		7,164,465	2,923,305	2,261,222

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

Cost of services consists of:

	Note	2017	2016	2015
Repairs and maintenance		11,945	131,677	260,362
Depreciation	9	7,334	105,575	58,123
Direct labor		6,076	54,116	60,788
Materials and supplies		3,582	172,152	206,615
Light and water		2,779	9,546	30,009
Professional fees and contracted services		1,827	44,049	52,354
Fuel		911	122,886	109,800
Taxes and licenses		116	8,341	6,975
Rental		115	3,110	2,272
Insurance		3	613	1,209
Input tax from exempt sales		-	30,500	40,983
Others		3,782	-	5,133
Total cost of services rendered		38,470	682,565	834,623
Deferred tolling cost at beginning of year		168,391	-	15,696
Deferred tolling cost at end of year		(209)	(168,391)	-
		206,652	514,174	850,319

19 Operating expenses

This account consists of:

	Notes	2017	2016	2015
<i>General and administrative</i>				
Taxes and licenses		191,809	30,004	18,699
Professional fees and contracted services		130,952	120,897	131,925
Salaries and employee benefits		106,292	79,039	60,704
Depreciation	8	72,937	26,719	17,579
Repairs and maintenance		33,625	32,496	53,364
Representation entertainment		33,556	77,977	16,934
Supplies		16,647	42,079	26,208
Net retirement benefit cost	22	14,897	7,939	6,557
Insurance		12,601	11,297	1,629
Travel and transportation		10,583	26,092	41,355
Provision for impairment of receivables	4	3,777	-	-
Communication		2,819	3,250	-
Rental		1,069	1,874	2,184
Others		7,828	17,456	22,688
		639,392	477,119	399,826

	Note	2017	2016	2015
<i>Selling</i>				
Freight and handling		78,040	87,347	80,425
Taxes and licenses		17,139	15,486	18,935
Rental		17,842	15,103	11,604
Materials and supplies		12,164	10,318	9,083
Salaries and employee-benefits		11,373	10,237	10,243
Depreciation	9	6,933	8,799	7,191
Repairs and maintenance		3,268	2,711	2,707
Others		4,335	2,910	8,283
		151,094	152,911	148,471

Other selling expenses consist mainly of the Group's insurance expense and charges for travel and transportation expense.

20 Other income (expenses), net

This account consists of:

	Notes	2017	2016	2015
<i>Other income</i>				
Charges to traders and planters		75,175	106,442	101,567
Bagasse sale		26,048	-	-
Foreign exchange gain - net		14,900	1,860	6,181
Rental	9	12,497	9,798	12,671
Gain on sale of AFS financial assets	5	12,226	8,083	-
Scrap sales		6,370	-	-
Interest income	3	5,038	13,888	24,915
Gain on sale of property, plant and equipment	8	1,572	15,856	33
Reversal of remeasurement of retirement liability		-	-	22,858
Others		10,185	8,314	3,135
		164,011	164,241	171,360
<i>Other expense</i>				
Loss on fair valuation of investment properties	9	3,838	50,685	27,631
Loss on sale of property, plant and equipment	8	-	73,544	-
Interest expense		-	2,250	-
Loss on sale of investment properties		-	34,136	-
Others		2,456	19,815	1,662
		6,294	180,430	29,293
Other (expenses) income, net		157,717	(16,189)	142,067

Charges to traders and planters pertain to warehousing fees, trucking services and fuel costs billed to traders and planters.

21 Income taxes

The components of income tax expense follow:

	2017	2016	2015
Current	299,955	456,487	539,737
Deferred	22,337	(128,751)	(109,540)
	322,292	327,736	430,197

Deferred income tax recognized in other comprehensive income in 2017 amounted to P1.87 million (2016 - P2.81 million, 2015 - P81.48 million).

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

	2017			2016			2015
	ITH	at 30%	Total	ITH	at 30%	Total	at 30%
Profit before income tax	~~287~~	973,598	976,485	10,043	1,078,137	1,088,180	1,439,111
Income tax at statutory rates	-	292,079	292,079	-	323,441	323,441	431,733
Tax effects of							
Recovery of bad debts from related party	-	-	-	-	(4,348)	(4,348)	-
Non-deductible interest expense	-	849	849	-	1,331	1,331	-
Interest income subject to final tax	-	(1,489)	(1,489)	-	(4,154)	(4,154)	(7,475)
Expired NOLCO and MCIT	-	2,835	2,835	-	1,719	1,719	-
Other non-deductible expenses	-	28,018	28,018	-	9,747	9,747	5,939
Income tax expense	-	322,292	322,292	-	327,736	327,736	430,197

Income from non-taxable activities pertain to revenue from power generation which is a registered Board of Investments (BOI) activity last January 23, 2016.

The composition of "Deferred income tax liabilities, net" account as reported in the consolidated statement of financial position follows:

	2017	2016
Deferred income tax (DIT) liabilities:		
Net appraisal increase on property, plant and equipment	356,564	369,058
Fair value gain on investment properties	301,267	325,586
Borrowing cost capitalized	25,067	5,621
	682,898	700,265
Deferred income tax (DIT) assets:		
Provisions for legal claims	383,308	466,408
Customers' deposits and accrued expenses	84,982	42,827
Allowance for impairment losses	15,214	15,191
Retirement liability	11,560	7,656
Net operating loss carry-over (NOLCO)	6,361	5,374
Minimum corporate income tax (MCIT)	408	2,330
Fair value loss on investment properties	113	-
Unrealized foreign exchange loss	79	73
	502,025	539,859
	180,873	160,406

The Group expects that it will have sufficient future taxable profits for which it can use the benefits of the deferred income tax assets arising from NOLCO and MCIT.

22 Retirement plan

For the permanent employees, the Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act. No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.17 days pay or 85% of final monthly basic salary for every year of credited services. The regulatory benefit is paid in a lump sum upon retirement. The law does not require minimum funding of the plan.

The Group has an unfunded, non-contributory defined benefit plan covering all of its permanent employees. Annual cost is determined using the projected unit credit method. Valuations are obtained on a periodic basis. The Group's latest actuarial valuation was performed by independent actuary as at August 31, 2017.

The amounts recognized as retirement liability in the consolidated statement of financial position as at August 31, 2017 is P38.54 million (2016 - P25.52 million).

Net retirement benefit cost recognized in profit or loss for the year ended August 31 is as follows:

	2017	2016
Current service cost	8,058	7,099
Past service cost	5,872	-
Interest cost	967	840
	14,897	7,939

Net retirement benefit cost recognized in profit or loss is included under general administrative expenses in the consolidated statement of total comprehensive income.

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

	2017	2016
At beginning of year	25,521	19,177
Current service cost	8,058	7,099
Past service cost	5,872	-
Interest cost	967	840
Benefits paid	(731)	(924)
Remeasurement (gain) loss:		
Changes in financial assumptions	(3,268)	1,234
Changes in demographic assumptions	1,095	-
Changes in experience	1,022	(1,905)
At end of year	38,536	25,521

The movements in the remeasurement loss on retirement benefit obligation recognized in other comprehensive income for the years ended August 31 are as follows:

	2017	2016
At beginning of year, net of tax effect	1,639	2,109
Remeasurement gain on retirement liability	(1,151)	(671)
	488	1,438
Deferred income tax charged to other comprehensive income	346	201
At end of year, net of tax effect	834	1,639

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	4.40% - 4.90%	2.98% - 3.50%
Salary increase rate	2.00% - 3.00%	2.00% - 3.00%

Discount rate

The discount rate was determined in accordance with the Philippine Interpretations Committee Q&A 2008-01(Revised), which mandates that discount rates reflect (a) benefit cash flows and (b) use of zero coupon rates, even though theoretically derived.

The bootstrapping method was applied to the PDST-R2 benchmark government bonds to arrive at the theoretical zero coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years.

Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion.

The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The average remaining service life of employees as at August 31, 2017 is 10.6 years (2016 - 8.7 years)

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

	2017	2016
0 to 5 years	35,726	25,840
6 to 10 years	38,373	31,825
11 to 15 years	37,509	22,287
16 years and up	158,528	66,047

	Change in assumption	Impact on retirement liability	
		Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 33,455	Increase by 38,467
Salary increase rate	1%	Increase by 38,295	Decrease by 33,575

The above 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 statement of financial position.

23 Related party transactions

Related party transactions as at and for the periods ended August 31 are as follows:

August 31, 2017	Transactions	Outstanding balance	Terms and conditions	Provision for impairment losses during the year	Allowance for impairment losses
Entities under common control					
Revenue from sale of goods	666,320	234,876	- Unguaranteed and unsecured - Non-interest bearing - See Note 23.1	-	-
Cash in bank, money market placements and UITF investments	(67,983)	313,193	- See Note 23.2	-	-
	598,337	548,069		-	-
Salaries and wages					
Key management personnel	37,882	-	Payable in cash	-	-

August 31, 2016	Transactions	Outstanding balance	Terms and conditions	Provision for impairment losses during the year	Allowance for impairment losses
Entities under common control					
Revenue from sale of goods	710,018	124,309	- Unguaranteed and unsecured - Non-interest bearing - See Note 23.1	-	-
Cash in bank, money market placements and UITF investments	-	381,176	- See Note 23.2	-	-
	710,018	505,485		-	-
Salaries and wages					
Key management personnel	31,180	-	Payable in cash	-	-

Terms and conditions of transactions with related parties

23.1 Revenue from sale of goods

In the normal course of business, the Parent Company sold raw sugar, alcohol, molasses and tolling services to Interbev, Tanduay and Absolut.

The Parent Company is related to PNB, Interbev, Tanduay and Absolut who are subsidiaries under the LT Group, Inc., which owns a 15.71% ownership interest in the Parent Company.

23.2 Cash in bank, money market placements, investments

The Parent Company maintains current account, money market placements and UITF investments with PNB (Note 3 and 4). PNB is a related party by way of common control.

24 Agreements and commitments

The significant agreements at August 31, 2017 and 2016 were as follows:

- a. Milling contracts with various planters provide for a 69.5% share to the planters (including related parties) and 30.5% share to the Group of sugar and molasses produced from sugar canes milled. The Sugar Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.
- b. As at August 31, 2017, the Parent Company has in its custody sugar owned by several quedan holders with volume of 1.10 million Lkg (2016 - 1.05 million Lkg). The said volume of sugar is not reflected in the consolidated statement 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 trusted sugar or their sales proceeds.

25 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, they 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 similar cases that will be decided by the highest court, which will be relevant to pending cases.

a. RSDOs and RSQs claims

NONEMARCO used RSDOs and RSQs allegedly issued by the Parent Company to avail of bank loans totaling to about P630 million. Several creditor banks filed collection cases against NONEMARCO aggregating to P1.19 billion.

The Parent Company denied liability as these RSDOs and RSQs claims lacked any factual or legal basis and that the officers who issued them acted fraudulently.

On January 6, 2015, the SEC Special Hearing Panel ("SHP") ordered the Parent Company to settle the claim of one of the claimant banks. On January 23, 2015, the Parent Company filed a Notice of Appeal and Memorandum on Appeal to the SEC En Banc seeking relief from the SEC SHP Order, which was denied by the SEC En Banc on November 29, 2016, thereby affirming the SEC SHP Order.

On January 19, 2017, the Parent Company filed a Petition for Review with Prayer for Preliminary Injunction and Temporary Restraining Order before the Court of Appeals (CA) relating to the Decision of the SEC En Banc dated November 29, 2016.

On March 17, 2016, SEC SHP ordered the Parent Company to settle the claim of another claimant bank. On April 1, 2016, the Parent Company filed a Notice of Appeal to the SEC En Banc seeking relief from the SEC SHP Order, which was denied by SEC En Banc on March 7, 2017, thereby affirming the SEC SHP Order.

On March 30, 2017, the Parent Company filed a Petition for Review with Prayer for Preliminary Injunction and Temporary Restraining Order before the CA relating to the Decision of SEC En Banc on March 7, 2017.

The Parent Company filed a Motion for Consolidation dated April 21, 2017 before the CA in order to consolidate both petitions pending before the CA. The CA granted the Motion for Consolidation in a Resolution dated June 2, 2017.

On October 13, 2017, CA promulgated a decision which granted the Parent Company's Petitions for Review, and accordingly, set aside the SEC En Banc Decisions.

b. Labor, civil and other cases

There are various lawsuits and claims such as labor cases, collection disputes and assessments filed by third parties against VMC. Relative to this, VMC is required to put up surety bonds (Note 11). On the other hand, the Parent Company has also instituted legal actions against third parties in the ordinary course of business.

c. Proceeding with Pollution Adjudication Board (PAB)

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

The Management of the Parent Company has placed the handling of pollution problems on its priority list and is now addressing it to comply with the applicable environmental compliance requirements. The Parent Company submitted a number of pleadings to the PAB in Order to avert a re-imposition of the Cease and Desist Order on which PAB issued temporary lifting order (TLO). The Parent Company was issued by PAB with a one-year TLO dated May 20, 2014 and is effective until May 20, 2015. On March 8, 2017, the Parent Company received PAB's Order dated February 17, 2017 granting the latter's Urgent Motion for Extension of TLO for a period of one year or from August 5, 2016 to August 5, 2017.

To comply with the order of the DENR, the Parent Company acquired, constructed and installed air and water pollution control devices amounting to about P350.0 million as of August 31, 2016 (Note 9).

On June 19, 2017, the Parent Company filed a motion for issuance of Formal Lifting Order before DENR PAB.

d. Convertible note case against Eastwest Bank Corporation (EWBC)

On February 28, 2014 (partial redemption) and April 4, 2014 (final redemption), the remaining convertible notes held by EWBC were paid pursuant to ARP, DRA and convertible note provisions.

However, on February 28, 2014, and April 4, 2014, EWBC informed VMC of its decision not to accept the redemption.

In a letter dated September 25, 2014, VMC consigned to the SEC-appointed rehabilitation receiver of VMC as payment/redemption of the EWBC convertible note ("EWBC Convertible Note") checks amounting to P366,125,900.17 as full payment of the EWBC Convertible Note.

As of August 31, 2015, "Checks payable to EWBC" were extinguished by the Parent Company since these were already consigned to the SEC-appointed rehabilitation receiver. This consignment was confirmed by the SEC En Banc in its Decision dated August 11, 2015 in SEC En Banc Case No.04-15-368 where EWBC's motion to compel VMC to allow EWBC to exercise its option for the Conversion of the EWBC Convertible Note was denied. Said consignment was likewise affirmed by the Court of Appeals ("CA") through its Decision dated January 19, 2016 and Resolution dated May 16, 2016 in the case docketed as CA-G.R. No. SP No. 141969.

On June 27, 2016, VMC received a copy of the "Petition for Review dated June 10, 2016" filed by EWBC before the Supreme Court ("SC") docketed as G.R. 225181 appealing the CA Decision dated January 19, 2016 and CA Resolution dated May 16, 2016. In its Petition for Review dated June 10, 2016, EWBC applied for the issuance of a preliminary injunction.

On October 13, 2016, VMC, in compliance with the SC Resolution dated August 8, 2016 filed its Comment/Opposition dated October 12, 2016 to the Petition for Review dated June 10, 2016.

On December 2, 2016, VMC obtained copies of the CA Resolution dated September 23, 2016, which states that *“(i)n view of the result of CMIS 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.”*, and the corresponding CA Entry of Judgment dated September 23, 2016.

On December 5, 2016, VMC filed with the SC a Supplemental Comment/Opposition, which prayed for the outright dismissal of the Petition for Review dated June 10, 2016 based on the CA Resolution dated September 23, 2016, the CA Entry of Judgment dated September 23, 2016 as well as Section 3 of Rule 45 of the Rules of Court and Circular No. 19-91 dated August 13, 1991 issued by the SC.

On December 6, 2016, the Parent Company received a copy of the CA Resolution dated September 23, 2016 with attached CA Entry of Judgment dated September 23, 2016. Based on the CA Entry Judgment dated September 23, 2016, the Decision dated January 19, 2016 promulgated by the CA became final and executory on June 12, 2016.

On December 6, 2016, the Parent Company also received a copy of a Manifestation dated November 15, 2016 filed by EWBC with the CA wherein they manifested that they filed a Petition for Review before the SC on June 10, 2016. EWBC did not seek reconsideration of the CA Resolution dated September 23, 2016. Hence, the CA Resolution dated September 23, 2016 and the CA Entry of Judgment dated September 23, 2016 may be deemed to have become final and executory.

On January 9, 2017 the Parent Company received a copy of EWBC's Omnibus Reply (to Respondent's Comment/Opposition and Supplemental Comment/Opposition with the Motion for Leave of Court dated December 27, 2016, which it filed before SC.

On February 6, 2017, the Parent Company filed its Motion to Dismiss (Under Section 5 of Rule 56 of the Rules of Court) dated February 3, 2017 (“Motion to Dismiss dated February 3, 2017”).

On March 15, 2017, the Parent Company received a copy of the Opposition with Leave of Court [Re: Motion to Dismiss dated February 3, 2017] dated March 6, 2017 from EWBC (“Opposition dated March 6, 2017”).

On March 24, 2017, the Parent Company filed with the SC a Manifestation with Leave of Court dated March 21, 2017 (“Manifestation dated March 21, 2017”), where VMC manifested that it is no longer filing any reply to the opposition dated March 6, 2017, and that the Motion to Dismiss dated February 3, 2017 can be deemed submitted for resolution.

The Parent Company received a copy of the Resolution dated March 13, 2017 from the SC noting (i) VMC's Supplemental Comment/Opposition dated December 5, 2016; (ii) EWBC's Omnibus Reply dated December 27, 2016; and (iii) VMC's Motion to Dismiss dated February 3, 2017.

On August 29, 2017, the Parent Company received a copy of the Resolution dated July 10, 2017 from the SC noting (i) Opposition dated March 6, 2017; (ii) Manifestation dated March 21, 2017.

26 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.

26.1 Critical accounting judgments

a. Classification of available-for-sale financial assets (Note 5)

The Group invested in Unit Investment Trust Funds (UITFs) which does not qualify to be classified or designated as loans and receivables, financial assets at FVPL or HTM investments. The Group expects to hold the securities on demand, however, these can be sold in response to liquidity requirements or changes on market conditions.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date. The Group intends to dispose the investments on demand or within the next twelve (12) months whichever comes first.

b. Recoverability of deferred income tax assets (Note 21)

The Group reviews its deferred income 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 income tax asset to be utilized. Significant management judgment is required to determine the amount of deferred income 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 income tax assets. Any deferred income 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 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 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 Group considers each property separately in making its judgment.

26.2 Critical accounting estimates

a. Estimating NRV of inventories (Note 6)

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. Allowance for impairment losses (Note 4)

The Group maintains an allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Factors considered in the individual assessment are payment history, past due status and term. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers.

Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

c. Impairment of nonfinancial assets (Notes 6, 7, 8, 9 and 10)

The Group assesses impairment on property, plant and equipment, investment properties, other current assets and other noncurrent assets whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

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

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The net book values of the Group's nonfinancial assets are disclosed in

d. Useful lives of property, plant and equipment (Note 8)

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

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

e. Fair value of non-financial assets (Notes 8 and 9)

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.

The Group's property, plant and equipment were last appraised on August 31, 2013. Management has not identified any conditions or indicators that would cause the fair value of property, plant and equipment to be materially different from the last appraisal date up to the reporting date.

f. Estimating provisions and contingencies (Notes 12 and 25)

The Group is currently involved in various legal proceedings (Note 25) which are still pending resolution or under suspension in view of the Group's rehabilitations status. Estimates of probable costs for 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 pre-tax 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.

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

27 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 financial assets comprise of cash in banks and cash equivalents, trade receivables, advances to related parties, AFS financial assets, short-term and long-term investments, cash surety bonds and security and utility deposits. The financial liabilities of the Group, which arise directly from its operations, comprise trade payables, accrued expenses and borrowings.

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

Credit risk

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

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

As at August 31, 2017 and 2016, the aging profile of the Group's financial assets is as follows:

2017	Neither past due or impaired	Past due but not impaired				Past due and impaired	Total
		<30 days	31-60 days	61-90 days	>90 days		
Cash and cash equivalents*	542,605	-	-	-	-	-	542,605
Trade receivables:							
Related parties	131,284	71,200	-	21,900	10,492	-	234,876
Third parties	5,519	13,173	12,276	14,516	2,590	23,886	71,960
Advances to planters' association	-	-	-	-	2,828	-	2,828
Other receivables	3,340	464	383	506	18,654	87	23,434
Short-term investments	12,000	-	-	-	-	-	12,000
AFS financial assets	219,168	-	-	-	-	-	219,168
Other non-current assets	24,110	-	-	-	38,446	8,393	70,949
	938,026	84,837	12,659	36,922	73,010	32,366	1,177,820

2016	Neither past due or impaired	Past due but not impaired				Past due and impaired	Total
		<30 days	31-60 days	61-90 days	>90 days		
Cash and cash equivalents*	354,101	-	-	-	-	-	354,101
Trade receivables:							
Related parties	101,991	1,706	186	3,107	17,319	-	124,309
Third parties	4,913	11,742	10,387	2,061	14,691	20,109	63,903
Advances to planters' association		-	-	-	6,816	-	6,816
Other receivables	230	21	-	-	8,051	87	8,389
Short-term investments	66,428	-	-	-	-	-	66,428
AFS financial assets	753,118	-	-	-	-	-	753,118
Other non-current assets	136,319	-	-	-	38,432	8,393	183,144
	1,417,100	13,469	10,573	5,168	85,309	28,589	1,560,208

*excluding cash on hand

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

The credit quality of the Group's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible in accordance with the set credit terms.

Information on the Group's other current receivables and other noncurrent assets that are impaired as at August 31, 2017 and August 31, 2016 and the movement of the allowance used to record the impairment losses are disclosed in Notes 6 and 14 to the consolidated financial statements.

As at August 31, 2017 and 2016, the Group's maximum credit exposure is equal to the carrying values of the following financial assets:

	2017	2016
Cash and cash equivalents ⁽¹⁾	542,605	354,101
Trade and other current receivables, net ⁽²⁾	309,125	183,221
AFS financial assets	219,168	753,118
Short-term investments	12,000	66,428
Other non-current assets ⁽³⁾	62,556	174,751
Total	1,145,454	1,531,619

⁽¹⁾ excluding cash on hand

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

⁽³⁾ excluding land under voluntary offer to sell

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, 2017 and 2016 based on contractual undiscounted payments:

2017	On demand	Within 1 year	More than 1 year	Total
<i>Financial assets</i>				
Loans and receivables:				
Cash and cash equivalents	600,748	-	-	600,748
Trade receivables:				
Related parties ⁽¹⁾	131,284	103,592	-	234,876
Third parties	5,519	42,555	-	48,074
Advances to planters' association		2,828	-	2,828
Other receivables ⁽¹⁾	3,340	20,007	-	23,347
Short-term investments	12,000	-	-	12,000
AFS financial assets	219,168	-	-	219,168
Other non-current assets ⁽¹⁾	24,110	38,446	-	62,556
	996,169	207,428	-	1,203,597
<i>Financial liabilities</i>				
Other financial liabilities:				
Borrowings	-	316,195	1,313,594	1,629,789
Accounts and other current payables ⁽²⁾	213,160	127,269	-	340,429
	213,160	443,464	1,313,594	1,970,218
Net gap	783,009	(236,036)	(1,313,594)	(766,621)

⁽¹⁾ net of allowance for impairment losses

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

2016	On demand	Within 1 year	More than 1 year	Total
<i>Financial assets</i>				
Loans and receivables:				
Cash and cash equivalents	451,680	-	-	451,680
Trade receivables:				
Related parties	101,991	22,318	-	124,309
Third parties ⁽¹⁾	4,913	38,881	-	43,794
Advances to planters' association		6,816	-	6,816
Other receivables ⁽¹⁾	230	8,072	-	8,302
Short-term investments	66,428	-	-	66,428
AFS financial assets	753,118	-	-	753,118
Other non-current assets ⁽¹⁾	136,319	38,432	-	174,751
	1,514,679	114,519	-	1,629,198
<i>Financial liabilities</i>				
Other financial liabilities:				
Borrowings	-	307,750	928,625	1,236,375
Accounts and other current payables ⁽²⁾	242,575	65,981	-	308,556
Total	242,575	373,731	928,625	1,544,931
Net gap	1,272,104	(259,212)	(928,625)	84,267

⁽¹⁾ net of allowance for impairment losses

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

Market risk

The Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices, mainly interest rate risk and foreign exchange risk. The Group is not exposed to price risk.

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 13) are not sensitive to movements in interest rates as these carry fixed interest rates.

The Group's exposure to interest rate risk is limited only to holdings of units of investment trust funds (UITFs) classified as AFS financial assets (Note 5). The underlying pool of assets for these UITFs consist, however, of short-term money market instruments.

The impact on other comprehensive income after income tax on fair value of AFS investments on +/-100 basis point shift would be a maximum increase or decrease of P1.3 million in 2017 (2016 – P4.9 million) on net asset value per unit (NAVPU), all other variables held constant. This sensitivity analysis is developed based on the average historical fluctuations on NAVPU of the AFS investments.

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) denominated in US dollar (USD) amounting to USD278.73 in 2017 (2016 – USD106.45 thousand).

Fair value of financial assets and liabilities

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

The carrying value of long-term debt approximates its fair value and is calculated by discounting the expected future cash outflows at prevailing effective interest rate.

28 Capital management

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

The capital structure of the Parent Company consists of equity attributable to the stockholders comprising of the capital stock while debt is defined as long and short-term borrowings, as disclosed in Note 13.

The debt to total assets ratio of the Parent Company as at August 31, 2017 and 2016, which has been within the Parent Company's acceptable range as set by the BOD, is calculated as follows:

	2017	2016	2015
Debt	1,500,000	1,150,000	-
Total assets	9,306,804	8,417,171	8,106,176
	0.16:1	0.14:1	0:1

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required a minimum percentage of ten percent (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.

29 Notes to Consolidated Statement of Cash Flows

The non-cash activities of the Group are as follows:

	2017	2016	2015
	(in millions)		
Transfer of investment properties to property, plant and equipment	80	-	-
Conversion of convertible notes to capital stock	129	273	273
Conversion of interest on convertible notes to APIC	105	223	220
	314	496	493

30 Event after reporting date

On October 10, 2017, certain project under construction included under property, plant and equipment (Note 8) that was fully insured, sustained damage. The estimated loss from the damage is yet to be determined by the Group as at reporting date.

31 Summary of significant accounting policies

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

31.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and interpretations of the Philippine Interpretations Committee (PIC), Standing 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.

These consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets, 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 27.

Basis of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of the Parent Company and the following subsidiaries:

Subsidiaries	Nature of Business	Percentages of effective ownership	
		2017	2016
Victorias Foods Corporation (VFC)	Food Processing and Canning	100%	100%
Victorias Agricultural Land Corporation (VALCO)	Agricultural Land Leasing and Cultivation	100	100
Victorias Green Energy Corporation (VGEC)	Co-generation of energy	100	100
Canetown Development Corporation (CDC)	Real Estate Development and Selling	93*	93*
Victorias Golf and Country Club, Inc. (VGCCI)	Non-Profit Golf Facilities	81	81
Victorias Quality Packaging Company, Inc. (VQPC)	Manufacture of Bags and Packaging Materials	55	55

**inclusive of 5% indirect ownership*

In June 2012, the BOD of VQPC approved to cease VQPC's operations effective July 2012. As at August 31, 2015 and 2014, VQPC is undergoing liquidation process as approved by its BOD and stockholders.

On April 13, 2015, the Group incorporated VGEC, a wholly-owned subsidiary. Its primary purpose is to carry on the business of generation of power derived from renewable energy resources for wholesale of electricity to power companies, distribution utilities, electric cooperatives, retail electricity suppliers, aggregators and other customers.

(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 non-controlling interest in the acquiree either at fair value or at the non-controlling 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 PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling 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, non-controlling 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 re-measured 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 non-controlling interests

Transactions with non-controlling 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 non-controlling 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 non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the Parent Bank are reported in consolidated equity as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the consolidated statement of income as net income (loss) attributable to non-controlling interests.

31.2 Changes in accounting policy and disclosures

(a) Amended standard adopted by the Group

The amended standard has been adopted by the Group effective September 1, 2016:

- *Amendments to PAS 1, 'Presentation of financial statements' Disclosure initiative.* The amendments provide clarifications on a number of issues, including (a) materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. (b) Disaggregation and subtotals - line items specified in PAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. (c) Notes - confirmation that the notes do not need to be presented in a particular order. (d) Other comprehensive income ("OCI") arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

The adoption of this amendment did not have any impact on the current period or any prior period and is not likely to affect future periods.

Other standards, amendments and interpretations which are effective for the financial year beginning on September 1, 2016 are considered not relevant to the Group.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective to the Group beginning after September 1, 2016, and have not been applied in preparing these financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- *PFRS 9, 'Financial instruments'* will replace the multiple classification and measurement models in PAS 39 'Financial instruments: Recognition and measurement' with a single model that has initially only two classification categories: amortized cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value. All fair value movements on financial assets are taken through the statement of income, except for equity investments that are not held for trading, which may be recorded in the statement of income or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In July 2014, the Financial Accounting Standards Board (FASB) made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, PFRS 9 is now complete. The changes introduce a third measurement category (FVOCI) for certain financial assets that are debt instruments and a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For financial years commencing before February 1, 2015, entities can elect to apply PFRS 9 early for any of the following: (1) the own credit risk requirements for financial liabilities, (2) classification and measurement (C&M) requirements for financial assets, (3) C&M requirements for financial assets and financial liabilities, or (4) C&M requirements for financial assets and liabilities and hedge accounting. After February 1, 2015, the new rules must be adopted in their entirety. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. Based on management's assessment, the adoption of this standard will not have a significant impact on the Group's consolidated financial statements.

- PFRS 15, 'Revenue from contracts with customers'* will replace PAS 18, 'Revenue' which covers contracts for goods and services and PAS 11, 'Construction contracts' which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognized: (1) identify contracts with customers, (2) identify the separate performance obligation, (3) determine the transaction price of the contract, (4) allocate the transaction price to each of the separate performance obligations, and (5) recognize the revenue as each performance obligation is satisfied. Key changes to current practice are: (1) Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements; (2) Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, and success of an outcome) – minimum amounts must be recognized if they are not at significant risk of reversal; (3) The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa; (4) There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few; and (5) As with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The Group intends to adopt the standard at the beginning of its fiscal year September 1, 2018 but it has assessed that it will not have a significant effect on the consolidated financial statements.

- *PFRS 16, 'Leases'* will replace the current guidance in PAS 17, 'Leases'. PFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under PFRS 16, 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. The Group is currently assessing the impact of PFRS 16.
- *Amendments to PAS 12, 'Income taxes'*. The amendments, which are effective January 1, 2017, clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that (a) a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period; (b) an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit; (c) where the tax law restricts the source of taxable profits against which particular types of deferred income tax assets can be recovered, the recoverability of the deferred income tax assets can only be assessed in combination with other deferred tax assets of the same type; and (d) tax deductions resulting from the reversal of deferred income tax assets are excluded from the estimated future taxable profit. The amendments to the standard are not expected to have a material impact on the consolidated financial statements of the Group as currently there are no material temporary differences arising from assets measured at fair value.
- *Amendments to PAS 7, 'Statement of cash flows'*. Beginning January 1, 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. The adoption of the amendments to the standard will result in additional disclosure on changes in liabilities arising from financing activities of the Group.

There are no other standards, amendments or interpretations that are not yet effective that have a material impact on the consolidated financial statements of the Group.

31.3 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates, and represents amounts receivable for goods and services provided in the normal course of business.

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

- *Sale of raw sugar*

Sale of raw sugar is recognized upon endorsement and transfer of quedans which represents ownership title over the raw sugar.

- *Sale of refined sugar*

Sale of refined sugar is recognized upon approval of refined sugar delivery order and/or upon shipment or delivery of refined sugar inventories.

- *Sale of molasses*

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

- *Sale of alcohol and bagasse*

Sale of alcohol is recognized upon delivery of alcohol and bagasse inventories to customers.

- *Tolling revenues*

Tolling revenue is recognized when the tolling services have been rendered.

- *Sale of power generation*

Revenue from sales 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 from canned goods and processed meat is recognized when the products are delivered to the customer.

- *Real estate sales and internment services*

Revenue from real estate is recognized using full accrual method upon reaching 20% collection of net contract price. The change in revenue recognition policy does not result to material adjustment in the financial statements.

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.

- *Rental income*

Rental 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.

31.4 Cost and expense recognition

Costs and expenses are recognized in the Group's consolidated statement 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 Parent 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 Group when incurred. These are the expenses which are not directly related to the cost of goods sold and services of the Group

31.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments that are readily convertible to cash with original maturities of three months or less from date of acquisition.

31.6 Financial instruments

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 Company recognizes a financial instrument in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

31.6.1 Classification

The Group classifies its financial assets and liabilities according to categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) Financial assets

The Group classifies its financial assets in the following categories: (a) financial assets at fair value through profit or loss (FVPL); (b) loans and receivables; (c) held-to-maturity (HTM); and (d) available-for-sale investments. The Group does not hold financial assets categorized as FVPL and HTM.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for those maturities longer than 12 months after the reporting date, which are then classified as non-current assets.

The Group's loans and receivables comprise cash in banks and cash equivalents, trade receivables and advances to related parties in the consolidated statement of financial position.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless management intends to dispose of the investment within 12 months after the reporting date.

As at August 31, 2017 and 2016, the Group's AFS financial assets pertain to investments in Unit Investment Trust Funds (UITFs) based on the published net asset value per unit as at reporting date (Note 5).

(b) Financial liabilities

The Group classifies its financial liabilities in the following categories: (a) at fair value through profit or loss (FVPL) (including financial liabilities held for trading and those that are designated at fair value); and (b) financial liabilities at amortized cost. The Group does not hold financial liabilities classified as financial liabilities at FVPL.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group. These are included in current liabilities, except for those with maturities longer than 12 months after the reporting date, which are then classified as non-current liabilities.

The Group's trade payables, accrued expenses and borrowings are classified under this category. Taxes payable, government contributions payable, provisions for legal claims and other fees and statutory liens included within accrued expenses and other current liabilities are considered non-financial liabilities.

31.6.2 Recognition and measurement

(a) Initial recognition

Financial assets

Regular-way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity securities and available-for-sale securities are recognized on trade date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognized upon origination when cash is advanced to the borrowers or when the right to receive payment is established. Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value; and transaction costs are recognized in profit or loss.

Financial liabilities

Financial liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value; and transaction costs are recognized as expense in profit or loss.

(b) Subsequent measurement

Financial assets

Loans and receivables are measured at amortized cost using the effective interest method.

Available-for-sale financial assets are subsequently measured at fair value. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in profit or loss within other operating income (expense).

Financial liabilities

Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

31.6.3 Impairment of financial assets

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the lender would not otherwise consider;
- It becomes probable that the debtor will enter bankruptcy or other financial reorganization; and
- The disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables category, the Group first assesses whether an objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant using the criteria above. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of receivable is reduced and the amount of loss is recognized in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with debtors as to the recoverability of receivables at the end of the reporting date. Subsequent recoveries of amounts previously written-off are credited against provision for impairment under expenses in profit or loss.

31.6.4 Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when extinguished, i.e. when the obligation is discharged or is cancelled or expired.

31.6.5 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent in future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

There was no offsetting of financial assets and liabilities as at August 31, 2017 and 2016.

31.7 Inventories

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

Inventories are accounted for as follows:

- *Raw sugar inventory*

Determined using weighted average method; consist of cost in the production of crystallize brown sugar extracted from sugarcane through simple mechanical process.

- *Refined sugar inventory*

Determined using weighted average method; consists of raw sugar cost of production and related direct labor and overhead cost incurred in the conversion of raw sugar to refined sugar.

- *Molasses inventory*

Determined using weighted average method; consists of cost of brownish liquid residue as sugar byproduct, in the process of producing raw sugar and/or refining.

- *Jobs-in-progress*

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

- *Materials and supplies*

Determined using weighted average method; cost includes purchase and other directly attributable costs determined based on their original purchase price.

- *Real estate held-for-sale*

Determined using specific identification method; cost includes purchase price of subdivision and memorial park lots plus development cost.

For raw and refined sugar, alcohol, molasses, jobs-in-progress 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 losses 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 an expense (reported as cost of goods sold in profit or loss) in the period in which the related sale is recognized.

31.8 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 impairment loss, if any. These include excess input VAT and creditable withholding taxes.

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

Deferred tolling cost refers to the expenses incurred by the Group for advance refining of sugar and not yet billed to customers. This will be charged to expense upon surrender of quedan for refining.

31.9 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 statement 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 statement 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 investments in investee companies are 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 period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' 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 statement of income.

31.10 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 subsequent depreciation and impairment losses, if there is any, 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 statement of financial position and statement 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 period in which they 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 is computed using the straight-line method over the assets' estimated useful lives. The estimated useful lives are as follows:

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

Leasehold improvements are amortized over the term of the lease or life of the asset, whichever is shorter.

The assets' residual values and 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 and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

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

31.11 Investment properties

Investment properties composed of land and building, which are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value with any change therein recognized in 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 period in which they 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 period of derecognition.

31.12 Land held under Voluntary Offer to Sell

The Group owns land covered by the Comprehensive Agrarian Reform Program of the Department of Agrarian Reform (DAR). Those land are subject to voluntary offer to sell classified as non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These are measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset at fair value less cost to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset is recognized at the date of derecognition.

31.13 Impairment of non-financial assets

The carrying amount of the Group's non-financial assets which include inventories, investment in 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.

31.14 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 Group 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 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. As at reporting date, there are no financial instruments under Level 1.

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. Available-for-sale financial assets generally approximate its fair value determined on the basis of similar instrument based on level 2. As at reporting date, the Group does not have financial assets or liabilities included in Levels 3.

The Group 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.

31.15 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.

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

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

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

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially 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 convertible notes of the Group 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 Group already fixed the number of shares to be converted into common shares based from the 1:1 share of the principal convertible notes to common shares. The 8% interests accrued from the convertible notes are treated as APIC upon conversion rather than a determinant in identifying the number of shares to be converted.

31.16 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 convertible notes.

31.17 Leases - operating lease

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

Group as a Lessor

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

Group as a Lessee

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

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

31.18 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, 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 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 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, 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.

31.19 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. Certain amounts in the 2016 financial statements and supporting note disclosures have been reclassified to conform to the current year's presentation. The reclassification which resulted in a more appropriate and better presentation of accounts did not have any impact on the Group's profit or loss, equity and cash flows reported in previous years.

31.20 Foreign currency transactions and translations

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

31.21 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 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, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or 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.

31.22 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.

31.23 Borrowings and borrowing cost

31.23.1 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 Group 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.

31.23.2 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.

31.24 Events after the reporting period

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 the consolidated financial statements when material.

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

AUDITED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY SCHEDULES FOR THE
SECURITIES AND EXCHANGE COMMISSION
AUGUST 31, 2017

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VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

FINANCIAL ASSETS

AUGUST 31, 2017

(in thousands of Philippine Peso)

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NAME OF SHARE OR PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET	INCOME RECEIVED AND ACCRUED
Loans and receivable			
Various Banks		554,605	5,032
Various Customers		306,836	
Others		96,815	
AFS Financial assets			
Various Banks		219,168	

*This schedule shall be filed in support of the caption of each class of "Financial Assets: if the greater of the aggregate cost of the aggregate market value of FVPL as of the end of reporting period constitute 5% or more of the total asset

SCHEDULE B

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

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

AUGUST 31, 2017

(in thousands of Philippine Peso)

NAME	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	ENDING BALANCE		
					CURRENT	NON-CURRENT	TOTAL
Advances to Officers and Employees	552	5,123	(4,888)	-	788	-	788

SCHEDULE C

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE
CONSOLIDATION PERIOD

AUGUST 31, 2017
(in thousands of Philippine Peso)

Name and designation of debtor	1-Sep-16	Additions	Deductions			Current	Non-current	31-Aug-17
			Amount Collected	Amount written off	Amount others			
Victorias Foods Corporation	7,153	6,706	-	-	-	13,859	-	13,859
Canetown Development Corporation	36,622	-	(933)	-	-	35,688	-	35,688
Victorias Agricultural Land Corporation	412	153	-	-	-	565	-	565
Victorias Golf and Country Club	25,147	901	(1,220)	-	-	24,828	-	24,828
Victorias Quality Packaging Co. Inc.	12,193	-	(178)	-	-	12,015	-	12,015
	81,527	7,759	(2,331)	-	-	86,955	-	86,955

SCHEDULE D

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

INTANGIBLE ASSETS - OTHER ASSET
AUGUST 31, 2017

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	ENDING BALANCE
	NOT APPLICABLE					

SCHEDULE E

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

LONG-TERM DEBT
AUGUST 31, 2017
(in thousands of Philippine Peso)

TITLE OF ISSUE AND TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE/FA CILITY	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT (NET OF CURRENT PORTION)	INTEREST RATE	NO. OF PERIODIC INSTALLMENT	MATURITY DATE
Term Loan	1,500,000	250,000	1,250,000	4.625%	12	12/14/2020

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

INDEBTEDNESS TO RELATED PARTIES
AUGUST 31, 2017

NAME OF RELATED PARTY	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD
	NOT APPLICABLE	

SCHEDULE G

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

GUARANTEE OF SECURITIES OF OTHER ISSUERS
AUGUST 31. 2017

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR W/C THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED & OUTSTANDING	AMOUNT OWNED BY PERSON FOR W/C STATEMENT IS FILED	NATURE OF GUARANTEE
	NOT APPLICABLE			

SCHEDULE H

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

CAPITAL STOCK
AUGUST 31, 2017

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	OTHER S
		ISSUED	SUBSCRIBE D	TREASURY SHARES	TOTAL				
Common Stock	3,042,061,094	3,042,061,094	-	(300,010,530)	2,742,050,564	-	2,171,472,378	89,850,439	-

*Based from the Public Ownership Report as of September 30, 2017.

SCHEDULE I

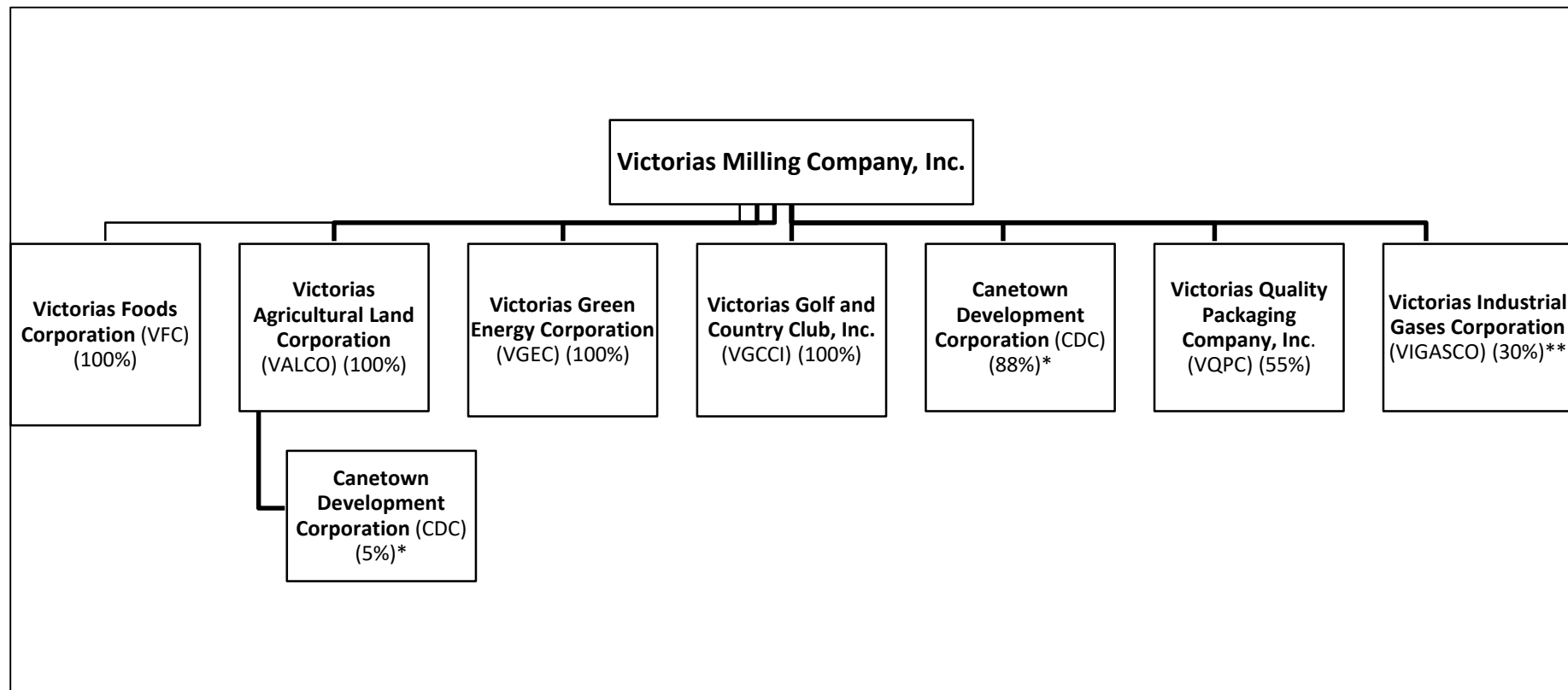
VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED AUGUST 31, 2017**

	<i>Amount (In Thousands)</i>
Unappropriated Retained Earnings, beginning	Php 598,953
Net Income based on the face of AFS	683,080
Less: Non-actual/unrealized income net of tax	
Reversal of provision for legal claims, net of tax effect of P110,125	(256,959)
Unrealized foreign exchange gains, net of tax P8	(18)
Add: Non-actual losses	
Fair value adjustment of investment properties resulting to loss, net of tax effect of P1,038	2,423
Depreciation on appraisal increase, net of tax P34,582	80,690
Amortization of discount on provisions, net of tax effect of P 27,025	63,059
Net Income Actual/Realized	572,275
Unappropriated Retained Earnings, as adjusted, ending	Php 1,171,228

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AUGUST 31, 2017



*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. & SUBSIDIARIES Schedule of Philippine Financial Reporting Standards Effective as at August 31, 2017

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition Disclosures'			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Disclosures - Hedge Accounting*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	

		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, 12 and PAS 27: Consolidation for investment entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Acquisitions of an Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts		✓	
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓

		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32 (Revised)	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Financial Instruments Assets and Liability Offsetting	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of assets - Recoverable amount disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture	✓		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

		Adopted	Not Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The standards and interpretations that are labeled as “Not Applicable” are already effective as at August 31, 2017 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.

The standards, amendments and interpretations that have been issued but are not yet effective as at August 31, 2017 are marked as “Not Adopted”

SCHEDULE L

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

AUGUST 31, 2017

	2017	2016
	<i>(Amounts in Thousands)</i>	
Current/Liquidity Ratios		
Currents Assets	2,432,029	2,178,666
Currents Liabilities	918,671	839,550
Current Ratios	2.65	2.60
Currents Assets	2,432,029	2,178,666
Inventory	918,683	326,534
Quick Assets	1,513,346	1,852,132
Currents Liabilities	918,671	839,550
Current Ratios	1.65	2.21
Solvency/debt-to-equity ratios		
Short-term debt	-	300,000
Current portion of long-term debt	250,000	-
Long-term debt-net of current portion	1,250,000	850,000
Debt	1,500,000	1,150,000
Equity*	5,635,031	4,981,001
Less: Noncontrolling Entity	7,504	9,497
Equity attributable to parent	5,627,527	4,971,504
Less: Unrealized gain-AFS	1,754	2,413
Equity, net of unrealized gain	5,625,773	4,969,091
Debt to equity ratio	0.27	0.23
Asset to equity ratios		
Total Assets	9,306,804	8,417,171
Total Equity	5,635,031	4,981,001
Asset to Equity Ratio	1.65	1.69

Profitability ratios

Net Income Attributable to Equity holders of Victorias Milling Company	656,186	766,196
Revenue	8,712,581	5,313,894
Net Income margin	7.53%	14.4%

Net income after tax	654,193	760,444
Total Assets CY	9,306,804	8,417,171
Total Assets PY	8,417,171	8,106,176
Average total assets	8,861,988	8,261,674
Return on total assets	7.38%	9.20%

Net income after tax	654,193	760,444
Total Equity CY	5,635,031	4,981,001
Total Equity PY	4,981,001	5,716,474
Average total equity	5,308,016	5,348,738
Return on total equity	12.32%	14.22%

SEC Registration Number

DEC 13 2017



112142017000958

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No. PW00000364
Company Name VICTORIAS MILLING CO.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 112142017000958
Document Type FINANCIAL STATEMENT-ANNUAL
Document Code FS
Period Covered August 31, 2017
No. of Days Late 0
Department CED/CRMD
Remarks

Victorias Milling Company, Inc.

Financial Statements

**As at August 31, 2017 and 2016 and for each of the
three years in the period ended August 31, 2017**



VICTORIAS MILLING COMPANY, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The management of **Victorias Milling Company, Inc.** (the Parent Company) is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, as at August 31, 2017 and 2016 and for each of the three years in the period ended August 31, 2017 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 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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Parent 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.

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

WILSON T. YOUNG
Chairman of the Board

EDUARDO V. CONCEPCION
President / CEO

SUBSCRIBED AND SWORN TO BEFORE ME, AT PASIG
THIS DAY OF DEC 12 2017, AFFIANT EXHIBITING TO ME
TERESITA V. DAYO, COMPETENT EVIDENCE OF IDENTITY NO. _____
Chief Finance Officer ISSUED AT _____ ON _____

Signed this _____ 2017.
Doc. No. 474
Page No. 85
Book No. 28
Series of 2017

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
Cities of Pasig, San Juan and
in the Municipality of Pateros, Metro Ma:
Until December 31, 2018
PTR No. A-3217144 / 01-03-17 Taguig Ci:
IBP No. 1050940 / 11-08-16 RSM
ROLL No. 41969
MCLE Comp. V. 0021481 / May 02, 2016
No. 11, Unit J Freemont Arcade Bldg.
Law Blvd. Brgy. San Antonio, Pasig City

VMC Compound, J.J. Ossorio St., Barangay XVI, Victorias City, Negros Occidental, Philippines 6100

victoriasmilling.com



Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Victorias Milling Company, Inc.
VMC Compound, J.J. Ossorio Street
Brgy. XVI, Victorias City, Negros Occidental

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Victorias Milling Company, Inc. (the "Company") as at August 31, 2017 and 2016, and the financial performance and cash flows for each of the three years in the period ended August 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at August 31, 2017 and 2016;
- the statements of income for each of the three years in the period ended August 31, 2017;
- the statements of total comprehensive income for each of the three years in the period ended August 31, 2017;
- the statements of changes in equity for each of the three years in the period ended August 31, 2017;
- the statements of cash flows for each of the three years in the period ended August 31, 2017; and
- the notes to the financial statements, which include a summary of significant accounting policies.

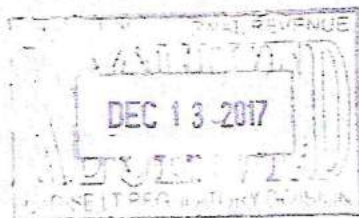
Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

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 our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.



Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph

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Independent Auditor's Report
To the Board of Directors and Shareholders of
Victorias Milling Company, Inc.
Page 2

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

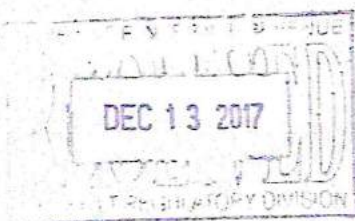
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud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

In preparing the financial statements, management is responsible for assessing the ability of each entity within the Company 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 entity 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.





Isla Lipana & Co.

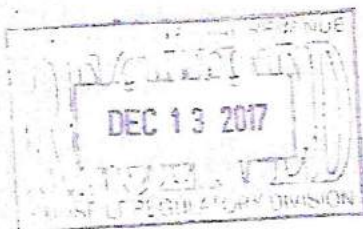
Independent Auditor's Report
To the Board of Directors and Shareholders of
Victorias Milling Company, Inc.
Page 3

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

- Identify and assess the risks of material misstatement of the 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 ability of each entity within the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause an entity within the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 audit.

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





Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Victorias Milling Company, Inc.
Page 4

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Zaldy D. Aguirre.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner

CPA Cert No. 105660

P.T.R. No. 0024447, issued on January 6, 2017, Makati City

SEC A.N. (individual) as general auditors 1176-AR-1, Category A; effective until January 13, 2018

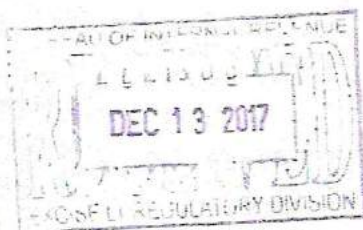
SEC A.N. (firm) as general auditors 0009-FR-4, Category A; effective until July 15, 2018

TIN 221-755-698

BIR A.N. 08-000745-77-2015, issued on January 29, 2015; effective until January 28, 2018

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
December 6, 2017

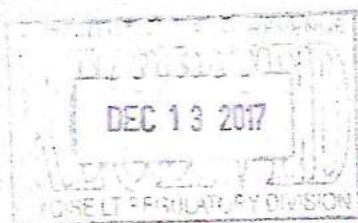


Victorias Milling Company, Inc.

Statements of Financial Position
August 31, 2017 and 2016
(All amounts in thousands of Philippine Peso)

	Notes	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	3	579,543	423,170
Trade and other current receivables, net	4	341,948	207,831
Available-for-sale financial assets	5	150,395	677,314
Inventories, net	6	871,924	285,480
Other current assets	7	368,520	453,687
Total current assets		2,312,330	2,047,482
Non-current assets			
Investments in subsidiaries and an associate	8	234,743	234,743
Property, plant and equipment, net	9	5,774,147	5,020,573
Investment properties	10	616,411	620,169
Other non-current assets, net	11	50,281	162,491
Total non-current assets		6,675,582	6,037,976
Total assets		8,987,912	8,085,458
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other current payables	12	642,679	479,000
Borrowings - current portion	14	250,000	300,000
Income tax payable		9,685	59,884
Total current liabilities		902,364	838,884
Non-current liabilities			
Provisions for legal claims	13, 26	1,277,693	1,554,693
Borrowings	14	1,250,000	850,000
Retirement liability	23	35,780	23,175
Deferred tax liabilities, net	22	81,637	60,384
Total non-current liabilities		2,645,110	2,488,252
Total liabilities		3,547,474	3,327,136
Equity	15		
Share capital		3,042,061	2,913,251
Additional paid-in capital		840,720	735,544
Convertible notes awaiting conversion		3,000	131,810
Interest on convertible notes awaiting conversion		2,450	107,626
Retained earnings		2,779,324	2,076,832
Accumulated other comprehensive income		274,765	295,141
Treasury shares		(1,501,882)	(1,501,882)
Total equity		5,440,438	4,758,322
Total liabilities and equity		8,987,912	8,085,458

(The notes on pages 1 to 69 are integral part of these financial statements)



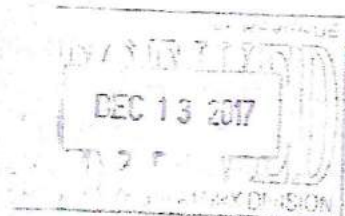
Victorias Milling Company, Inc.

Statements of Income

For each of the three years in the period ended August 31, 2017
(All amounts in thousands of Philippine Peso, except per share amounts)

	Notes	2017	2016	2015
Revenue	18			
Sale of goods		8,313,246	4,436,929	3,679,578
Tolling services		334,482	812,523	1,269,866
		8,647,728	5,249,452	4,949,444
Cost of goods sold and services rendered	19			
Cost of sale of goods		7,115,999	2,870,689	2,218,693
Cost of rendering of services		203,013	513,958	847,521
		7,319,012	3,384,647	3,066,214
Gross profit		1,328,716	1,864,805	1,883,230
Operating expenses	20			
General and administrative		602,888	450,473	391,533
Selling		142,230	149,523	144,992
		745,118	599,996	536,525
Income from operations		583,598	1,264,809	1,346,705
Reversal of provisions for legal claims	13, 26	367,084	-	-
Finance cost from:				
Interest on borrowings	14	(9,210)	(6,199)	-
Unwinding of discount on provisions for legal claims	13, 26	(90,084)	(135,817)	(41,308)
Other income, net	21	153,032	38,272	143,293
Income before income tax		1,004,420	1,161,065	1,448,690
Income tax expense	22	321,340	338,666	432,105
Net income for the year		683,080	822,399	1,016,585
Earnings per share	16			
Basic & diluted		0.23	0.27	0.34

(The notes on pages 1 to 69 are integral part of these financial statements)

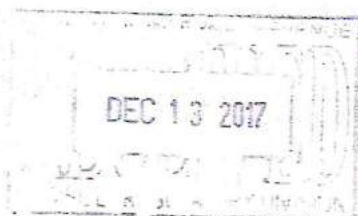


Victorias Milling Company, Inc.

Statements of Total Comprehensive Income
For each of the three years in the period ended August 31, 2017
(All amounts in thousands of Philippine Peso)

	Notes	2017	2016	2015
NET INCOME FOR THE YEAR		683,080	822,399	1,016,585
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be subsequently reclassified to profit or loss:				
Net unrealized (loss) gain on available-for-sale financial assets	5, 15	(1,919)	(377)	2,589
Items that will not be subsequently reclassified to profit or loss:				
Remeasurement gains (losses) on retirement liability	15, 23	1,365	463	(86)
Tax effect relating to components of other comprehensive income (loss)	22	(410)	(139)	26
		(964)	(53)	2,529
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		682,116	822,346	1,019,114

(The notes on pages 1 to 69 are integral part of these financial statements)



Victorias Milling Company, Inc.

Statements of Changes in Equity
For each of the three years in the period ended August 31, 2017
(All amounts in thousands of Philippine Peso)

	Capital stock (Note 15)	Additional paid-in capital (Note 15)	Convertible notes awaiting conversion (Note 15)	Interest on convertible notes awaiting conversion (Note 15)	Accumulated other comprehensive income (loss) (Note 15)	Retained earnings (deficit) (Note 15)	Treasury stock (Note 15)	Total
Balance at September 1, 2014	2,367,535	292,264	677,528	550,906	331,489	199,024	(11)	4,418,733
Comprehensive Income								
Net income for the year	-	-	-	-	-	1,016,585	-	1,016,585
Other comprehensive income for the year	-	-	-	-	2,529	-	-	2,529
Total comprehensive income for the year	-	-	-	-	2,529	1,016,585	-	1,019,114
Transactions with owners								
Equity conversion of convertible notes	272,858	220,486	(272,858)	(220,486)	-	-	-	-
Transfer of revaluation increment to and from retained earnings	-	-	-	-	(19,412)	19,412	-	-
Balance at August 31, 2015	2,640,393	512,750	404,668	330,420	314,606	1,235,021	(11)	5,437,847
Comprehensive Income								
Net income for the year	-	-	-	-	-	822,399	-	822,399
Other comprehensive income for the year	-	-	-	-	(53)	-	-	(53)
Total comprehensive income for the year	-	-	-	-	(53)	822,399	-	822,346
Transactions with owners								
Equity conversion of convertible notes	272,858	222,794	(272,858)	(222,794)	-	-	-	-
Purchase of shares from shareholder	-	-	-	-	-	-	(1,501,871)	(1,501,871)
Total transactions with owners	272,858	222,794	(272,858)	(222,794)	-	-	(1,501,871)	(1,501,871)
Transfer of revaluation increment to and from retained earnings	-	-	-	-	(19,412)	19,412	-	-
Balance at August 31, 2016	2,913,251	735,544	131,810	107,626	295,141	2,076,832	(1,501,882)	4,758,322
Comprehensive Income								
Net income for the year	-	-	-	-	-	683,080	-	683,080
Other comprehensive (loss) income for the year	-	-	-	-	(964)	-	-	(964)
Total comprehensive income (loss) for the year	-	-	-	-	(964)	683,080	-	682,116
Transactions with owners								
Equity conversion of convertible notes	128,810	105,176	(128,810)	(105,176)	-	-	-	-
Transfer of revaluation increment to retained earnings	-	-	-	-	(19,412)	19,412	-	-
Balance, August 31, 2017	3,042,061	840,720	3,000	2,450	274,765	2,779,324	(1,501,882)	5,440,438

(The notes on pages 1 to 69 are integral part of these financial statements)

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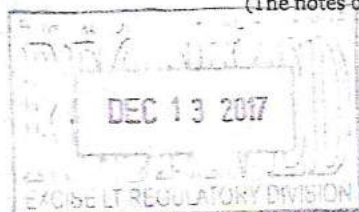
REGULATORY DIVISION

Victorias Milling Company, Inc.

Statements of Cash Flows
For each of the three years in the period ended August 31, 2017
(All amounts in thousands of Philippine Peso)

	Notes	2017	2016	2015
Cash flows from operating activities				
Income before for income tax		1,004,420	1,161,065	1,448,690
Adjustments for:				
Depreciation	9	326,555	332,125	398,501
Reversal of provisions for legal claims	13	(367,084)	-	-
Finance cost from:				
Unwinding of discount on provisions for legal claims	13	90,084	135,817	41,308
Interest in borrowings		9,210	5,906	-
Loss on revaluation of investment properties		3,461	50,685	27,631
Provision for inventory write-down		-	-	5,410
Recovery of allowance for impairment	4	-	(14,493)	-
Net gain on sale of property, plant and equipment	21	(1,572)	-	(33)
Gain on termination of long-term investment		(8,700)	-	-
Loss on sale or retirement of investment properties		297	70,191	-
Realized gain from sale of available-for-sale financial assets	5	(12,148)	(8,083)	-
Interest income	21	(4,908)	(13,313)	(24,359)
Net retirement benefit cost	23	14,701	7,696	6,557
Operating income before changes in working capital		1,054,316	1,727,596	1,903,705
Changes in operating assets and liabilities				
Decrease (increase) in:				
Trade and other current receivables		(134,034)	(50,296)	(11,935)
Inventories		(586,444)	19,720	(113,752)
Other current assets		85,167	(463,009)	(43,800)
Increase (decrease) in trade and other current payables		163,679	(91,027)	210,414
Net cash from operations		582,684	1,142,984	1,944,632
Interest received		4,497	13,313	22,875
Retirement benefits paid	23	(731)	(410)	(513)
Income tax paid		(350,695)	(400,377)	(488,766)
Net cash from operating activities		235,755	755,510	1,478,228
Cash flows from investing activities				
Proceeds from sale of:				
Available-for-sale financial assets	5	982,147	1,532,489	2,012,654
Property, plant and equipment	9	2,919	231	125,287
Investment properties	10	-	6,793	-
Additions to:				
Property, plant and equipment	9	(1,081,476)	(1,427,708)	(243,862)
Available-for-sale financial assets	5	(445,000)	(1,699,310)	(1,230,006)
Proceeds from termination of long-term investment		121,383	-	-
Investment in a subsidiary		-	(69,560)	(31,250)
Increase in other non-current assets		(145)	(13,064)	(99,560)
Net cash used in investing activities		(420,172)	(1,670,129)	(533,263)
Cash flows from (used in) financing activities				
Proceeds from availment of borrowings		1,350,000	1,350,000	-
Interest paid		(9,210)	(5,455)	-
Payment of borrowings		(1,000,000)	(200,000)	-
Purchase of treasury shares		-	(1,501,871)	-
Net cash provided by (used in) financing activities		340,790	(357,326)	-
Net increase (decrease) in cash and cash equivalents		156,373	(1,271,945)	944,965
Cash and cash equivalents				
At beginning of year		423,170	1,695,115	750,150
At end of year		579,543	423,170	1,695,115

(The notes on pages 1 to 69 are integral part of these financial statements)



Victorias Milling Company, Inc.

Notes to Financial Statements

As at August 31, 2017 and 2016 and for each of the three years in the period ended August 31, 2017
(In the notes, all amounts are shown in thousands of Philippine Peso unless otherwise stated)

1 General information

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) with an original corporate life of 50 years or until May 7, 1969. The corporate life was extended for an additional period of 50 years or until May 7, 2019. The primary purpose of the Parent Company is to operate mill and refinery facilities for sugar and allied products, as well as render engineering services.

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

The Parent Company was incorporated in the Philippines.

The Parent Company's shares of stock are listed in the Philippine Stock Exchange (PSE) (Note 29). The Parent Company undertook a public offering of its common shares in 1993. There has been no subsequent listing made after its initial offering. In 1997, the Parent Company filed the petition for rehabilitation with the SEC due to financial difficulties (Note 2). In the same year, the trading of the shares was temporarily suspended. On May 21, 2012, the trading of VMC shares resumed after the SEC and the PSE lifted the order of its suspension.

VMC has investments in shares of stock of the following domestic subsidiaries and associate (Note 8):

	Nature of business	% of effective ownership	
Subsidiaries		2017	2016
Victorias Foods Corporation (VFC)	Food processing and canning	100	100
Victorias Agricultural Land Corporation (VALCO)	Agricultural land leasing and cultivation	100	100
Victorias Green Energy Corporation (VGEC)	Co-generation of energy	100	100
Canetown Development Corporation (CDC)	Real estate development and selling	93*	93*
Victorias Golf and Country Club, Inc. (VGCCI)	Non-profit golf facilities	81	81
Victorias Quality Packaging Company, Inc. (VQPC)	Manufacture of bags and packaging materials	55	55
Associate			
Victorias Industrial Gases Corporation (VIGASCO)	Industrial gas dealership	30	30

*inclusive of 5% indirect ownership

On April 13, 2015, the Parent Company incorporated VGEC, a wholly-owned subsidiary. Its primary purpose is to carry on the business of generation of power derived from renewable energy resources for wholesale of electricity to power companies, distribution utilities, electric cooperatives, retail electricity suppliers, aggregators and other customers.

Positive developments in financial performance

As disclosed in Note 2, the Parent Company is still under rehabilitation and debt restructuring programs. As at August 31, 2017, the Parent Company still has obligations under its rehabilitation documents. The Parent Company does not anticipate any concern regarding compliance therewith by August 31, 2018, which is the end of the rehabilitation period.

The actions made by management during the past several years to improve the Parent Company's operations and its financial position achieved the following:

- Generated cumulative net income of P2.5 billion in the last three years;
- Significant improvements in the capital structure of the Parent Company which resulted in retained earnings;
- Conversion of certain convertible notes to equity, in accordance with the Debt Restructuring Agreement (DRA) (Note 15);
- Resumption of trading of the Parent Company's shares in the PSE on May 21, 2012;
- Full payment of the Parent Company's outstanding restructured loans in 2013; and
- Redemption of all its convertible notes except those awaiting mandatory conversion (Note 15).

In its efforts to achieve continuing successful operations and effective implementation of the provisions of the rehabilitation plan, the Parent Company has continuously focused its corporate objectives, goals, strategies, and measures to attain sustainable financial stability through, among others: (a) synchronization of refined sugar and raw sugar operations; (b) significant improvements in plant efficiency; (c) increasing profitability by addressing cost efficiency (which includes, among others, trimming down of corporate overtime expenses, and sourcing out and maximizing use of cheaper fuel substitutes instead of bunker fuel); and (d) ongoing programs for the optimization of human resources.

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

1. Recapitalization and quasi-reorganization to reduce the deficit through reduction in share capital and application of appraisal increment (Note 15).
2. Conversion of debt into equity (Note 15).
3. Conversion of debt into convertible notes and ultimately, conversion of certain convertible notes to equity (Note 15).
4. Management of cash flows.

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

Furthermore, as per section 13.2 of the DRA, in the event that the restructured loans are fully settled before the fifteen (15) years repayment period, VMC's cash flows in excess of Capital Expenditure requirements shall be used to pay/redeem the convertible note (principal plus accumulated interest). In compliance with terms of the DRA, the Parent Company has been able to fully pay the restructured loans and its convertible notes in 2013 and in 2015, respectively.

5. Composition of the Board of Directors (BOD) and appointment of Management Committee (MANCOM) by the SEC.

Effective December 16, 2002, the new BOD (which replaced the MANCOM) consists of the following: three representatives from the existing stockholders, one representative from the secured creditors, six representatives from creditors with debt conversion, and one joint venture partner. Further, the SEC issued an Order dated January 27, 2003 appointing a Rehabilitation Receiver to monitor, together with the new BOD elected and committees, the implementation of the ARP. In its Order dated March 3, 2014, the SEC allocated a seat in the BOD, which was previously reserved for the joint venture partner, as an additional seat for the creditors with debt conversion.

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

The accompanying Parent Company financial statements were approved and authorized for issue by the Audit Committee on December 6, 2017 as authorized by the BOD.

2 Rehabilitation plan and debt restructuring programs

Rehabilitation plan

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

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

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

The basic features of the ARP follow:

1. Increase in the authorized capital stock from P495.96 million consisting of 495.96 million shares of common stock at P1 par value per share to P4.61 billion consisting of 4.61 billion shares of common stock at P1 par value per share (Note 15). The new capital stock of P4.61 billion will be allocated among others to initial paid-in capital of P496 million, conversion of portion of unsecured loan into equity amounting to P1.1 billion, and conversion of a portion of unsecured loan into convertible notes of VMC in the amount of P2.4 billion (Note 15);
2. Conversion into equity of all unpaid interest and part of the principal of the unsecured loan amounting to P1.1 billion;

3. Conversion of a portion of unsecured loan into convertible notes amounting to P2.4 billion;
4. Restructuring of the secured and unsecured loans amounting to P4.4 billion over a period of fifteen years, including a 3-year grace period as to the principal, at 10% annual interest for peso loans and 6% for dollar loans; and
5. Call for an acceptable joint venture partner to provide additional cash of approximately P300 million payable after three years or an option to convert the loan into equity.

All other terms and conditions of the ORP which have been previously approved by the SEC remain.

Debt restructuring agreement (DRA)

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

- Conversion of P1.1 billion unsecured loans and unpaid interest to equity

On October 9, 2002, loans from unsecured creditors of P1.1 billion were converted into common shares of VMC at a ratio of P1 of debt to 1 of common share with a par value of P1. The said conversion resulted in change in management control of the Parent Company, whereby the creditor control 69% of the ownership of the Parent Company while the ownership of existing stockholders prior to conversion was reduced to 31%.

- Conversion of P2.4 billion loans into convertible notes

On September 1, 2003, the unsecured creditors proportionately converted, on a mandatory basis, P2.4 billion of their principal loans into convertible notes. The convertible notes bear an annual interest of 8% which is cumulative and payable only in respect of those convertible notes which have not been actually converted into common stock of the Parent Company. The conversion resulted to the recognition of an equity component of the convertible feature. This will be reclassified to "Additional paid-in capital" upon conversion of the related convertible notes (Note 15).

The convertible notes presented in the statements of financial position as "Convertible notes awaiting conversion" will be reclassified to "Share capital" while its accrued interest presented in the statements of financial position as "Interest on convertible notes awaiting conversion" will be reclassified to "Additional paid-in capital".

Starting September 1, 2003, annual interest of 8% has been accrued in respect of all outstanding convertible notes. The convertible notes provide for a term of payment of 15 years from the effectivity date of the DRA.

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

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

The Parent Company has fully paid the outstanding restructured loans as at May 31, 2013.

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

The outstanding principal loans, including interest, held by these creditors holding sugar quedans as collateral shall have the same terms and conditions as that of the restructured loans of the unsecured creditors under the DRA, including a restructuring period of 15 years. These loans were fully settled in 2013.

- Treatment of Refined Sugar Delivery Order (RSDO) claims, which were the subject of a pending litigation before the SEC at the time of the execution of the DRA.

The aforementioned claims involved RSDOs that were allegedly used by North Negros Marketing Company, Inc. (NONEMARCO) to avail of loans for NONEMARCO's own use and benefit. The RSDOs were purportedly issued by VMC. In the event that VMC shall be held liable by final judgment to pay such RSDO claims, VMC shall restructure the said RSDO claims under the same terms and conditions of the terms of restructuring for VMC's unsecured creditors. (Notes 13 and 26).

- Restructuring of the trade liabilities as follows: 25% during the first year of rehabilitation, 37.5% during the second year of rehabilitation, and 37.5% during the third year of rehabilitation. The restructured trade liabilities were fully settled in 2013.

Compliance with the ORP, ARP and DRA

As at August 31, 2017 and 2016, VMC is in full compliance with the provisions of the DRA. No further updates or revisions were made on the ORP, ARP and DRA for the year.

3 Cash and cash equivalents

This account consists of:

	2017	2016
Cash in banks	486,995	110,619
Cash on hand	58,752	96,899
Cash equivalents	33,796	215,652
	579,543	423,170

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

Cash equivalents are composed of short-term, highly liquid investments with maturities of no longer than 90 days, and bear annual interest rates as follows:

	2017	2016
Peso	1.25% - 2.25%	1.25% - 2.00%
Dollar	0.75% - 1.75%	1.25% - 1.75%

Total interest income from cash and cash equivalents in 2017 amounted to P4.89 million (2016 - P13.31 million, 2015 - P24.36 million) (Note 21).

4 Trade and other current receivables, net

This account consists of:

	Note	2017	2016
Trade:			
Related parties	24	234,876	93,482
Third parties		42,099	54,054
Advances to:			
Related parties	24	86,955	81,527
Planters' associations		2,828	6,816
Officers and employees		340	224
Other receivables		19,631	16,509
		386,729	252,612
Allowance for impairment losses		(44,781)	(44,781)
		341,948	207,831

Trade receivables

Trade receivables pertain to noninterest-bearing amounts due from customers for sale of raw sugar, refined sugar, molasses, and alcohol and for rendering of tolling services. The average credit period is 30 to 60 days.

Advances to planters' associations

Advances to planters' associations are noninterest bearing and are collectible within one year.

Advances to officers and employees

Advances to officers and employees pertain to cash advances made to employees, which are recoverable through salary deduction.

Other receivables

Other receivables consist of accrued interest receivable, receivable from rental and sale of properties (Note 10).

The table below shows the movement in the allowance for impairment loss:

	2017	2016
At beginning of year	44,781	59,274
Recovery from advances to CDC	-	(14,493)
At end of year	44,781	44,781

Allowance for impairment losses pertains to allowances made for non-trade receivables and advances to related parties. Recovery pertains to advances to CDC which are fully covered by allowance that were converted to as additional investments to a subsidiary (Note 8).

Based on the objective assessment done by Management, no additional provisions have been recognized against receivables for the years ended August 31, 2017 and 2016.

5 Available-for-sale financial (AFS) assets

The account as at August 31 consists of:

	2017	2016
Cost	150,000	675,000
Unrealized gain on AFS financial assets	395	2,314
	150,395	677,314

The account represents investments in various Unit Investment Trust Funds (UITFs) wherein the portfolio primarily consists of short-term fixed income instruments.

Movements in the account for the years ended August 31 are summarized as follows:

	2017	2016
At beginning of year	677,314	502,787
Additions	445,000	1,699,310
Disposals	(976,320)	(1,524,406)
Fair value adjustments	4,401	(377)
At end of year	150,395	677,314

Gain realized from the disposal of the above UITFs amounted to P12.14 million in 2017 (2016 - P8.08 million) (Note 21).

The fair value of AFS investments is based on the published net asset value per unit (NAVPU). NAVPU is computed as total assets of the fund less total liabilities over the total units outstanding as of the end of the reporting period. The funds are primarily invested in Bangko Sentral ng Pilipinas special deposit accounts and time deposits with other banks. The Parent Company uses the Level 2 valuation technique in determining fair value of AFS financial assets.

On August 31, 2017 and 2016, there was no transfer between Level 1, Level 2, and Level 3 of fair value measurements.

6 Inventories, net

The carrying amounts of inventories follow:

	Note	2017	2016
At net realizable value (NRV)			
Raw sugar inventory		-	41,234
At cost:			
Raw sugar inventory		374,661	10,769
Refined sugar inventory		285,220	1,260
Alcohol		49,776	49,889
Molasses		-	14,491
		709,657	76,409
Total sugar inventory	19	709,657	117,643
At cost			
Materials and supplies		177,160	182,730
Manufactured and fabricated products		1,168	1,168
		178,328	183,898
Allowance for inventory write-down and obsolescence		(16,061)	(16,061)
Total non-sugar inventory		162,267	167,837
		871,924	285,480

Cost of raw sugar inventory stated at NRV amounted to P43.32 million as at 2016.

A summary of the movement of sugar inventories is set out below:

	Note	Raw sugar	Refined sugar	Molasses	Alcohol	Total
At September 1, 2015		176,084	-	-	-	176,084
Production cost		1,888,595	261,802	267,840	202,836	2,621,073
Purchased cost		191,175	-	-	-	191,175
Molasses transferred to distillery		-	-	(163,479)	163,479	-
Amount charged to cost of goods sold	19	(2,203,851)	(260,541)	(89,870)	(316,427)	(2,870,689)
At August 31, 2016		52,003	1,261	14,491	49,888	117,643
Production cost		978,774	328,697	45,044	111,018	1,463,533
Purchase cost		564,866	5,527,383	152,231	-	6,244,480
Molasses transferred to distillery		-	-	(173,604)	173,604	-
Amount charged to cost of goods sold	19	(1,220,982)	(5,572,121)	(38,162)	(284,734)	(7,115,999)
At August 31, 2017		374,661	285,220	-	49,776	709,657

Materials and supplies charged to cost of goods manufactured and services for the year ended August 31, 2017 amounted to P175.31 million (2016 - P326.75 million; 2015 - P427.29 million) (Note 19).

7 Other current assets

Details of the account are as follows:

	2017	2016
Value-added input tax and advance output tax, net	180,051	31,783
Advances to suppliers	113,070	106,195
Prepaid expenses	63,190	63,860
Short term investments	12,000	66,428
Deferred tolling cost	209	168,391
Others	-	17,030
	368,520	453,687

Advances to suppliers

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

Prepaid expenses

Prepaid expenses consist of advance payments for real property tax, utilities and other supplies. Prepayments pertaining to utilities are in the nature of advances made by the Parent Company for construction of assets related to its power generation project. The advances are to be reimbursed by the electricity distributor through billing offset of an agreed component of the Parent Company's monthly electricity bill.

Short-term investments

Short term investments pertain to money market placements with maturity of more than 3 months but not later than one year after the reporting period.

Deferred tolling cost

Deferred tolling cost represents cost incurred from advance refining of sugar and is not yet billed to customers. This will be recognized subsequently as expense upon surrender of quedan for refining.

8 Investment in subsidiaries and an associate

The Parent Company's investments in and deposits to subsidiaries and associate accounted for under the cost method of accounting, adjusted for impairment losses, if any, and the related percentages of ownership are shown below:

	Percentage of direct ownership		Carrying amounts	
	2017	2016	2017	2016
Cost				
<i>Subsidiaries</i>				
VFC	100%	100%	111,693	111,693
VALCO	100%	100%	33,168	33,168
CDC	88%	88%	42,952	42,952
VQPC	55%	55%	16,500	16,500
VGCCI	81%	81%	15,680	15,680
VGEC	100%	100%	31,250	31,250
<i>Associate:</i>				
VIGASCO	30%	30%	5,727	5,727
			256,970	256,970
Allowance for impairment loss:				
VQPC			(16,500)	(16,500)
VIGASCO			(5,727)	(5,727)
			(22,227)	(22,227)
			234,743	234,743

Investment in VFC

VFC, a wholly-owned subsidiary, was registered and incorporated with the SEC on February 24, 1993 primarily to engage in and to acquire or own factories and other manufacturing facilities by lease, purchase or otherwise and to operate the same for the processing, preservation and packaging of food products and to sell the same at wholesale. The corporate office and production plant of VFC is located at VICMICO Compound, Victorias City, Negros Occidental.

In 2000, the Parent Company entered into an agreement with VFC to transfer equipment with fair value of P39.69 million in exchange for shares of stocks. As at August 31, 2017 and 2016, this amount is carried in the books of VFC as Deposits for Future Stock Subscription.

In 2015, the Parent Company made additional investment to VFC amounting to P50 million to fund its expansions, improvements and investments. As at August 31, 2017, this amount is carried in the books of VFC as Deposits for Future Stock Subscription. The carrying value of the Parent Company's investment in VFC amounted to P115.69 million as at August 31, 2017 and 2016.

Investment in VALCO

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

In 2014, the Parent Company entered into an agreement with VALCO whereby the latter will issue shares of stock in exchange for the former's certain parcels of land. P33.07 million was recorded in the books of VALCO as Deposits in Future Stock Subscription pending the transfer of the certificate of land title in the name of VALCO. In 2014, deposits amounting to P10.45 million were reversed with respect to the rescission of the Deed of Exchange due to inability of the Parent Company to transfer the TCTs in the name of VALCO as those were covered by the Parent Company's mortgage trust indenture with various banks.

The carrying value of the investment in VALCO amounted to P33.17 million as at August 31, 2017 and 2016.

Investment in CDC

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

In 2016, the accrued interest of P19.56 million from loan to CDC has been converted to additional investment in subsidiary. This is carried in the books of CDC as Additional paid-in capital. The carrying value of the investment in CDC amounted to P42.95 million as at August 31, 2017 and 2016.

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 social, recreational and athletic activities on a non-profit basis among its stockholders, the core of which will be the acquisition and maintenance of a golf course and tennis courts, residential and other similar facilities. The registered office of VGCCI is located in VICMICO Compound, Victorias City, Negros Occidental.

The carrying value of the investment in VGCCI amounted to P15.68 million as at August 31, 2017 and 2016.

Unaudited financial information relating to VGCCI are as follows:

	2017	2016
Current assets	7,557	7,792
Non-current assets	114,280	116,235
Current liabilities	26,311	27,173
Non-current liabilities	31,274	35,255

	2017	2016	2015
Revenue	4,707	7,287	5,463
Net loss	(10,490)	(10,469)	(11,863)
Total comprehensive loss	(10,490)	(10,469)	(11,863)

Investment in VQPC

VQPC, 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.

In June 2012, VQPC has ceased operations and liquidated its assets as approved by the BOD. The Parent Company has fully impaired its investment in VQPC. As of 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 coal, fossil fuels, geothermal, nuclear, natural gas, hydroelectric, biomass, solar, wind and other renewable energy resources and other viable sources of power, and services for steam and electricity for lightning and power purposes and wholesale of electricity to power companies, distribution utilities, electric cooperatives, retail electricity suppliers, aggregators and other customers to such extent and in such manner as may be permitted by applicable laws and regulations. The registered office of VGEC is located in VICMICO Compound, Victorias City, Negros Occidental.

The carrying value of the investment in VGEC amounted to P31.25 million as at August 31, 2017 and 2016.

VGEC is still in pre-operating stage as at August 31, 2017.

Investment in VIGASCO

VIGASCO, a 30%-owned associate, was incorporated and registered with the SEC on November 19, 1992 primarily to engage in importing, exporting, buying and selling, at wholesale or at retail, of gases, particularly oxygen, acetylene, hydrogen, liquefied petroleum gas and any types of gases. The registered office of VIGASCO is located in VICMICO Compound, Victorias City, Negros Occidental.

VIGASCO ceased its business operations effective December 31, 2014 and no transactions since. The investment is fully provided with allowance for impairment loss.

9 Property, plant and equipment, net

The roll forward and movements of this account follows:

As at August 31, 2017

	Land	Land improvements	Buildings and structures	Community buildings and equipment	Machinery and equipment	Project under Construction (PUC)	Total
Cost							
At September 1, 2016	278,885	120,342	652,924	20,158	5,038,224	1,447,538	7,558,071
Reclassification of completed projects	-	4,164	25,945	96	405,553	(435,758)	-
Additions	-	10,810	4,255	-	214,437	851,974	1,081,476
Disposals / retirement	-	(84)	(21,375)	(2,513)	(29,801)	-	(53,773)
At August 31, 2017	278,885	135,232	661,749	17,741	5,628,413	1,863,754	8,585,774
Accumulated depreciation and impairment losses							
At September 1, 2016	-	94,649	554,693	13,742	3,036,816	-	3,699,900
Depreciation	-	4,563	17,397	226	189,097	-	211,283
Disposals / retirement	-	(84)	(21,252)	(2,513)	(28,577)	-	(52,426)
At August 31, 2017	-	99,128	550,838	11,455	3,197,336	-	3,858,757
	278,885	36,104	110,911	6,286	2,431,077	1,863,754	4,727,017
Appraisal increase							
At September 1, 2016	351,962	149,540	638,101	1,370	4,140,773	-	5,281,746
Accumulated depreciation and impairment losses							
At September 1, 2016	-	136,107	638,101	1,370	3,343,766	-	4,119,344
Depreciation	-	1,414	-	-	113,858	-	115,272
At August 31, 2017	-	137,521	638,101	1,370	3,457,624	-	4,234,616
	351,962	12,019	-	-	683,149	-	1,047,130
Net carrying value	630,847	48,123	110,911	6,286	3,114,226	1,863,754	5,774,147

As at August 31, 2016

	Land	Land improvements	Buildings and structures	Community buildings and equipment	Machinery and equipment	Project under Construction (PUC)	Total
Cost							
At September 1, 2015	278,933	118,619	652,924	20,158	4,882,348	177,203	6,130,185
Reclassification of completed projects	-	1,723	-	-	162,808	(164,531)	-
Additions	-	-	-	-	147	1,434,866	1,435,013
Disposals	(48)	-	-	-	(7,079)	-	(7,127)
At August 31, 2016	278,885	120,342	652,924	20,158	5,038,224	1,447,538	7,558,071
Accumulated depreciation and impairment losses							
At September 1, 2015	-	90,110	518,824	13,176	2,867,046	-	3,489,156
Depreciation	-	4,539	35,869	566	175,879	-	216,853
Disposals	-	-	-	-	(6,109)	-	(6,109)
At August 31, 2016	-	94,649	554,693	13,742	3,036,816	-	3,699,900
	278,885	25,693	98,231	6,416	2,001,408	1,447,538	3,858,171
Appraisal Increase							
At September 1, 2015	354,528	149,540	638,101	1,370	4,140,773	-	5,284,312
Disposals	(2,566)	-	-	-	-	-	(2,566)
At August 31, 2016	351,962	149,540	638,101	1,370	4,140,773	-	5,281,746
Accumulated depreciation and impairment losses							
At September 1, 2015	-	134,693	638,101	1,370	3,229,908	-	4,004,072
Depreciation	-	1,414	-	-	113,858	-	115,272
At August 31, 2016	-	136,107	638,101	1,370	3,343,766	-	4,119,344
	351,962	13,433	-	-	797,007	-	1,162,402
Net carrying value	630,847	39,126	98,231	6,416	2,798,415	1,447,538	5,020,573

Significant additions to PUC during the year mainly include costs of the construction of its power generation plant, major repair of buildings, construction and assembly of boilers and mill equipment. During the year, projects with accumulated cost of P435.76 million (2016 - P164.53 million) were completed and transferred mainly to machinery and equipment. Borrowing costs in relation to this project amounting to P64.82 million in 2017 (2016 - P18.74 million) were capitalized and recognized under PUC (Note 14).

During the year, the Parent Company dispose some of its property, plant and equipment resulting to a net gain of P1.57 million (2016 - P73.55 million net loss, 2015 - P.33 million net gain) (Note 21).

The fair value measurement for the net appraisal increase of property, plant and equipment amounting to P1.05 billion in 2017 (2016 - P1.16 billion) has been categorized as Level 2 for land and Level 3 for the other class of assets.

The value of the land was computed using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

The value of other class was computed using the Cost Approach. 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. Since several factors need to be considered in the sensitivity analysis of the valuation of buildings, the Group deemed it impracticable to perform.

The Parent Company's property, plant and equipment were last appraised by an independent appraiser on August 31, 2013. Management has not identified any conditions or indicators that would cause the fair value of property, plant and equipment to be materially different from the last appraisal date up to the reporting date.

A summary of depreciation on cost and on appraisal increase and the distribution follows:

	Notes	2017	2016	2015
Cost of goods manufactured and sold	19	250,946	202,805	287,114
General and administrative expenses	21	61,567	13,833	22,144
Cost of rendering services	19	7,334	105,575	79,655
Selling expenses	21	6,708	9,912	9,588
		326,555	332,125	398,501

On September 1, 2003, Parent Company's land, building and machineries and equipment with aggregate carrying value of P2.48 billion are used as mortgage lien for loans under the Mortgage Trust Indenture (MTI). These loans have been fully paid as at August 31, 2015, while the said properties have not yet been released from the MTI as at August 31, 2017.

However as early as 2013, when the restructured loans were fully paid, the Parent Company filed a motion to direct BPI and Metrobank to discharge the MTI liens on the subject VMC properties. This motion is still pending resolution as at August 31, 2017.

10 Investment properties

The details of this account follow:

	Note	Land	Buildings	Total
At September 1, 2015		690,615	57,223	747,838
Disposal		(76,984)	-	(76,984)
Fair value loss	21	(16,840)	(33,845)	(50,685)
At August 31, 2016		596,791	23,378	620,169
Retirement		-	(297)	(297)
Fair value gain (loss)	21	2,413	(5,874)	(3,461)
At August 31, 2017		599,204	17,207	616,411

The investments properties are held for short-term leases and capital appreciation.

The fair value measurement for the investment property in 2017 amounting to P616.41 million (2016 - P620.17 million) has been categorized as Level 2 for land and Level 3 for buildings based on the inputs to the valuation technique used.

The Parent Company's investment properties were appraised by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The latest appraisal was conducted as at August 31, 2017.

The value of the land was computed at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

The value of buildings was arrived at using the Cost Approach. 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. Since several factors need to be considered in the sensitivity analysis of the valuation of buildings, the Parent Company deemed it impracticable to perform.

Rental income earned from investment properties presented under "Rental income" in "Other income (expenses)" in 2017 amounted to P12.46 million (2016 - P9.80 million; 2015 - P12.67 million) (Note 21).

The historical cost of the investment properties amounted to P54.41 million in 2017 (2016 - P54.71 million).

Direct expenses incurred for the Parent Company's investment properties comprising mainly of real property taxes are presented under "Taxes and licenses" amounted to P5.69 million in 2017 (2016 - P4.35 million; 2015 - P3.78 million) (Note 20).

11 Other non-current assets, net

Details of this account are as follow:

	2017	2016
Cash surety bond	32,503	32,357
Land subject to voluntary offer to sell	26,171	26,171
Long-term investment	-	112,356
	58,674	170,884
Allowance for impairment loss on cash surety bond	(8,393)	(8,393)
	50,281	162,491

Cash surety bonds

Cash surety bonds pertain to cash collateral for the labor cases against the Parent Company (Note 26). The account also includes cash in a closed bank amounting to P8.39 million which was fully provided with allowance for impairment.

Land subject to voluntary offer to sell

Certain parcels of land aggregating 2.5 million square meters were put under Voluntary Offer to Sell pursuant to the Comprehensive Agrarian Reform Program. As the consideration for the properties is still being contested, the said properties are still carried in the books of the Parent Company as at reporting date.

Long-term investments

Long-term investments refer to money market placements with maturity date of more than one year after the reporting period bearing interest rate of 1.75% per annum. During the year, the Group pre-terminated its long term investments.

12 Trade and other current payables

The account is consists of:

	Note	2017	2016
Customers' deposits		284,117	143,079
Trade suppliers		206,814	251,560
Accrued expenses		53,632	19,730
Retention payable		51,431	20,421
Liens payable		23,128	11,295
Withholding and other taxes		8,370	14,923
Advances from related parties	24	323	267
Others		14,864	17,725
		642,679	479,000

Customers' deposits

Customer deposits pertain to payments received in advance by the Parent 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.

Trade suppliers

Trade suppliers represent amounts of obligation of the Parent Company to third parties. These are non-interest bearing and are normally settled on 30 to 90 day term.

Accrued expenses

Accrued expenses pertain to accruals made for contracted services, janitorial and security services, utilities, postage and other operating expenses which are payable within one year.

Retention payable

Retention payable refers to amounts withheld from contract price for construction contracts entered into by the Parent Company. This is normally set at 10% of the total contract price or to an amount equal as stipulated in the contract. This becomes payable upon completion or performance of terms and condition as stated in the contract.

Liens payable

Liens payable on sugar refers to amounts payable to the Sugar Regulatory Authority as imposed based on the volume of sugar produced due to be settled within one year.

Withholding and other taxes

Withholding and other taxes refer to accrued remittances for statutory taxes withheld for the year. Included therein also are contributions payable to Social Security System, Home Mutual Development Fund and Philippine Health Insurance Corporation.

Other payables

Other payables include amounts pertaining to social amelioration fund set aside for the sugar workers and association dues payable to the different planters association accredited by the Parent Company.

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

13 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 rehabilitations status (Note 26).

Estimates of probable costs for the resolution of these claims have been developed in consultation with legal counsels handling the defense in these matters and are based upon an analysis of potential results. Based on the progress of the legal cases (Note 26) as of reporting date, management has revised its previous estimate resulting to the reversal of excess provision of P367.08 million in 2017.

The Parent Company recognized provisions as follows:

	2017	2016
At beginning of year	1,554,693	1,418,876
Reversal of provision for legal claims	(367,084)	-
Unwinding of discount	90,084	135,817
At end of year	1,277,693	1,554,693

On annual basis, the provisions are re-evaluated and recalculated to consider the latest available information and estimates. If the resulting difference between the original amount and the recalculated amount is significant, an adjustment is recognized.

As at August 31, 2017 the discount rate is estimated at 4.93% (2016 - 3.90%).

14 Borrowings

Following the full repayment of the restructured loans consistent with the DRA, the Parent Company obtained loans in 2017 and 2016 to fund various capital projects. Details as follows:

(a) Short-term borrowings

Short-term borrowings consist of unsecured loan facility availed from various banks for the Parent Company's working capital requirements. These borrowings carry 2.5% to 3.25% interest rate in 2017 (2016 - 2.5% to 3.0%), which are payable in lump sum over an average term ranging from 90 to 180 days until 2018.

Movements in short-term borrowings follow:

	2017	2016
At beginning of year	300,000	-
Availments	700,000	500,000
Repayments	(1,000,000)	(200,000)
At end of year	-	300,000

(b) Long-term borrowings

Long-term borrowings consist of unsecured loan facility availed from a creditor bank for the Parent Company's power generation project (Note 9). These borrowings carry 4.625% interest rate in 2017 (2016 - 4.625%) with principal amount payable quarterly beginning March 14, 2018 to December 14, 2020.

There are no undrawn amount from the total loan facility as at reporting date (2016 - P650 million).

Movement in the long-term borrowings follows:

	2017	2016
At beginning of year	850,000	-
Availments	650,000	850,000
At end of year	1,500,000	850,000

Borrowings are presented in the consolidated statements of financial position as at August 31 as follows:

	2017	2016
Current	250,000	-
Non-current	1,250,000	850,000
	1,500,000	850,000

Borrowing costs arising from long-term borrowings amounting to P67.20 million in 2017 (2016 - P18.74 million) were capitalized (Note 9). Borrowing costs from short-term borrowings amounting to P9.21 million in 2017 (2016 - P6.20 million) were charged to profit or loss.

The debt covenants for the long-term borrowings require the Parent Company to maintain certain financial ratios. As at August 31, 2017 and 2016, the Parent Company is compliant with these debt covenants.

15 Equity

Share capital

Details of share capital is as follows:

	2017		2016		2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<i>Common shares at P1 par value per share</i>						
<u>Authorized</u>						
At beginning of year	2,913,250,850	2,913,251	2,640,392,882	2,640,393	2,367,534,914	2,367,535
Increase in authorized share capital	128,810,244	128,810	272,857,968	272,858	272,857,968	272,858
At end of year	3,042,061,094	3,042,061	2,913,250,850	2,913,251	2,640,392,882	2,640,393
<u>Issued and outstanding</u>						
At beginning of year	2,913,250,850	2,913,251	2,640,392,882	2,640,393	2,367,534,914	2,367,535
Conversion of convertible notes	128,810,244	128,810	272,857,968	272,858	272,857,968	272,858
	3,042,061,094	3,042,061	2,913,250,850	2,913,251	2,640,392,882	2,640,393
Treasury shares	(300,010,530)	(300,011)	(300,010,530)	(300,011)	(10,530)	(11)
At end of year	2,742,050,564	2,742,050	2,613,240,320	2,613,240	2,640,382,352	2,640,382

On September 24, 2015, to comply with the provisions of DRA, BOD approved the issuance of 272.86 million shares in compliance with the mandatory equity conversion of convertible notes amounting to P272.86 million. This will be issued out of and in support of an increase in VMC's authorized share capital from 2.64 billion shares to 2.91 billion shares. The increase in VMC's authorized share capital was approved by SEC on November 11, 2015.

On May 23, 2017, the SEC approved the Parent Company's application for increase in its authorized capital stock from 2,913,250,850 common shares to 3,042,061,094 common shares with par value of P1 each. The increase of 128,810,244 common shares were fully subscribed through conversion of convertible notes to equity.

Additional paid in capital

Movement in the additional paid in capital follow:

	Note	2017	2016	2015
At beginning of year		735,544	512,750	292,264
Conversion of interest on convertible notes to additional paid in capital	2	105,176	222,794	220,486
At end of year		840,720	735,544	512,750

Convertible notes awaiting conversion and interest on convertible notes awaiting conversion

Movement in the convertible notes awaiting conversion follow:

	Note	2017	2016	2015
At beginning of year		131,810	404,668	677,526
Conversion of interest on convertible notes to share capital	2	(128,810)	(272,858)	(272,858)
At end of year		3,000	131,810	404,668

Movement in the interest on convertible notes awaiting conversion:

	Note	2017	2016	2015
At beginning of year		107,626	330,420	550,906
Conversion of interest on convertible notes to additional paid in capital	2	(105,176)	(222,794)	(220,486)
At end of year		2,450	107,626	330,420

Retained earnings

The Second Amendment to the Rehabilitation Plan dated July 22, 1999 provided for the reduction of the capital stock and revaluation as of actual implementation which shall be used to reduce the deficit of the Parent Company at the time of the implementation of the quasi reorganization. The Second Amendment to the Rehabilitation was approved by the SEC in its order dated August 17, 1999.

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

However, in an SEC Order dated August 17, 1999, the SEC granted the Parent Company's prayer for exemption from the application of paragraph 7 of SEC's Guidelines for Quasi Reorganization which requires that for purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out and not recovered by accumulated depreciation or appraisal increment by the appraisal surplus.

Accumulated other comprehensive income

Details and movement in accumulated other comprehensive income follow:

	Notes	2017	2016	2015
Revaluation increment on PPE				
At beginning of year		293,598	313,010	332,422
Transfer of revaluation increment to retained earnings		(27,731)	(27,731)	(27,731)
Deferred income tax effect		8,319	8,319	8,319
At end of year		274,186	293,598	313,010
Retirement benefit reserve				
At beginning of year		(771)	(1,095)	(1,035)
Actuarial (losses) gains for the year		1,365	463	(86)
Deferred income tax effect		(410)	(139)	26
At end of year	23	184	(771)	(1,095)
Fair value reserve on AFS				
At beginning of year		2,314	2,691	102
Amount recycled to profit or loss		(12,148)	(8083)	-
Net changes in fair value		10,229	7,706	2,589
At end of year	5	395	2,314	2,691
		274,765	295,141	314,606

Treasury shares

On February 15, 2016, the BOD approved the acquisition of 365 million shares. The sale agreement had been executed on February 18, 2016 and lead to the acquisition of 300 million treasury shares by the Parent Company at P5 per share or a total of P1.50 billion.

16 Earnings per share (EPS)

The following table presents information necessary to calculate the EPS of the Parent Company:

	2017	2016	2015
	(In thousands of Philippine Peso, except per share data)		
Net income	683,080	822,399	1,016,585
Weighted average number of common shares	2,947,203	2,831,705	2,980,234
Basic and diluted EPS	0.23	0.27	0.34

The weighted average number of common shares includes the mandatory convertible notes arising from the Parent Company's DRA (Note 15).

17 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 Parent Company.

The Parent Company has three reportable segments: sugar milling, distillery operations and power generation. Segment performance is evaluated based on operating profit or loss. A detailed description of each segment is set below.

Sugar milling and refinery operations

Revenues from sugar milling consist of the following:

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

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

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

Distillery operations

The Parent Company's alcohol distillery division, which resumed operations in November 2011, started commercial operations in March 2013.

For its operations, the division operates an alcohol production with an actual daily capacity of 25,000 liters and with molasses as the primary raw material. Molasses is sourced from sugar operations which produces it as a by-product.

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

Distillery operations

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

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 and depreciation. The carrying amount of certain assets used jointly by the various segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals, value added tax and other taxes, and customers' deposits. Segment assets and liabilities do not include deferred income taxes.

The following tables regarding operating segments present assets and liabilities as at August 31, 2017 and 2016 and revenue and income information for each of the two years in the period ended August 31, 2017:

	2017			
	Sugar milling	Distillery operations	Power generation	Total
Revenue				
External sales	8,170,167	451,331	26,230	8,647,728
Result				
Segment result	1,039,205	286,624	2,887	1,328,716
Unallocated corporate expense	-	-	-	(745,118)
Operating profit	294,087	286,624	2,887	583,598
Reversal of provisions for legal claims	367,084	-	-	367,084
Finance cost	(99,294)	-	-	(99,294)
Interest income	5,038	-	-	5,038
Other income (expense)	147,994	-	-	147,994
Income tax expense	(321,340)	-	-	(321,340)
	393,569	286,624	2,887	683,080
	2016			
	Sugar milling	Distillery operations	Power generation	Total
Revenue				
External sales	4,832,483	396,860	20,109	5,249,452
Result				
Segment result	1,663,762	191,000	10,043	1,864,805
Unallocated corporate expense	-	-	-	(599,996)
Operating profit	1,063,766	191,000	10,043	1,264,809
Finance cost	(142,016)	-	-	(142,016)
Interest income	13,888	-	-	13,888
Other income (expense)	24,384	-	-	24,384
Income tax expense	(338,666)	-	-	(338,666)
	621,356	191,000	10,043	822,399

	Segment assets		Segment liabilities	
	2017	2016	2017	2016
Sugar milling	7,611,829	6,989,541	2,010,185	2,431,705
Distillery operations	141,200	130,584	37,289	45,431
Power generation	1,234,883	965,333	1,500,000	850,000
	8,987,912	8,085,458	3,547,474	3,327,136

18 Revenue

Revenue consists of:

	2017	2016	2015
Sale of goods			
Refined sugar	6,157,314	529,584	140,959
Raw sugar	1,497,164	3,332,852	2,937,520
Alcohol	451,331	396,860	342,432
Molasses	181,207	157,524	258,667
Power generation	26,230	20,109	-
	8,313,246	4,436,929	3,679,578
Revenue from rendering of service			
Tolling fee	334,482	812,523	1,269,866
	8,647,728	5,249,452	4,949,444

19 Cost of goods sold and services rendered

This account consists of:

	2017	2016	2015
Cost of goods sold	7,115,999	2,870,689	2,218,693
Cost of services rendered	203,013	513,958	847,521
	7,319,012	3,384,647	3,066,214

Cost of goods sold consists of the following:

	Notes	2017	2016	2015
Sugarcane and raw sugar purchased		5,133,263	204,339	56,366
Cost of hauling		1,368,141	1,510,949	942,511
Repairs and maintenance		371,167	254,775	411,127
Depreciation	9	250,946	202,805	287,114
Materials and supplies	6	171,065	154,598	242,208
Direct labor		137,007	94,042	92,866
Professional fees and contracted services		66,899	104,414	106,755
Input tax allocable to exempt sales		64,699	143,778	40,983
Fuel		53,484	55,159	67,353
Light and water		39,053	25,215	44,204
Taxes and licenses		31,622	35,083	31,096
Rental		2,408	1,562	1,950
Insurance		170	4,696	3,571
Write-down of inventory to NRV		-	2,090	6,484
Others		18,089	18,743	9,381
Total cost of goods manufactured		7,708,013	2,812,248	2,343,969
Inventories, beginning of year		117,643	176,084	50,808
Inventories, end of year	6	(709,657)	(117,643)	(176,084)
		7,115,999	2,870,689	2,218,693

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

Cost of services consists of the following:

	Notes	2017	2016	2015
Repairs and maintenance		11,672	131,677	260,362
Depreciation	9	7,334	105,575	79,655
Direct labor		5,314	54,116	60,788
Materials and supplies	6	4,247	172,152	185,083
Light and water		2,458	30,500	30,009
Professional and contracted services		1,728	43,833	51,515
Fuel		823	122,886	109,800
Taxes and licenses		679	9,546	6,975
Rental		103	613	311
Insurance		3	3,110	1,209
Input tax allocable to exempt sales		-	-	40,983
Others		470	8,341	5,135
Total cost of services rendered		34,831	682,349	831,825
Deferred tolling cost, beginning of year		168,391	-	15,696
Deferred tolling cost, end of year	7	(209)	(168,391)	-
		203,013	513,958	847,521

20 Operating expenses

These accounts consist of the following:

	Notes	2017	2016	2015
<i>General and administrative expenses</i>				
Taxes and licenses		181,985	29,142	17,353
Professional fees and contracted services		129,801	117,325	126,594
Salaries and employee benefits		104,339	77,133	59,980
Depreciation	9	61,567	13,833	22,144
Repairs and maintenance		31,691	31,822	53,123
Representation and entertainment		33,529	77,858	16,509
Supplies		16,446	41,948	25,986
Retirement benefit cost	23	14,701	7,696	6,557
Insurance		12,595	11,249	1,590
Travel and transportation		9,391	25,628	40,818
Losses on materials and supplies		3,298	-	5,410
Communication		2,476	3,114	3,196
Rental		1,069	543	954
Others		-	13,182	11,319
		602,888	450,473	391,533
<i>Selling expenses</i>				
Freight and handling		78,040	86,543	78,881
Taxes and licenses		16,634	15,441	11,605
Materials and supplies		12,100	14,897	18,908
Rental		16,584	10,318	8,970
Salaries and employee benefits		6,699	7,016	6,996
Depreciation	9	6,708	9,912	9,588
Repairs and maintenance		3,169	2,665	2,544
Others		2,296	2,731	7,500
		142,230	149,523	144,992

21 Other income, net

This account consists of:

	Notes	2017	2016	2015
<i>Other income</i>				
Charges to traders and planters		75,175	91,948	101,567
Bagasse sale		26,048	-	-
Foreign exchange gain, net		14,758	1,861	6,071
Rental income	10	12,456	9,798	12,671
Gain on sale of available-for-sale financial assets	5	12,148	8,083	-
Scrap sales		6,370	4,164	3,686
Interest income on cash and cash equivalents and receivables	3	4,908	13,313	24,359
Gain on sale of property, plant and equipment, net	9	1,572	-	33
Recovery of allowance for receivable from related parties		-	14,494	-
Gain on remeasurement of liability		-	-	22,858
Others		3,058	18,841	-
		156,493	162,502	171,245
<i>Other expenses</i>				
Loss on fair valuation of investment properties, net	10	(3,461)	(50,685)	(27,631)
Loss on sale of property, plant and equipment	9	-	(73,545)	-
Others		-	-	(321)
		(3,461)	(124,230)	(27,952)
Other income, net		153,032	38,272	143,293

Charges to traders and planters mainly pertain to warehousing fees, trucking services and fuel costs billed to traders and planters.

Other income relates to various income such as charges to power and water consumption, gross and tare weighing fee.

22 Income tax

The components of income tax expense follows:

	2017	2016	2015
Current	300,497	455,330	539,664
Deferred	20,843	(116,664)	(107,559)
	321,340	338,666	432,105

Deferred income tax recognized in other comprehensive income in 2017 amounted to Po.41 million [2016 - Po.14 million; 2015 - (P.03) million].

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

	2017			2016			2015
	ITH	at 30%	Total	ITH	at 30%	Total	at 30%
Profit before income tax	2,887	1,001,532	1,004,419	10,943	1,151,022	1,161,965	1,448,690
Income tax at statutory rates	-	300,460	300,460	-	345,307	345,307	434,607
Tax effects of							
Recovery of bad debts from related party	-	-	-	-	(4,348)	(4,348)	-
Non-deductible interest expense	-	849	849	-	1,331	1,331	-
Interest income subject to final tax	-	(1,467)	(1,467)	-	(3,994)	(3,994)	(7,308)
Other non-deductible expenses	-	21,498	21,498	-	370	370	4,806
Income tax expense	-	321,340	321,340	-	338,666	338,666	432,105

Income from non-taxable activities pertain to revenue from power generation which is a registered Board of Investments (BOI) activity last January 23, 2016.

The composition of "Deferred tax liabilities, net" account as reported in the statements of financial position follows:

	2017	2016
Deferred tax liabilities:		
Net appraisal increase on property, plant and equipment	296,379	330,961
Fair value gain on investment properties	253,052	254,090
Borrowing cost capitalized	25,067	5,621
	574,498	590,672
Deferred tax assets:		
Provisions	383,308	466,408
Customers' deposits	84,711	42,827
Allowance for impairment losses	14,030	14,030
Unrealized foreign exchange loss	78	71
Retirement benefit	10,734	6,952
	492,861	530,288
	81,637	60,384

The movements in deferred income tax liabilities, net for the year ended August 31 are as follows:

	2017	2016
At beginning of year	60,384	176,929
Credited (charged) to profit or loss	20,843	(116,684)
Charged to other comprehensive income	410	139
At end of year	81,637	60,384

23 Retirement liability

For the permanent employees, the Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act. No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.17 days pay or 85% of final monthly basic salary for every year of credited services. The regulatory benefit is paid in a lump sum upon retirement. The law does not require minimum funding of the plan.

The Parent Company has an unfunded, non-contributory defined benefit plan covering all of its permanent employees. Annual cost is determined using the projected unit credit method. Valuations are obtained on a periodic basis. The Parent Company's latest actuarial valuation was performed by independent actuary as of August 31, 2017.

The amounts recognized as retirement benefit obligation in the statements of financial position at August 31, 2017 is P35.78 million (2016 - P23.18 million).

Retirement benefit cost recognized in profit or loss for the years ended August 31 is as follows:

	Note	2017	2016	2015
Current service cost		7,932	6,993	5,983
Past service cost		5,872	-	-
Interest cost		897	703	574
	20	14,701	7,696	6,557

Retirement benefit cost recognized in profit or loss is included in administrative expenses in the statements of income.

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

	2017	2016
At beginning of year	23,175	16,352
Current service cost	7,932	6,993
Past service cost	5,872	-
Interest cost	897	703
Benefits paid	(731)	(410)
Remeasurement (gain) loss		
Changes in financial assumptions	(3,115)	1,234
Changes in demographic assumptions	1,095	-
Changes in experience	655	(1,697)
At end of year	35,780	23,175

The movements in the remeasurement loss (gain) on retirement benefit obligation recognized in other comprehensive income for the years ended August 31 are as follows:

	Note	2017	2016
At beginning of year, net of tax effect		771	1,095
Remeasurement (gain) loss on defined benefit obligation		(1,365)	(463)
		(594)	632
Deferred income tax charged to other comprehensive income		410	139
At end of year, net of tax effect	15	(184)	771

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	4.90%	3.50%
Future salary increase	3.00%	3.00%

Discount rate

The discount rate was determined in accordance with the PIC Q&A 2008-01(Revised), which mandates that discount rates reflect (a) benefit cash flows and (b) use of zero coupon rates, even though theoretically derived.

The bootstrapping method was applied to the PDST-R2 benchmark government bonds to arrive at the theoretical zero coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years.

Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion.

The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The average remaining service life of employees is 10.6 years and 8.7 years as at August 31, 2017 and August 31, 2016 respectively.

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

	2017	2016
0 to 5 years	35,726	24,040
6 to 10 years	38,373	30,770
11 to 15 years	37,509	22,287
16 years and up	158,528	66,047

	Impact on retirement liability	
Change in assumption	Increase in assumption	Decrease in assumption
Discount rate 1%	Decrease by P33,455	Increase by P38,467
Salary increase rate 1%	Increase by P38,295	Decrease by P33,575

The above 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 statement of financial position.

24 Related party transactions

Related party transactions as at and for the periods ended August 31 are as follows:

August 31, 2017	Transactions	Outstanding balance	Terms and conditions	Provision for impairment losses during the year	Allowance for impairment losses
Subsidiaries					
Advances to subsidiaries (Note 4)	9,703	86,955	- Unguaranteed and unsecured - See Note 24.1	-	44,694
Advances from subsidiaries (Note 12)	56	(323)	- Unguaranteed and unsecured	-	-
	9,759	86,632		-	44,694
Entity under common control					
Revenue from sale of goods	666,320	234,876	- Unguaranteed and unsecured - Non-interest bearing - See Note 24.4	-	-
Cash in bank, money market placements and UITF investments	(67,983)	313,193	- See Note 24.3	-	-
	598,337	548,069		-	-
Salaries and wages					
Key management personnel	37,882	-	- Payable in cash	-	-

August 31, 2016	Transactions	Outstanding balance	Terms and conditions	Provision for impairment losses during the year	Allowance for impairment losses
Subsidiaries					
Advances to subsidiaries (Note 4)	(16,295)	81,527	- Unguaranteed and unsecured - See Note 24.1	-	44,694
Advances from subsidiaries (Note 12)	31,197	(267)	- Unguaranteed and unsecured	-	-
	14,902	81,260		-	44,694
Entity under common control					
Revenue from sale of goods	710,018	93,482	- Unguaranteed and unsecured - Non-interest bearing - See Note 24.4	-	-
Cash in bank, money market placements and UITF investments	-	381,176	- See Note 24.3	-	-
	710,018	474,658		-	-
Salaries and wages					
Key management personnel	31,180	-	- Payable in cash	-	-

Terms and conditions of transactions with related parties

24.1 Advances to subsidiaries

In the normal course of business, the Parent 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.

In 2016, CDC's loan interest amounting to P19.56 with corresponding impairment allowance amounting to P7.26 million were waived and converted as additional investment to CDC.

As of August 31, 2017 and 2016, the Parent Company has provided an allowance for impairment amounting P44.69 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.

24.2 Advances from subsidiaries

The Parent Company entered into an operating lease agreement with CDC and VALCO for the lease of 2.93 hectares of agricultural land. In consideration for the lease, the Parent Company shall pay P5,000 per hectare per month.

As of August 31, 2015, the Parent Company has a payable amount of P31.25 million for the subscription of VGEN. The shares which was fully paid in 2016.

24.3 Cash in bank, money market placements, investments

The Parent Company maintains current account, money market placements and UITF investments with PNB (Note 3 and 4). PNB is related entity by way of common control.

24.4 Revenue from sale of goods

In the normal course of business, the Parent Company sold raw sugar, alcohol, molasses and tolling services to Interbev, Tanduay and Absolut.

The Parent Company is related to PNB, Interbev, Tanduay and Absolut who are subsidiaries under the LT Group, Inc., which owns a 15.71% ownership interest in the Parent Company.

25 Agreements and commitments

The significant agreements at August 31, 2017 and 2016 were as follows:

- a. Milling contracts with various planters provide for a 69.5% share to the planters (including related parties) and 30.5% share to the Parent Company of sugar and molasses produced from sugar canes milled. The Sugarcane Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.
- b. As at August 31, 2017, the Parent Company has in its custody sugar owned by several quedan holders with volume of 1.10 million Lkg (2016 - 1.05 million Lkg). The said volume of sugar not reflected in the statement of financial position since this is not owned by the Parent Company. The Parent Company is accountable to both quedan holders and sugar traders for the value of these trusted sugar or their sales proceeds.
- c. In 1993, the Parent Company has entered into a deed of assignment and exchange of shares of stock with VGCCI for the latter to issue shares of stock with a total par value of P224 thousand in exchange for the Parent Company's land with an appraised value of P13.21 million the difference of P12.98 million to be accounted for as additional paid-in capital of the Parent Company to VGCCI. As provided for in the agreement, VGCCI is in possession of the above-mentioned land without any consideration yet until such time that the assignment of the aforementioned land is completed. As at August 31, 2015, the certificate of title has not yet been transferred in the name of VGCCI since the land to be transferred is covered by the MTI of the Parent Company with various creditor banks as disclosed in Note 9. Hence, the transaction is on hold until the subject land is released as collateral.
- d. The Parent Company leases for an office space for one of its subsidiaries and for certain machineries and equipment from third parties for terms of one year, subject to yearly renewal.

26 Provisions and contingencies

The Parent Company's management and legal counsels are of the opinion that the positions taken by the Parent Company in the legal proceedings briefly discussed below are highly meritorious. However, they 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 similar cases that will be decided by the highest court, which will be relevant to pending cases.

a. RSDOs and RSQs claims

NONEMARCO used RSDOs and RSQs allegedly issued by the Parent Company to avail of bank loans totaling to about P630 million. Several creditor banks filed collection cases against NONEMARCO aggregating to P1.19 billion.

The Parent Company denied liability as these RSDOs and RSQs claims lacked any factual or legal basis and that the officers who issued them acted fraudulently.

On January 6, 2015, the SEC Special Hearing Panel ("SHP") ordered the Parent Company to settle the claim of one of the claimant-banks. On January 23, 2015, the Parent Company filed a Notice of Appeal and Memorandum on Appeal to the SEC En Banc seeking relief from the SEC SHP Order, which was denied by the SEC En Banc on November 29, 2016, thereby affirming the SEC SHP Order.

On January 19, 2017, the Parent Company filed a Petition for Review with Prayer for Preliminary Injunction and Temporary Restraining Order before the Court of Appeals (CA) relating to the Decision of the SEC En Banc dated November 29, 2016.

On March 17, 2016, SEC SHP ordered the Parent Company to settle the claim of another claimant bank. On April 1, 2016, the Parent Company filed a Notice of Appeal to the SEC En Banc seeking relief from the SEC SHP Order, which was denied by SEC En Banc on March 7, 2017, thereby affirming the SEC SHP Order.

On March 30, 2017, the Parent Company filed a Petition for Review with Prayer for Preliminary Injunction and Temporary Restraining Order before the CA relating to the Decision of SEC En Banc on March 7, 2017.

The Parent Company filed a Motion for Consolidation dated April 21, 2017 before the CA in order to consolidate both petitions pending before the CA. The CA granted the Motion for Consolidation in a Resolution dated June 2, 2017.

On October 13, 2017, CA promulgated a decision which granted the Parent Company's Petitions for Review, and accordingly, set aside the SEC En Banc Decisions.

b. Labor, civil and other cases

There are various lawsuits and claims such as labor cases, collection disputes and assessments filed by third parties against VMC. Relative to this, VMC is required to put up surety bonds (Note 11). On the other hand, the Parent Company has also instituted legal actions against third parties in the ordinary course of business.

c. Proceeding with Pollution Adjudication Board (PAB)

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

The Management of the Parent Company has placed the handling of pollution problems on its priority list and is now addressing it to comply with the applicable environmental compliance requirements. The Parent Company submitted a number of pleadings to the PAB in Order to avert a re-imposition of the Cease and Desist Order on which PAB issued temporary lifting order (TLO). The Parent Company was issued by PAB with a one-year TLO dated May 20, 2014 and is effective until May 20, 2015. On March 8, 2017, the Parent Company received PAB's Order dated February 17, 2017 granting the latter's Urgent Motion for Extension of TLO for a period of one year or from August 5, 2016 to August 5, 2017.

To comply with the order of the DENR, the Parent Company acquired, constructed and installed air and water pollution control devices amounting to about P350.0 million as of August 31, 2016 (Note 9).

On June 19, 2017, the Parent Company filed a motion for issuance of Formal Lifting Order before DENR PAB.

d. Convertible note case against Eastwest Bank Banking Corporation (EWBC)

On February 28, 2014 (partial redemption) and April 4, 2014 (final redemption), the remaining convertible notes held by EWBC were paid pursuant to ARP, DRA and convertible note provisions.

However, on February 28, 2014, and April 4, 2014, EWBC informed VMC of its decision not to accept the redemption.

In a letter dated September 25, 2014, VMC consigned to the SEC-appointed rehabilitation receiver of VMC as payment/redemption of the EWBC convertible note ("EWBC Convertible Note") checks amounting to P366,125,900 as full payment of the EWBC Convertible Note.

As of August 31, 2015, "Checks payable to EWBC" were extinguished by the Parent Company since these were already consigned to the SEC-appointed rehabilitation receiver. This consignment was confirmed by the SEC En Banc in its Decision dated August 11, 2015 in SEC En Banc Case No.04-15-368 where EWBC's motion to compel VMC to allow EWBC to exercise its option for the Conversion of the EWBC Convertible Note was denied. Said consignment was likewise affirmed by the Court of Appeals ("CA") through its Decision dated January 19, 2016 and Resolution dated May 16, 2016 in the case docketed as CA-G.R. No. SP No. 141969.

On June 27, 2016, VMC received a copy of the "Petition for Review dated June 10, 2016" filed by EWBC before the Supreme Court ("SC") docketed as G.R. 225181 appealing the CA Decision dated January 19, 2016 and CA Resolution dated May 16, 2016. In its Petition for Review dated June 10, 2016, EWBC applied for the issuance of a preliminary injunction.

On October 13, 2016, VMC, in compliance with the SC Resolution dated August 8, 2016 filed its Comment/Opposition dated October 12, 2016 to the Petition for Review dated June 10, 2016.

On December 2, 2016, VMC obtained copies of the CA Resolution dated September 23, 2016, which states that *“(i)n view of the result of CMIS 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.”*, and the corresponding CA Entry of Judgment dated September 23, 2016.

On December 5, 2016, VMC filed with the SC a Supplemental Comment/Opposition, which prayed for the outright dismissal of the Petition for Review dated June 10, 2016 based on the CA Resolution dated September 23, 2016, the CA Entry of Judgment dated September 23, 2016 as well as Section 3 of Rule 45 of the Rules of Court and Circular No. 19-91 dated August 13, 1991 issued by the SC.

On December 6, 2016, the Parent Company received a copy of the CA Resolution dated September 23, 2016 with attached CA Entry of Judgment dated September 23, 2016. Based on the CA Entry Judgment dated September 23, 2016, the Decision dated January 19, 2016 promulgated by the CA became final and executory on June 12, 2016.

On December 6, the Parent Company also received a copy of a Manifestation dated November 15, 2016 filed by EWBC with the CA wherein they manifested that they filed a Petition for Review before the SC on June 10, 2016. EWBC did not seek reconsideration of the CA Resolution dated September 23, 2016. Hence, the CA Resolution dated September 23, 2016 and the CA Entry of Judgment dated September 23, 2016 may be deemed to have become final and executory.

On January 9, 2017 the Parent Company received a copy of EWBC's Omnibus Reply (to Respondent's Comment/Opposition and Supplemental Comment/Opposition with the Motion for Leave of Court dated December 27, 2016, which it filed before SC.

On February 6, 2017, the Parent Company filed its Motion to Dismiss (Under Section 5 of Rule 56 of the Rules of Court) dated February 3, 2017 (“Motion to Dismiss dated February 3, 2017”).

On March 15, 2017, the Parent Company received a copy of the Opposition with Leave of Court [Re: Motion to Dismiss dated February 3, 2017] dated March 6, 2017 from EWBC (“Opposition dated March 6, 2017”).

On March 24, 2017, the Parent Company filed with the SC a Manifestation with Leave of Court dated March 21, 2017 (“Manifestation dated March 21, 2017”), where VMC manifested that it is no longer filing any reply to the opposition dated March 6, 2017, and that the Motion to Dismiss dated February 3, 2017 can be deemed submitted for resolution.

The Parent Company received a copy of the Resolution dated March 13, 2017 from the SC noting (i) VMC's Supplemental Comment/Opposition dated December 5, 2016; (ii) EWBC's Omnibus Reply dated December 27, 2016; and (iii) VMC's Motion to Dismiss dated February 3, 2017.

On August 29, 2017, the Parent Company received a copy of the Resolution dated July 10, 2017 from the SC noting (i) Opposition dated March 6, 2017; (ii) Manifestation dated March 21, 2017.

27 Significant accounting judgments and estimates

The Parent 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.

27.1 Critical accounting judgments

a. Classification of available-for-sale financial assets (Note 5)

The Parent Company invested in Unit Investment Trust Funds (UITF) which does not qualify to be classified or designated as loans and receivables, financial assets at FVPL or HTM investments. The Parent Company expects to hold the securities on demand, however, these can be sold in response to liquidity requirements or changes on market conditions.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date. The Parent Company intends to dispose the investments on demand or within the next twelve (12) months whichever comes first.

b. Recoverability of deferred tax assets (Note 22)

The Parent 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 Parent 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 9 and 10)

The Parent Company determines whether a property qualifies as investment property. In making its judgment, the Parent 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 Parent Company considers each property separately in making its judgment.

27.2 Critical accounting estimates

a. Estimating NRV of inventories

In estimating NRV of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Parent Company's business is subject to changes which may cause inventory obsolescence and the nature of the Parent 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 Parent Company's inventories within the next financial year.

b. Allowance for impairment losses

The Parent Company maintains an allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Factors considered in the individual assessment are payment history, past due status and term. The collective assessment would require the Parent Company to group its receivables based on the credit risk characteristics (industry, customer type, customer location, past-due status and term) of the customers.

Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The carrying values of receivables, net of allowance for impairment losses as of August 31, 2017 and 2016 and the allowance for impairment losses are disclosed in Note 4.

c. Impairment of nonfinancial assets (Notes 7, 8, 9, 10 and 11)

The Parent Company assesses impairment on property, plant and equipment, investment properties, investment in subsidiaries and an associate, other current assets and other noncurrent assets whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

The factors that the Parent Company considers important which could trigger an impairment review include the following:

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

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Parent Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

d. Useful lives of property, plant and equipment

The Parent 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 Parent 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 decrease noncurrent assets.

e. Fair value of non-financial assets (Notes 9 and 10)

The fair values of the Parent 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 Parent Company's property, plant and equipment and investment properties.

The Parent Company's property, plant and equipment were last appraised on August 31, 2013. Management has not identified any conditions or indicators that would cause the fair value of property, plant and equipment to be materially different from the last appraisal date up to the reporting date.

f. Estimating provisions and contingencies (Notes 13 and 26)

The Parent Company is currently involved in various legal proceedings (Note 26) which are still pending resolution or under suspension in view of the Parent Company's rehabilitations status. Estimates of probable costs for 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 Parent Company discounts its provisions over the period such provisions are expected to be settled. The discount rate used by the Parent Company is a government bond rate which is a pre-tax 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.

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

28 Risk management, objectives and policies

Regulatory risk

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

The Parent 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 Parent Company's financial assets comprise of cash and cash equivalents, trade and other current receivables, AFS financial assets, short-term and long term investments and cash surety bond, excluding advances to officers and employees. The financial liabilities of the Parent Company, which arise directly from its operations, comprise trade payables, advances from related parties, borrowings, accrued expenses and other payables, excluding withholding and other taxes payables.

The Parent 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 Parent Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Parent Company's financial performance.

The BOD of the Parent Company has overall responsibility for the establishment and oversight of the Parent Company's risk management framework. Moreover, market and credit risk management is carried out by the Parent 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 Parent Company.

The Parent 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 parent company statement of financial position are net of allowances for impairment losses on receivables, estimated by the Parent Company's management based on prior experience and their assessment of the prevailing economic environment at any given time.

As at August 31, 2017 and 2016, the aging profile of the Parent Company's financial assets is as follows:

2017	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		
Cash and cash equivalents*	520,791	-	-	-	-	-	520,791
Trade receivables:							
Related parties	131,284	71,200	-	21,900	10,492	-	234,876
Third parties	781	13,057	12,218	14,459	1,584	-	42,099
Advances to:							
Related parties	1,033	850	853	883	38,642	44,694	86,955
Planter's associations	-	-	-	-	2,828	-	2,828
Other receivables	3,135	464	383	506	15,056	87	19,631
Short-term investments	12,000	-	-	-	-	-	12,000
AFS financial assets	150,395	-	-	-	-	-	150,395
Other noncurrent assets**	24,110	-	-	-	-	8,393	32,503
Total	843,529	85,571	13,454	37,748	68,602	53,174	1,102,078

*excluding cash on hand

**excluding land subject to voluntary offer to sell

2016	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		
Cash and cash equivalents*	326,271	-	-	-	-	-	326,271
Trade receivables:							
Related parties	71,163	1,706	186	3,107	17,320	-	93,482
Third parties	17,552	10,074	10,106	1,898	14,424	-	54,054
Advances to:							
Related parties	443	172	159	178	35,881	44,694	81,527
Planter association	6,816	-	-	-	-	-	6,816
Other receivables	211	82	-	-	16,129	87	16,509
Short-term investments	66,428	-	-	-	-	-	66,428
AFS financial assets	677,314	-	-	-	-	-	677,314
Other noncurrent assets**	136,320	-	-	-	-	8,393	144,713
Total	1,302,518	12,034	10,451	5,183	83,754	53,174	1,467,114

*excluding cash on hand

**excluding land subject to voluntary offer to sell

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

The credit quality of the Parent Company's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

Information on the Parent Company's advances to related parties, other current receivables and other noncurrent assets that are impaired as at August 31, 2017 and August 31, 2016 and the movements of allowance for the impairment loss are disclosed in Notes 4 and 11.

As at August 31, 2017 and 2016, the Parent Company's maximum credit exposure is equal to the carrying values of the following financial assets:

	2017	2016
Cash and cash equivalents ⁽¹⁾	520,791	326,271
Trade and other current receivables, net ⁽²⁾⁽³⁾	341,608	207,607
Short-term investments	12,000	66,428
AFS financial assets	150,395	677,314
Other non-current assets, net ⁽²⁾⁽⁴⁾	24,110	136,320
Total	1,048,904	1,413,940

(1) excluding cash on hand

(2) net of allowance for impairment loss

(3) excluding advances to officers and employees

(4) excluding land subject to voluntary offer to sell

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 Parent Company monitors and maintains a level of cash deemed adequate by the management to finance the Parent Company's operations and mitigate the effects of fluctuations in cash flows.

The following tables summarize the maturity profile of the Parent Company's financial liabilities as at August 31, 2017 and 2016 based on contractual undiscounted payments:

2017	On demand	Within 1 year	More than 1 year	Total
<i>Financial assets</i>				
<i>Loans and receivables</i>				
Cash and cash equivalents	579,543	-	-	579,543
Trade receivables				
Outside parties	42,099	-	-	42,099
Related parties	234,876	-	-	234,876
<i>Advances to:</i>				
Related parties ⁽¹⁾	42,262	-	-	42,262
Planters' associations	2,828	-	-	2,828
Other receivables ⁽¹⁾	19,543	-	-	19,543
Short-term investments	12,000	-	-	12,000
AFS financial assets	150,395	-	-	150,395
Other noncurrent assets ⁽¹⁾	24,110	-	-	24,110
Total	1,107,656	-	-	1,107,656

<i>Financial liabilities</i>				
Other financial liabilities:				
Borrowings	-	316,195	1,313,594	1,629,789
Trade suppliers	206,814	-	-	206,814
Retention payable	-	51,431	-	51,431
Accrued expenses	-	53,632	-	53,632
Advances from related parties	323	-	-	323
Other payables	14,864	-	-	14,864
Total	222,001	421,258	1,313,594	1,956,853
Net gap	885,655	(421,258)	(1,313,594)	(849,197)

(1) net of allowance for impairment loss

2016	On demand	Within 1 year	More than 1 year	Total
<i>Financial assets</i>				
Loans and receivables:				
Cash and cash equivalents	423,170	-	-	423,170
Trade receivables				
Outside parties	21,102	32,952	-	54,054
Related parties	-	93,482	-	93,482
Advances to:				
Related parties ⁽¹⁾	36,833	-	-	36,833
Planters' associations	6,816	-	-	6,816
Other receivables ⁽¹⁾	16,422	-	-	16,422
Short-term investments	66,428	-	-	66,428
AFS financial assets	677,314	-	-	677,314
Other noncurrent assets ⁽¹⁾	136,320	-	-	136,320
Total	1,384,405	126,434	-	1,510,839
<i>Financial liabilities</i>				
Other financial liabilities:				
Borrowings	-	307,750	928,625	1,236,375
Trade suppliers	133,730	69,415	48,415	251,560
Retention payable	-	20,421	-	20,421
Accrued expenses	-	19,730	-	19,730
Advances from related parties	267	-	-	267
Other payables	17,725	-	-	17,725
Total	151,722	417,316	977,040	1,546,078
Net gap	1,232,683	290,882	(977,040)	(35,239)

(1) net of allowance for impairment loss

Market risk

Market risk is the risk that the fair value of financial instruments of the Parent 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 Parent Company's borrowings (Note 14) 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 UITF classified as AFS (Note 5). The underlying pool of assets for these UITFs is consist however, of short-term money market instruments.

The impact on other comprehensive income after income tax on fair value of AFS investments on +/-100 basis point shift would be a maximum increase or decrease of P1.05 million in 2017 (2016 - P4.39 million) on net asset value per unit (NAVPU), all other variables held constant. This sensitivity analysis is developed based on the average historical fluctuations on NAVPU of the AFS investments.

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 Parent Company's exposure to foreign currency risk is very minimal and is limited only to its bank deposits (included in Cash and cash equivalents) denominated in US dollar (USD) amounting to USD248.73 thousand (2016 - USD73.19 thousand).

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency-denominated transactions.

As at August 31, 2017, had the Philippine Peso weakened/strengthened by 3% (2016 - 1%) against the USD, with all other variables held constant, profit before income tax for the year would have been P441 thousand (2016 - P1,085 thousand) lower/higher while profit or loss would have been P309 thousand (2016 - P760 thousand) lower/higher mainly as a result of foreign exchange gain/loss translation. The fluctuation rate of +/- 3% (2016 - +/- 1%) is based on the historical movement of the USD against the Philippine Peso year on year.

Fair value estimation

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

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

29 Capital management

The Parent 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. The Parent Company is governed by its ARP as submitted and approved by SEC. The details of these plans or programs are disclosed in Note 2.

The capital structure of the Parent Company consists of equity attributable to the stockholders comprising of the capital stock while debt is defined as long and short-term borrowings, as disclosed in Note 14.

The debt to total assets ratio of the Parent Company as at August 31, 2017 and 2016, which has been within the Parent Company's acceptable range as set by the BOD, is calculated as follows:

	2017	2016	2015
Debt	1,500,000	1,150,000	-
Total assets	8,987,912	8,085,458	8,321,619
	0.17:1	0.14:1	0:1

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

30 Notes to Statement of cash flows

The non-cash activities of the Parent Company are as follows:

	2017	2016	2015
		(in millions)	
Conversion of convertible notes to capital stock	129	273	273
Conversion of interest on convertible notes to APIC	105	223	220
	234	496	493

31 Events after reporting date

On October 10, 2017, certain project under construction included under property, plant and equipment (Note 9) that was fully insured, sustained damage. The estimated loss from the damage is yet to be determined by the Parent Company as at reporting date.

32 Summary of significant accounting policies

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

32.1 Basis of preparation

The financial statements of the Parent 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), Standing 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 financial statements of the Parent Company have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, revaluation of certain property, plant and equipment and investment properties.

The preparation of these financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Parent Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Parent Company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 27.

32.2 Changes in accounting policy and disclosures

(a) Amended standard adopted by the Parent Company

The following amended standard has been adopted by the Parent Company effective September 1, 2016:

- *Amendments to PAS 1, 'Presentation of financial statements' Disclosure initiative.* The amendments provide clarifications on a number of issues, including (a) materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. (b) Disaggregation and subtotals - line items specified in PAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. (c) Notes - confirmation that the notes do not need to be presented in a particular order. (d) Other comprehensive income ("OCI") arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

The adoption of this amendment did not have any impact on the current period or any prior period and is not likely to affect future periods.

Other standards, amendments and interpretations which are effective for the financial year beginning on September 1, 2016 are considered not relevant to the Parent Company.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective the Parent Company beginning after September 1, 2016, and have not been applied in preparing these financial statements. None of these standards are expected to have a significant effect on the financial statements of the Parent Company, except the following set out below:

- *PFRS 9, 'Financial instruments'* will replace the multiple classification and measurement models in PAS 39 'Financial instruments: Recognition and measurement' with a single model that has initially only two classification categories: amortized cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value. All fair value movements on financial assets are taken through the statement of income, except for equity investments that are not held for trading, which may be recorded in the statement of income or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In July 2014, the Financial Accounting Standards Board (FASB) made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, PFRS 9 is now complete. The changes introduce a third measurement category (FVOCI) for certain financial assets that are debt instruments and a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For financial years commencing before February 1, 2015, entities can elect to apply PFRS 9 early for any of the following: (1) the own credit risk requirements for financial liabilities, (2) classification and measurement (C&M) requirements for financial assets, (3) C&M requirements for financial assets and financial liabilities, or (4) C&M requirements for financial assets and liabilities and hedge accounting. After February 1, 2015, the new rules must be adopted in their entirety. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. Based on

management's assessment, the adoption of this standard will not have a significant impact on the Parent Company's financial statements.

- *PFRS 15, 'Revenue from contracts with customers'* will replace PAS 18, 'Revenue' which covers contracts for goods and services and PAS 11, 'Construction contracts' which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognized: (1) identify contracts with customers, (2) identify the separate performance obligation, (3) determine the transaction price of the contract, (4) allocate the transaction price to each of the separate performance obligations, and (5) recognize the revenue as each performance obligation is satisfied. Key changes to current practice are: (1) Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements; (2) Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, and success of an outcome) – minimum amounts must be recognized if they are not at significant risk of reversal; (3) The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa; (4) There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few; and (5) As with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The Parent Company intends to adopt the standard at the beginning of its fiscal year September 1, 2018 but it has assessed that it will not have a significant effect on its financial statements.
- *PFRS 16, 'Leases'* will replace the current guidance in PAS 17, 'Leases'. PFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under PFRS 16, 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. The Parent Company is currently assessing the impact of PFRS 16.

- Amendments to PAS 12, '*Income taxes*'. The amendments, which are effective January 1, 2017, clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that (a) a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period; (b) an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit; (c) where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type; and (d) tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit. The amendments to the standard are not expected to have a material impact on the financial statements of the Parent Company as currently there are no material temporary differences arising from assets measured at fair value.
- *Amendments to PAS 7, 'Statement of cash flows'*. Beginning January 1, 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. The adoption of the amendments to the standard will result in additional disclosure on changes in liabilities arising from financing activities of the Parent Company.

There are no other standards, amendments or interpretations that are not yet effective that have a material impact on the financial statements of the Parent Company.

32.3 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Parent Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

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

- *Sale of raw sugar*

Sale of raw sugar is recognized upon endorsement and transfer of *quedans* which represents ownership title over the raw sugar.

- *Sale of refined sugar*

Sale of refined sugar is recognized upon approval of refined sugar delivery order and/or upon shipment or delivery of refined sugar inventories.

- *Sale of molasses*

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

- *Sale of alcohol and bagasse*

Sale of alcohol is recognized upon delivery of alcohol and bagasse inventories to customers.

- *Tolling revenues*

Tolling revenue is recognized when the tolling services have been rendered.

- *Sale of power generation*

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*

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

- *Other income*

Other income such as income from scrap sales, gains from disposal is recognized when earned.

32.4 Cost and expense recognition

Costs and expenses are recognized in the Parent Company statement of profit or loss 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 Parent 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 in the Parent Company's books when incurred. These are the expenses which are not directly related to the cost of goods sold and services of the Parent Company.

32.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments that are readily convertible to cash with original maturities of three months or less from date of acquisition.

32.6 Financial instruments

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 Parent Company recognizes a financial instrument in the statement of financial position when, and only when, the Parent Company becomes a party to the contractual provisions of the instrument.

33.6.1 Classification

The Parent Company classifies its financial assets and liabilities according to categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) Financial assets

The Parent Company classifies its financial assets in the following categories: (a) financial assets at fair value through profit or loss (FVTPL); (b) loans and receivables; (c) held-to-maturity (HTM); and (d) available-for-sale investments. The Parent Company does not hold financial assets categorized as at FVTPL and HTM.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturities longer than twelve (12) months after the reporting date, which are then classified as non-current assets.

The Parent Company's loans and receivables comprise cash in banks and cash equivalents and receivables in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are classified as non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. The Parent Company's available-for-sale financial assets consist of investments in various UITFs based on published net asset value per unit as at reporting date (Note 5).

(b) *Financial liabilities*

The Parent Company classifies its financial liabilities in the following categories: (a) at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value); and (b) financial liabilities at amortized cost. The Parent Company does not hold financial liabilities classified as financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Parent Company. They are included in current liabilities, except for those with maturities longer than twelve (12) months after the reporting date, which are then classified as non-current liabilities.

The Parent Company's trade and other current payables and borrowings are classified under this category. Taxes payable, government contributions payable, provision for claims and other fees and statutory liens included within accrued expenses and other current liabilities are considered non-financial liabilities (Note 11).

32.6.2 Recognition and measurement

(a) *Initial recognition*

Financial assets

Regular-way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity securities and available-for-sale securities are recognized on trade date, the date on which the Parent Company commits to purchase or sell the asset. Loans and receivables are recognized upon origination when cash is advanced to the borrowers or when the right to receive payment is established. Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value; and transaction costs are recognized in profit or loss.

Financial liabilities

Financial liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value; and transaction costs are recognized as expense in profit or loss.

(b) *Subsequent measurement*

Financial assets

Loans and receivables are measured at amortized cost using the effective interest method.

Available-for-sale financial assets are subsequently measured at fair value. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in profit or loss within other operating income (expense).

Financial liabilities

Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

32.6.3 Impairment of financial assets

The Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Parent Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Parent Company, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the lender would not otherwise consider;
- It becomes probable that the debtor will enter bankruptcy or other financial reorganization; and
- The disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables category, the Parent Company first assesses whether an objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant using the criteria above. If the Parent Company determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of receivable is reduced and the amount of loss is recognized in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with debtors as to the recoverability of receivables at the end of the reporting date. Subsequent recoveries of amounts previously written-off are credited against provision for impairment under expenses in profit or loss.

32.6.4 Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Parent Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when extinguished, i.e. when the obligation is discharged or is cancelled or expired.

32.6.5 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent in future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Parent Company or the counterparty.

There was no offsetting of financial assets and liabilities as at August 31, 2017 and 2016.

32.7 Inventories

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

Inventories are accounted for as follows:

- *Raw sugar inventory* - determined using weighted average method; consist of cost in the production of crystallize brown sugar extracted from sugarcane through simple mechanical process.
- *Refined sugar inventory* - determined using weighted average method; consists of raw sugar cost of production and related direct labor and overhead cost incurred in the conversion of raw sugar to refined sugar.
- *Molasses inventory* - determined using weighted average method; consist of cost of brownish liquid residue as sugar byproduct, in the process of producing raw sugar and/or refining.
- *Materials and supplies* - determined using weighted average method; cost includes purchase and other directly attributable costs determined based on their original purchase price.

For raw and refined sugar, alcohol, molasses, jobs-in-progress 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 losses 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 an expense (reported as cost of goods sold in profit or loss) in the period in which the related sale is recognized.

32.8 Land held under voluntary offer to sell

The Parent Company owns land covered by the Comprehensive Agrarian Reform Program of the Department of Agrarian Reform (DAR). Those land are subject to voluntary offer to sell classified as non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These are measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset at fair value less cost to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset is recognized at the date of derecognition.

32.9 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 impairment loss, if any. These include excess input VAT and creditable withholding taxes.

Other current assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the reporting date which are classified as non-current assets.

Deferred tolling cost refers to the expenses incurred by the Parent Company for advance refining of sugar and not yet billed to customers. This will be charged to expense upon surrender of quedan for refining.

32.10 Investments in subsidiaries and associate

(a) Investment in subsidiaries

A subsidiary is an entity (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when the Parent Company 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 (Note 8).

The investment in subsidiaries is carried in the statements of financial position at cost, less any impairment in value. The investment in subsidiary includes the excess of the cost of the acquisition over the fair value of identifiable net assets of the subsidiary at the date of acquisition and is not amortized.

The Parent Company recognizes income from investment in subsidiaries when the Parent Company's right to receive dividends is established.

When investment in subsidiaries is disposed of, the cost and the related accumulated provision for impairment, if any, are removed from the accounts and any resulting gain or loss is credited or charged against current operations.

The Parent Company determines whether it is necessary to recognize any impairment with respect to the Parent Company's investment in subsidiaries. The Parent Company determines at each reporting date whether there is any objective evidence that the investment in subsidiaries is impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount of the subsidiaries and the carrying cost and recognizes the amount against profit or loss for the year.

(b) Investment in associate

An associate is an entity over which the Parent Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights (Note 8). Investment in an associate is accounted for under the equity method of accounting.

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 statement of financial position at cost plus post-acquisition changes in the Parent Company's share in the net assets of the investee companies, less any impairment in values. The statement of income reflects the share of the results of the operations of the investee companies. The Parent 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 Parent 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 Parent Company discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Parent Company has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Parent 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 period the equity method was suspended.

The reporting dates of the investee companies and the Parent Company are identical and the investee companies' accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Parent 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 consolidated statement of income.

32.11 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 subsequent depreciation and impairment losses, if there is any, 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 statement of financial position and statement 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 Parent Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

All costs that 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 Parent 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.

Depreciation is calculated using the straight-line method to allocate their revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Number of years
Land improvements	12.5
Building and structures	20
Community buildings and equipment	20
Machinery and equipment	3-20

Leasehold improvements are amortized over the term of the lease or life of the asset, whichever is shorter.

The assets' residual values and 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 and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

The carrying amount of the Parent 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 Parent 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 Parent 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 the profit or loss.

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

32.12 Investment properties

Investment properties composed of land and building, which are properties held by the Parent 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 period in which they 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 period of derecognition.

32.13 Impairment of non-financial assets

The carrying amount of the Parent Company's non-financial assets which include inventories, 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.

32.14 Borrowings and borrowing costs

32.14.1 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 Parent 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.

32.14.2 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.

32.15 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 fulfil an obligation.

The Parent 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 Parent 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. As at reporting date, there are no financial instruments under Level 1.

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. Available-for-sale financial assets generally approximate its fair value determined on the basis of similar instrument based on level 2. As at reporting date, the Parent Company does not have financial assets or liabilities included in Levels 3.

The Parent 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.

32.16 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Parent 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 stock. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

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

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

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially 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 convertible notes of the Parent Company 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 Parent Company already fixed the number of shares to be converted into common shares based from the 1:1 share of the principal convertible notes to common shares. The 8% interests accrued from the convertible notes are treated as APIC upon conversion rather than a determinant in identifying the number of shares to be converted (Note 15).

32.17 Earnings per share (EPS)

The Parent Company 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 Parent Company's potential common shares comprise convertible notes.

32.18 Leases - operating lease

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

Parent Company as a Lessor

Lease income under operating leases is recognized as income in the profit or loss on a straight-line basis over the lease term.

Parent Company as a Lessee

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

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

32.19 Employee benefits

Short-term benefits

The Parent 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.

Defined benefit retirement plan

The Parent 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 defined benefit obligation 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 Parent 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, which comprise actuarial gains and losses, the return on plan assets, if any (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in Other Comprehensive Income (OCI). The Parent 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 Parent Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

32.20 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. Certain amounts in the 2016 financial statements and supporting note disclosures have been reclassified to conform to the current year's presentation. The reclassification which resulted in a more appropriate and better presentation of accounts did not have any impact on the Parent Company's profit or loss, equity and cash flows reported in previous years.

32.21 Foreign currency transactions and translations

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

32.22 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 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, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or 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 Parent 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.

32.23 Provisions and contingencies

Provisions are recognized when the Parent 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.

32.24 Events after reporting period

Post year-end events that provide additional information about the Parent Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material. Refer to Note 32.

33 Supplementary tax information under revenue regulations 15-2010

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the notes to financial statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

The Parent Company also reported and/or paid the following types of taxes for the year ended August 31, 2017:

I. Value Added Tax (VAT)

Details of the Parent Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Net sales/receipts and output VAT declared in the Parent Company's VAT returns filed for 2017

	VAT exempt	Net vatable sales/receipts	Vatable Sales	Output VAT
Taxable sales				
Sales of services	2,318,427	-	527,065,044	63,247,805
Sale of goods	1,678,370,838	50,830,092	6,599,044,924	791,885,391
	1,680,689,265	50,830,092	7,126,109,968	855,133,196

b. The rollforward of Input VAT for 2017 follows:

	Amount
Balance at January 1	-
Input VAT on purchase of goods and services including importation	515,015,848
Total	515,015,848
Less: Claims for tax credit/refund and other adjustments	(515,015,848)
Balance at December 31	-

The Parent 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.

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 for 2017:

	Amount
Real property taxes	65,737,445
Business taxes	18,164,686
Licenses and registration fees	2,120,647
Documentary and science stamps	3,733,265
Liens	19,304,374
Others	183,747
	109,244,164

III. Withholding taxes

	Paid	Accrued	Total
Withholding tax on compensation	34,042,698	1,993,121	36,035,819
Expanded withholding tax	81,499,566	3,029,385	84,528,951
	115,542,264	5,022,506	120,564,770

Accrued withholding taxes are included as part of Trade and other current payables in the statement of financial position.

IV. Deficiency tax assessments

A Final Assessment Notice (FAN) was issued on February 24, 2017 to cover assessment for various tax deficiencies for fiscal year ending August 31, 2012 amounting to P70.09 million, inclusive of surcharges and interest. A Preliminary Assessment Notice (PAN) was issued to cover assessment for various tax deficiencies for fiscal year ending August 31, 2013 amounting to P50.11 million, inclusive of surcharges and interest. Both assessments were paid in 2017.

Victorias Milling Company, Inc.
Schedule of Philippine Financial Reporting Standards
Effective as at August 31, 2017

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition Disclosures ¹			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Disclosures - Hedge Accounting*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	

		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, 12 and PAS 27: Consolidation for investment entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Acquisitions of an Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts		✓	
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
	Employee Benefits	✓		

		Adopted	Not Adopted	Not Applicable
PAS 19 (Revised)	Amendments to PAS 19: Contributions from Employees or Third Parties*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*			✓
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32 (Revised)	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Financial Instruments Assets and Liability Offsetting	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of assets - Recoverable amount disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓

		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The standards and interpretations that are labeled as “Not Applicable” are already effective as at August 31, 2017 but will never be relevant/applicable to the Parent Company or are currently not relevant to the Parent Company because it has currently no related transactions.

The standards, amendments and interpretations that have been issued but are not yet effective as at August 31, 2017 are marked as “Not Adopted”



VICTORIAS MILLING COMPANY, INC.

October 13, 2016

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

Dear Hon. Callangan:

We would like to inform the Honorable Commission that Victorias Milling Company Inc. (VMC), has submitted a clarification and/or confirmation of the news item with the Philippine Stock Exchange on October 13, 2016.

Attached is the copy of the said news article dated October 12, 2016 as well as VMC's clarification and/or confirmation thereof.

Thank you.

Very truly yours,


ATTY. 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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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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Thursday, October 13, 2016

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Victorias Milling CEO named new SRA chief

by **Madelaine B. Mirafior**

October 12, 2016

Chief executive officer (CEO) of listed sugar manufacturer Victorias Milling Company, Inc. (VMC), Anna Rosario Paner was appointed administrator of the Sugar Regulatory Administration (SRA).

Paner, who has been with VMC since 2007, will replace Maria Regina Martin, who served as administrator of SRA Administrator for six years.

"I am pleased to transmit the appointment letter, signed by President Rodrigo Roa Duterte, of Ms. Anna Rosario Paner, as member, sugar board, Sugar Regulatory Administration, to serve as the unexpired Term of Office that began on July 1, 2016 and will end on June 30, 2017 vice Maria Regina Martin," Salvador Medialdea, Executive Secretary of the Philippines, said in a letter signed on Monday.



VICTORIAS MILLING COMPANY, INC.

(Photo courtesy of
www.victoriasmilling.com/)

Governance Commission for GOCCs (GCG) yearly evaluates the performance of top officials in the Government Owned or Controlled Corporations (GOCCs), thus the one year term specified in the letter. Martin, which was appointed by former President Benigno Aquino 3rd, also went through the same process.

In a text message, Victorias Milling President Wilson Young said Paner still doesn't have a replacement in the company. "The nomination will have to convene once Atty. Paner takes her oath of office," he said.

Paner, along with other GOCC leaders, may take her oath next month.

Industry sources welcomed the appointment of Paner, citing her knowledge towards the sugar industry, "not just in the point of view of planter but also as miller."

"For the longest time, traders have been very influential at the SRA. So many sugars are being imported over the past years. At least now, local millers will be protected," the source told Manila Bulletin.

From Around the Web

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
Oct 13, 2016
2. SEC Identification Number
PW-364
3. BIR Tax Identification No.
000-270-220-000
4. Exact name of issuer as specified in its charter
VICTORIAS MILLING COMPANY, INC.
5. Province, country or other jurisdiction of incorporation
Negros Occidental, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental
Postal Code
6119
8. Issuer's telephone number, including area code
+63-34-399-3588
9. 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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	2,613,240,320

11. Indicate the item numbers reported herein
9

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



VICTORIAS MILLING COMPANY, INC.

Victorias Milling Company, Inc. VMC

PSE Disclosure Form 4-13 - Clarification of News Reports References: SRC Rule 17 (SEC Form 17-C) and Section 4.4 of the Revised Disclosure Rules

Subject of the Disclosure

Clarification on News article posted in Manila Bulletin (Internet Edition) on October 12, 2016, stating that the: "Chief executive officer (CEO) of listed sugar manufacturer Victorias Milling Company, Inc. (VMC), Anna Rosario Paner was appointed administrator of the Sugar Regulatory Administration (SRA)."

Source	Manila Bulletin (Internet Edition)
Subject of News Report	Victorias Milling CEO named new SRA Chief
Date of Publication	Oct 12, 2016

Clarification of News Report

Clarification on News article posted in Manila Bulletin (Internet Edition) on October 12, 2016, stating that the:

"Victorias Milling CEO named new SRA chief" posted in Manila Bulletin (Internet Edition) on October 12, 2016. The article reported in part that:

"Chief executive officer (CEO) of listed sugar manufacturer Victorias Milling Company, Inc. (VMC), Anna Rosario Paner was appointed administrator of the Sugar Regulatory Administration (SRA).

Paner, who has been with VMC since 2007, will replace Maria Regina Martin, who served as administrator of SRA Administrator for six years.

'I am pleased to transmit the appointment letter, signed by President Rodrigo Roa Duterte, of Ms. Anna Rosario Paner, as member, sugar board, Sugar Regulatory Administration, to serve as the unexpired Term of Office that began on July 1, 2016 and will end on June 30, 2017 vice Maria Regina Martin,' Salvador Medialdea, Executive Secretary of the Philippines, said in a letter signed on Monday.

In a text message, Victorias Milling President Wilson Young said Paner still doesn't have a replacement in the company. 'The nomination will have to convene once Atty. Paner takes her oath of office,' he said.

Paner, along with other GOCC leaders, may take her oath next month.

VMC has been informed that President Rodrigo R. Duterte has approved the nomination of its Vice-chairman and CEO, Atty. Anna Rosario V. Paner, as administrator of the Sugar Regulatory Administration (SRA).

Other Relevant Information



111032016000838

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Industry Classification
Company Type Stock Corporation

Document Information

Document ID 111032016000838
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
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VICTORIAS MILLING COMPANY, INC.

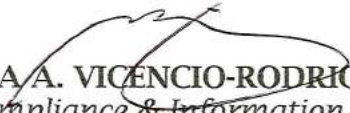
HON. JUSTINA F. CALLANGAN
*Director, Corporate Governance and
Finance Department*
Securities and Exchange Commission
11th Floor, SEC Bldg., EDSA, Greenhills,
Mandaluyong City

Dear Hon. Callangan:

We are sending the attached report (SEC Form 17-C) of Victorias Milling Company, Inc. (VMC) relative to the resignation of a member of the Board of Directors, and the election of a new member to replace the aforesaid resigned director.

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. October 28, 2016
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) 399-3588 Fax No. (034) 399-3588
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares
11. Indicate the item numbers reported herein: Item No. 9

REPORTED HEREIN:

That in the meeting held today, October 28, 2016, the Board of Directors of Victorias Milling Company, Inc. (VMC) acted on the following:

1) Accepted the resignation of Atty. Anna Rosario V. Paner as a Director, Vice-chairman of the Board, CEO of the Corporation as well as all positions in VMC subsidiaries; and

2) Elected Atty. Brian Keith F. Hosaka as director for the remainder of the term of Atty. Paner and until the election and appointment of his successor.

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: October 28, 2016



111282016000788

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Dennis B. Malazarte

Receiving Branch : SEC Head Office

Receipt Date and Time : November 28, 2016 01:44:46 PM

Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. PW00000364

Company Name VICTORIAS MILLING CO.

Industry Classification

Company Type Stock Corporation

Document Information

Document ID 111282016000788

Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)

Document Code 17-C

Period Covered November 24, 2016

No. of Days Late 0

Department CFD

Remarks Cert. of Attendance



VICTORIAS MILLING COMPANY, INC.

November 24, 2016

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

Dear Hon. Callangan:

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 Attendance of the following VMC members of the Board and Officers to a Corporate Governance Training with SEC-Accredited Training Provider on November 22, 2016.

1. Mr. Wilson T. Young – Chairman
2. Atty. Brian Keith F. Hosaka – Corporate Secretary
3. Mr. Terence D. Son Keng Po – Treasurer and Director
4. Dr. Alberto P. Fenix, Jr. – Director
5. Mr. Eduardo V. Concepcion – President and Chief Operating Officer
6. Ms. Teresita V. Ilagan – Chief Finance Officer
7. Ms. Linley A. Retirado – Chief Manufacturing Officer
8. Ms. Judy Anne T. Tiongco – Investor Relations Officer

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

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

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. **November 24, 2016**
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) 399-3588** **Fax No. (034) 399-3588**
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares
11. Indicate the item numbers reported herein: **Item No. 9**



**Securities and
Exchange
Commission**
PHILIPPINES



This

CERTIFICATE OF ATTENDANCE

is presented to

ALBERTO FENIX, JR.

for participating in the

**3RD ANNUAL SEC - PSE
CORPORATE GOVERNANCE
FORUM**

22 November 2016

Meeting Room 1

Philippine International Convention Center

PICC Complex, Pasay City

949-2

TERESITA J. HERBOSA

Chairperson



**Securities and
Exchange
Commission**
PHILIPPINES



This

CERTIFICATE OF ATTENDANCE

is presented to

TERESITA V. ILAGAN

for participating in the

**3RD ANNUAL SEC - PSE
CORPORATE GOVERNANCE
FORUM**

22 November 2016

Meeting Room 1

Philippine International Convention Center

PICC Complex, Pasay City

949

TERESITA J. HERBOSA

Chairperson



Securities and
Exchange
Commission
PHILIPPINES



This

CERTIFICATE OF ATTENDANCE

is presented to

TERENCE SON KENG PO

for participating in the

**3RD ANNUAL SEC - PSE
CORPORATE GOVERNANCE
FORUM**

22 November 2016

Meeting Room 1

Philippine International Convention Center

PICC Complex, Pasay City

949

TERESITA J. HERBOSA

Chairperson



**Securities and
Exchange
Commission**
PHILIPPINES



This

CERTIFICATE OF ATTENDANCE

is presented to

BRIAN KEITH HOSAKA

for participating in the

**3RD ANNUAL SEC - PSE
CORPORATE GOVERNANCE
FORUM**

22 November 2016

Meeting Room 1

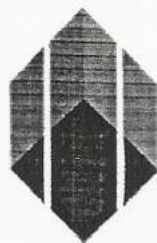
Philippine International Convention Center

PICC Complex, Pasay City

149-2

TERESITA J. HERBOSA

Chairperson



**Securities and
Exchange
Commission**
PHILIPPINES



This

CERTIFICATE OF ATTENDANCE

is presented to

WILSON T. YOUNG

for participating in the

**3RD ANNUAL SEC - PSE
CORPORATE GOVERNANCE
FORUM**

22 November 2016

Meeting Room 1

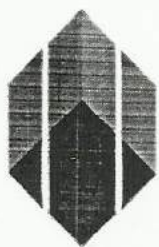
Philippine International Convention Center

PICC Complex, Pasay City

A handwritten signature in black ink, appearing to read 'T. Herbosa'.

TERESITA J. HERBOSA

Chairperson



**Securities and
Exchange
Commission**
PHILIPPINES



This

CERTIFICATE OF ATTENDANCE

is presented to

JUDY ANNE G. TIONGCO

for participating in the

**3RD ANNUAL SEC - PSE
CORPORATE GOVERNANCE
FORUM**

22 November 2016

Meeting Room 1

Philippine International Convention Center

PICC Complex, Pasay City

A handwritten signature in black ink, appearing to read 'TJ Herbosa'.

TERESITA J. HERBOSA

Chairperson



**Securities and
Exchange
Commission**
PHILIPPINES



CERTIFICATE OF ATTENDANCE

EDUARDO V. CONCEPCION

**3RD ANNUAL SEC - PSE
CORPORATE GOVERNANCE
FORUM**

22 November 2016

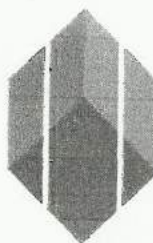
Meeting Room 1

Philippine International Convention Center

PICC Complex, Pasay City

929

TERESITA J. HERBOSA



**Securities and
Exchange
Commission**
PHILIPPINES



CERTIFICATE OF ATTENDANCE

LINLEY RETIRADO

**3RD ANNUAL SEC - PSE
CORPORATE GOVERNANCE
FORUM**

22 November 2016
Meeting Room 1
Philippine International Convention Center
PICC Complex, Pasay City

949

TERESITA J. HERBOSA
Chairperson



112122016000073

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Fernando T. Fernandez
Receiving Branch : SEC Head Office
Receipt Date and Time : December 12, 2016 09:47:50 AM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. PW00000364
Company Name VICTORIAS MILLING CO.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 112122016000073
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered December 06, 2016
No. of Days Late 0
Department CFD
Remarks



VICTORIAS MILLING COMPANY, INC.

December 6, 2016

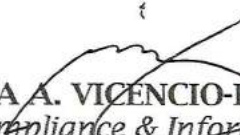
HON. JUSTINA F. CALLANGAN
*Director, Corporate Governance and
Finance Department*
Securities and Exchange Commission
11th Floor, SEC Bldg., EDSA, Greenhills,
Mandaluyong City

Dear Hon. Callangan:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. in connection with the decision of the Court of Appeals on SEC En Banc Case No. 04-15-368 (SEC Case No. 07-97-5693).

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. December 6, 2016
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 6119
Address of office Postal Code
8. (034) 399-3588 Fax No. (034) 399-3588
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares
11. Indicate the item numbers reported herein: Item No. 9

REPORTED HEREIN:

Further to Victorias Milling Company, Inc.'s (VMC) updated disclosure on January 27, 2016 in response to the Exchange's query dated March 25, 2015, the corporation's external Legal Counsel has transmitted copies of the certified true copies of the following documents issued by the Court of Appeals:

1. Minute Resolution Dated September 23, 2016; and
2. Entry of Judgment dated September 23, 2016.

The Minute Resolution states:

"In view of the result of CMIS 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."

CMIS refers to the Case Management Information System of the Court of Appeals.

On the other hand, the Entry of Judgment provides:

"This is to certify that on JANUARY 19, 2016 a decision rendered in the above-entitled case was filed in this Office, the dispositive part of which reads as follows:

'WHEREFORE, in view of the foregoing, the instant Petition is hereby DENIED and the Decision dated August 11, 2015 of the Securities and Exchange Commission En Banc in SEC En Banc Case No. 04-15-368 (SEC Case No. 07-97-5693) is AFFIRMED.

'Consequently, petitioner's application for injunctive relief is likewise DENIED.

'SO ORDERED.'

and that the same has on JUNE 12, 2016 become final and executory and is hereby recorded in the Book of Entries of Judgments."

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: December 6, 2016



112152016000697

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Julius N. Salustiano
Receiving Branch : SEC Head Office
Receipt Date and Time : December 15, 2016 03:07:05 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. PW00000364
Company Name VICTORIAS MILLING CO.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 112152016000697
Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code 17-C
Period Covered December 09, 2016
No. of Days Late 0
Department CFD
Remarks



VICTORIAS MILLING COMPANY, INC.

December 9, 2016

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

Dear Hon. Callangan:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. in connection with Board approvals during its December 9, 2016 meeting.

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. **December 9, 2016**
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 **6119**
Address of office Postal Code
8. **(034) 399-3588** **Fax No. (034) 399-3588**
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares
11. Indicate the item numbers reported herein: **Item No. 9**

REPORTED HEREIN:

At the regular meeting of the Board of Directors of Victorias Milling Company, Inc. (VMC) on 9 December 2016, the following matters were approved:

- 1) Appointment of Minnie O. Chua as Deputy Chief Operating Officer effective immediately;
- 2) Release of the Audited Financial Statements for Fiscal Year ending August 31, 2016; and
- 3) The issuance of a total of 128,810,244 new shares upon the conversion of Convertible Notes in accordance with the provisions of the Alternative Rehabilitation Plan (ARP) and Debt Restructuring Agreement (DRA) approved by the SEC on 19 November 2000 and 29 April 2002, respectively.

The following convertible note holders are converting their convertible notes into equity, to wit:

LT GROUP, INC. - 58,942,885 VMC common shares
PREMIER NETWORK INTL. LTD. - 26,117,150 VMC common shares
NARRA CAPITAL INVESTMENT CORP. - 43,750,209 VMC common shares
TOTAL - 128,810,244 VMC common shares to be converted

- 4) In order to accommodate the issuance of new shares as above-described, the increase in the authorized capital of the Corporation from Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty Pesos (PhP2,913,250,850.00) divided into Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty (2,913,250,850) shares with a par value of One Peso (PhP1.00) per share to Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (PhP3,042,061,094.00) divided into Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (3,042,061,094) shares with a par value of One Peso (PhP1.00) per share; and the amendment of the Articles of Incorporation of the Corporation accordingly.

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

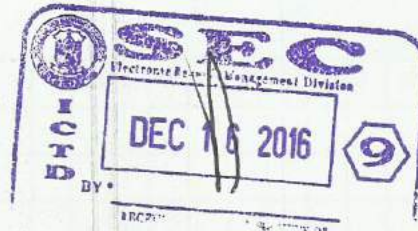
Date: December 9, 2016



VICTORIAS MILLING COMPANY, INC.

December 13, 2016

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



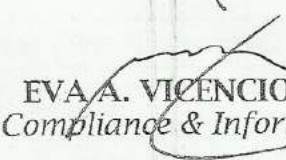
Dear Hon. Callangan:

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 Attendance of the following VMC members of the Board to a Corporate Governance Training with SEC-Accredited Training Provider on December 8, 2016.

1. Mr. William Y. Chua - Director
2. Mr. Alvin C. Yu - Director
3. Mr. Martin C. Yu - Director

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

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

034-399-3588

Company's Facsimile Number

034-399-3588

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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



This

Certificate of Attendance

is presented to

William Y. Chua

for having completed the seminar on

Corporate Governance

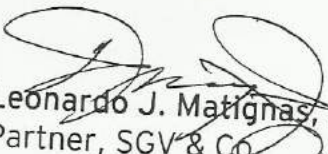
08 December 2016

1:00 p.m. to 5:00 p.m.

Ballroom 1, New World Hotel Makati

Esperanza Street corner Makati Avenue

Ayala Center, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.



Building a better
working world

This

Certificate of Attendance

is presented to

Martin C. Yu

for having completed the seminar on

Corporate Governance

08 December 2016

1:00 p.m. to 5:00 p.m.

Ballroom 1, New World Hotel Makati

Esperanza Street corner Makati Avenue

Ayala Center, Makati City

Leonardo J. Matignas, Jr.
Partner, SGV & Co.



Building a better
working world

This

Certificate of Attendance

is presented to

Alvin C. Yu

for having completed the seminar on

Corporate Governance

08 December 2016

1:00 p.m. to 5:00 p.m.

Ballroom 1, New World Hotel Makati

Esperanza Street corner Makati Avenue

Ayala Center, Makati City

Leonardo J. Matignas, Jr.
Partner, SGV & Co.



VICTORIAS MILLING COMPANY, INC.

January 6, 2017

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

Dear Hon. Callangan:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. in connection with its Annual Stockholders' Meeting on February 7, 2017.

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 Q 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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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 11
OF THE SECURITIES REGULATION CODE
AND SEC RULE 17.2(c) THEREUNDER



1. January 6, 2017
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) 399-3588 Fax No. (034) 399-3588
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares
11. Indicate the item numbers reported herein: Item No. 9

REPORTED HEREIN:

The following are the nominees to the Board of Directors of Victorias Milling Company, Inc. (VMC) for the year 2017-2018, for election at the 7 February 2017 Annual Stockholders' meeting of VMC:

For Existing Stockholders – 3 seats

Nominees:

1. Tan, Michael G.
2. Young, Wilson T.
3. Yu, Alvin C.

Secured Creditors – 1 seat

Nominee:

1. Son Keng Po, Terence D.

For Creditors with Debt Conversion – 7 seats

Nominees:

1. Chua, William Y.
2. Concepcion, Eduardo V.
3. Hosaka, Brian Keith F.
4. Ong, Peter Y.
5. Tan, Lucio K., Jr.
6. Yu, Martin C.
7. Yu, Victor T.

The Nominees' categories are pursuant to the Alternative Rehabilitation Plan dated 29 November 2000 and the Debt Restructuring Agreement dated 29 April 2002.

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: January 6, 2017



VICTORIAS MILLING COMPANY, INC.

January 24, 2017

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

Dear Hon. Callangan:

We would like to inform the Honorable Commission that Victorias Milling Company, Inc. (VMC) has submitted a clarification and/or confirmation of the news item with the Philippine Stock Exchange on January 24, 2017.

Attached is the copy of the said news article (BusinessMirror – Internet Edition) dated January 23, 2017 as well as VMC's clarification and/or confirmation thereof.

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

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Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

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Facsimile Number/s

034-399-3588

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

Victorias Milling sees 12.3% decline in full-year profit

 www.businessmirror.com.ph/victorias-milling-sees-12-3-decline-in-full-year-profit/

January 23, 2017

BusinessMirror

VICTORIAS CITY, Negros Occidental—Listed sugar-miller Victorias Milling Co., Inc. (VMC) said it expects its net income for the current fiscal year (FY) to decline by nearly 12.3 percent to P700 million due to lower production.

"Our original outlook was P1 billion, but I think [income] could settle at around P700 million," VMC Chief Finance Officer Teresita V. Ilagan told reporters in a news briefing here on Monday.

"It's mainly because of the softening of prices and our production level is not as much as what we had originally projected. And then of course, sugar recovery is also much lower," Ilagan added.

VMC's fiscal year is concurrent with the country's sugar crop year (CY), which starts on September 1 and ends on August 31 of the succeeding year.

The company said its milling tonnage would approximate the 3.1 million metric tons (MMT) of sugarcane recorded in FY 2015-2016.

VMC President and COO Eduardo Concepcion also said the average milling recovery rate for FY 2016-2017 could go down to 1.9-kilogram bags per ton cane (LKG/TC), from 2 LKG/TC recorded a year ago.

"Our original target was 3.2 MMT of sugarcane, but from the looks of it, it would most likely [settle] between 3 MMT and 3.1 MMT," Concepcion said.

"This [crop] year, production is better but the sugar content is less," he added.

Concepcion attributed the poor quality of sugarcanes to the lingering effects of El Niño.

The company expects total raw sugar output to decline by 8.23 percent to 5.7 million 50-kilogram bag (lkg), or around 285,000 metric tons (MT), from 6.21 million lkg (310,500 MT) produced in FY 2015-2016.

Concepcion noted that the drop in raw sugar output would result in lower refined sugar output.

The company said it expects its refined sugar production in FY 2016-2017 to decline by nearly 20 percent to 4.2 million lkg, from 5.21 million lkg posted a year ago.

"There's also the issue of prices. Last year prices were good. Currently, prices are lower," Concepcion said.

The company's capital expenditure for FY 2016-2017 is pegged at P300 million. The amount will be used to maintain and improve their factories.

VMC's subsidiaries include Victorias Food Corp., Victorias Agricultural Land Corp., Canetown Development Corp. and Victorias Golf and Country Club Inc.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
Jan 24, 2017
2. SEC Identification Number
PW-364
3. BIR Tax Identification No.
000-270-220-000
4. Exact name of issuer as specified in its charter
VICTORIAS MILLING COMPANY, INC.
5. Province, country or other jurisdiction of incorporation
Negros Occidental, Philippines
6. Industry Classification Code (SEC Use Only)
7. Address of principal office
VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental
Postal Code
6119
8. Issuer's telephone number, including area code
+63-34-399-3588
9. 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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	2,613,240,320
11. Indicate the item numbers reported herein
Item 9

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



VICTORIAS MILLING COMPANY, INC.

Victorias Milling Company, Inc. VMC

PSE Disclosure Form 4-13 - Clarification of News Reports *References: SRC Rule 17 (SEC Form 17-C) and Section 4.4 of the Revised Disclosure Rules*

Subject of the Disclosure

Clarification on News article posted in BusinessMirror (Internet Edition) on January 23, 2017, stating that: "Victorias Milling sees 12.3% decline in full-year profit."

Source	BusinessMirror (Internet Edition)
Subject of News Report	Victorias Milling sees 12.3% decline in full-year profit.
Date of Publication	Jan 23, 2017

Clarification of News Report

Clarification on News article posted in BusinessMirror (Internet Edition) on January 23, 2017, stating that:

"VICTORIAS CITY, Negros Occidental—Listed sugar-miller Victorias Milling Co., Inc. (VMC) said it expects its net income for the current fiscal year (FY) to decline by nearly 12.3 percent to P700 million due to lower production.

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....

The company's capital expenditure for FY 2016-2017 is pegged at P300 million. The amount will be used to maintain and improve their factories.

...."

In response to the request of the Exchange for clarification and/or confirmation of the above-quoted news article, the corporation hereby states that the estimates were based on recent market and industry outlook.

VMC is constantly monitoring developments in prices and supply trends to mitigate any possible adverse outcome in order to meet its original projections.

On the other hand, VMC's capital expenditure for crop year 2016-2017 is around P300 million.

Other Relevant Information

-

Filed on behalf by:

Name

Eva Rodriguez

Designation

Compliance and Information Officer



VICTORIAS MILLING COMPANY, INC.

January 24, 2017

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

Dear Hon. Callangan:

We would like to inform the Honorable Commission that Victorias Milling Company, Inc. (VMC) has submitted a clarification and/or confirmation of the news item with the Philippine Stock Exchange on January 24, 2017.

Attached is the copy of the said news article (BusinessMirror – Internet Edition) dated January 23, 2017 as well as VMC's clarification and/or confirmation thereof.

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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

Victorias Milling sees 12.3% decline in full-year profit

 www.businessmirror.com.ph/victorias-milling-sees-12-3-decline-in-full-year-profit/

January 23, 2017

BusinessMirror

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The company's capital expenditure for FY 2016-2017 is pegged at P300 million. The amount will be used to maintain and improve their factories.

VMC's subsidiaries include Victorias Food Corp., Victorias Agricultural Land Corp., Canetown Development Corp. and Victorias Golf and Country Club Inc.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
Jan 24, 2017
2. SEC Identification Number
PW-364
3. BIR Tax Identification No.
000-270-220-000
4. Exact name of issuer as specified in its charter
VICTORIAS MILLING COMPANY, INC.
5. Province, country or other jurisdiction of incorporation
Negros Occidental, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
VMC Compound, J.J. Ossorio St., Brgy. XVI, Victorias City, Negros Occidental
Postal Code
6119
8. Issuer's telephone number, including area code
+63-34-399-3588
9. 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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	2,613,240,320
11. Indicate the item numbers reported herein
Item 9

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



VICTORIAS MILLING COMPANY, INC.

Victorias Milling Company, Inc. VMC

PSE Disclosure Form 4-13 - Clarification of News Reports *References: SRC Rule 17 (SEC Form 17-C) and Section 4.4 of the Revised Disclosure Rules*

Subject of the Disclosure

Clarification on News article posted in BusinessMirror (Internet Edition) on January 23, 2017, stating that: "Victorias Milling sees 12.3% decline in full-year profit."

Source	BusinessMirror (Internet Edition)
Subject of News Report	Victorias Milling sees 12.3% decline in full-year profit.
Date of Publication	Jan 23, 2017

Clarification of News Report

Clarification on News article posted in BusinessMirror (Internet Edition) on January 23, 2017, stating that:

"VICTORIAS CITY, Negros Occidental—Listed sugar-miller Victorias Milling Co., Inc. (VMC) said it expects its net income for the current fiscal year (FY) to decline by nearly 12.3 percent to P700 million due to lower production.

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VMC is constantly monitoring developments in prices and supply trends to mitigate any possible adverse outcome in order to meet its original projections.

On the other hand, VMC's capital expenditure for crop year 2016-2017 is around P300 million.

Other Relevant Information

-

Filed on behalf by:

Name

Eva Rodriguez

Designation

Compliance and Information Officer



VICTORIAS MILLING COMPANY, INC.

January 25, 2017

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

Dear Hon. Callangan:

We would like to inform the Honorable Commission that Victorias Milling Company, Inc. (VMC) has submitted a clarification and/or confirmation of the news item with the Philippine Stock Exchange on January 25, 2017.

Attached is the copy of the said news article (BusinessMirror – Internet Edition) dated January 24, 2017 as well as VMC's clarification and/or confirmation thereof.

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 .

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Name of Contact Person

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034-399-3588

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

VMC set to build cogeneration biomass power plant in Negros Occidental

 www.businessmirror.com.ph/vmc-set-build-cogeneration-biomass-power-plant-negros-occidental/

January 24, 2017

Jasper Y. Arcalas

VICTORIAS CITY, Negros Occidental—Listed sugar milling firm Victorias Milling Co. Inc. (VMC) is keen on completing a P2-billion, 40-megawatt (MW) cogeneration biomass power plant by September this year.

The plant is currently being constructed within the VMC's headquarters here and expected to run mainly on bagasse, a byproduct of sugarcane after being processed to extract sugar.

"We will be able to export to the grid about 25 MW. while the remaining 15 MW will be for own use. We are also applying this under FiT [feed-in-tariff]," VMC President and COO Eduardo Concepcion said during a news briefing on January 23.

If the project becomes qualified under FIT, the power plant will get priority dispatch in the spot market with a fixed price of power at P6.63 per kilowatt-hour for at least 20 years.

"If things go right, we can construct Phase 2 [of the biomass plant]. Same capacity, but the power exported [to the grid] will be just 20 MW. Part of the power from Phase 2 will electrify the turbines to convert them to use electric power so that steam from the sugar mill will be concentrated on the power plant to maximize power generation we will use to run the mill," Concepcion said.

He added that other firms planning to construct their own biomass power plant in the region are talking to VMC for a supply agreement of bagasse.

"The setup could be somehow difficult since gathering sugarcane trash in the field is challenging. Roads to areas in the facility are rugged and not easily acceptable. It will be difficult during the rainy season, especially in bringing in needed equipment. In Negros the Zabaleta group is planning a biomass plant," Concepcion said, referring to the three biomass plants to be constructed in Negros Occidental by Bronzeoak Philippines Inc. led by the Zabaleta group.

Concepcion added that they already signed an agreement with Wuxi Huaguang Electric Power Engineering to become the supplier of the boiler for their biomass project.

VMC is also upgrading its distillery to be able to produce bioethanol by converting potable alcohol, VMC Chief Manufacturing Officer Linley Retirado said.

"Under the law, bioethanol needs to be sourced from local produce, so the demand and the price is high compared to potable alcohol that could be imported," Retirado said in the same media briefing.

He added that the upgrade will likely cost around P50 million to P80 million. Bulk of investment will be spent on the installation of a dehydrator to enable the conversion of potable alcohol to bioethanol.

Retirado said the upgrade of the distillery's current capacity of 30,000 liters would increase the production to 50,000 liters per day of potable alcohol. Once converted, the volume translates into an estimated annual production of as much as 8.3 million liters of bioethanol, Retirado added.

Molasses, a byproduct of sugarcane milling, is a raw material for bioethanol and feedstock for alcohol production.

The Biofuels Act of 2006 mandates a 10-percent bioethanol blend in gasoline.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)
Jan 25, 2017
2. SEC Identification Number
PW-364
3. BIR Tax Identification No.
000-270-220-000
4. Exact name of issuer as specified in its charter
VICTORIAS MILLING COMPANY, INC.
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Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	2,613,240,320
11. Indicate the item numbers reported herein
Item 9

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



VICTORIAS MILLING COMPANY, INC.

Victorias Milling Company, Inc. VMC

PSE Disclosure Form 4-13 - Clarification of News Reports *References: SRC Rule 17 (SEC Form 17-C) and Section 4.4 of the Revised Disclosure Rules*

Subject of the Disclosure

Clarification on News article posted in BusinessMirror (Internet Edition) on January 24, 2017, stating that: "VMC set to build cogeneration biomass power plant in Negros Occidental".

Source	BusinessMirror
Subject of News Report	"VMC set to build cogeneration biomass power plant in Negros Occidental"
Date of Publication	Jan 24, 2017

Clarification of News Report

Clarification on news article posted in BusinessMirror (Internet Edition) on January 24, 2017, stating that:

"VICTORIAS CITY, Negros Occidental—Listed sugar milling firm Victorias Milling Co. Inc. (VMC) is keen on completing a P2-billion, 40-megawatt (MW) cogeneration biomass power plant by September this year.

The plant is currently being constructed within the VMC's headquarters here and expected to run mainly on bagasse, a byproduct of sugarcane after being processed to extract sugar.

'We will be able to export to the grid about 25 MW while the remaining 15 MW will be for own use. We are also applying this under FIT [feed-in-tariff],' VMC President and COO Eduardo Concepcion said during a news briefing on January 23.

....

'If things go right, we can construct Phase 2 [of the biomass plant]. Same capacity, but the power exported [to the grid] will be just 20 MW. Part of the power from Phase 2 will electrify the turbines to convert them to use electric power so that steam from the sugar mill will be concentrated on the power plant to maximize power generation we will use to run the mill,' Concepcion said.

....

Concepcion added that they already signed an agreement with Wuxi Huaguang Electric Power Engineering to become the supplier of the boiler for their biomass project.

VMC is also upgrading its distillery to be able to produce bioethanol by converting potable alcohol, VMC Chief Manufacturing Officer Linley Retirado said.

....

He added that the upgrade will likely cost around P50 million to P80 million. Bulk of investment will be spent on the installation of a dehydrator to enable the conversion of potable alcohol to bioethanol.

Retirado said the upgrade of the distillery's current capacity of 30,000 liters would increase the production to 50,000 liters per day of potable alcohol. Once converted, the volume translates into an estimated annual production of as much as 8.3 million liters of bioethanol, Retirado added.

...."

In response to the request of the Exchange for clarification and/or confirmation of the above-quoted news article, the corporation states as follows:

1. The biomass power plant is now on its construction phase. Projected start of operation is within next crop year. Crop year starts every September.
2. The mention of the Phase 2 of the biomass plant is part of the long-term vision of the corporation.
3. The corporation denies having mentioned about signing an agreement with Wuxi Huaguang Electric Power Engineering. Neither did it sign an agreement with the said supplier;
4. On the distillery operations, the corporation clarifies that the upgrade of plant facilities with the installation of the dehydrator is for the production of bioethanol of 50,000 liters per day and not the conversion of potable alcohol to bioethanol.

The investment cost of about P50 million to P80 million is part of the current crop year's capital expenditure of around P300 million, as previously clarified.

Other Relevant Information

-

Filed on behalf by:

Name

Eva Rodriguez

Designation

Compliance and Information Officer



VICTORIAS MILLING COMPANY, INC.

07 February 2017

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

Dear Hon. Callangan:

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, 07 February 2017.

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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 February 2017
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) 399-3588 Fax No. (034) 399-3588
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares

11. Indicate the item numbers reported herein: Item No. 9

REPORTED HEREIN:

That the meeting of the stockholders of Victorias Milling Company, Inc. (VMC) today, 07 February 2017 at which a quorum was present and acting throughout at the Victorias Golf and Country Club, Inc., Victorias City, Negros Occidental, resulted in the election of the following as members of the Board of Directors:

For Existing Stockholders

1. Michael G. Tan
2. Wilson T. Young
3. Alvin C. Yu

For Secured Creditors

1. Terence D. Son Keng Po

For Creditors with Debt Conversion

1. William Y. Chua
2. Eduardo V. Concepcion
3. Brian Keith F. Hosaka
4. Peter Y. Ong
5. Lucio K. Tan, Jr.
6. Martin C. Yu
7. Victor T. Yu

In the Organizational meeting that followed immediately, the following were elected as officers:

Chairman	: Wilson T. Young
Corporate Secretary	: Atty. Brian Keith F. Hosaka
Treasurer	: Terence D. Son Keng Po
Asst. Corp. Sec., Compliance and Info. Officer, and Chief Admin. Officer	: Atty. Eva A. Vicencio-Rodriguez
President & COO	: Eduardo V. Concepcion
Chief Manufacturing Officer	: Linley A. Retirado
Chief Finance Officer	: Teresita V. Ilagan
Deputy Chief Operating Officer	: Minnie O. Chua

The following Board Committees were also organized with the corresponding compositions thereof:

EXECUTIVE COMMITTEE

CHAIRMAN : Wilson T. Young

MEMBERS:

1. William Y. Chua
2. Eduardo V. Concepcion
3. Lucio K. Tan, Jr.
4. Michael G. Tan
5. Alvin C. Yu
6. Martin C. Yu
7. Victor T. Yu

AUDIT AND RISK COMMITTEE

CHAIRMAN : Terence D. Son Keng Po

MEMBERS:

1. Atty. Brian Keith F. Hosaka
2. Peter Y. Ong
3. Martin C. Yu
4. Victor T. Yu

HUMAN RESOURCE AND REMUNERATION COMMITTEE

CHAIRMAN : William Y. Chua

MEMBERS:

1. Eduardo V. Concepcion
2. Wilson T. Young
3. Alvin C. Yu
4. Victor T. Yu

**LEGAL, NOMINATIONS, CORPORATE GOVERNANCE AND
RELATED PARTY TRANSACTIONS COMMITTEE**

CHAIRMAN : Brian Keith F. Hosaka

MEMBERS:

1. William Y. Chua
2. Terence D. Son Keng Po
3. Michael G. Tan
4. Wilson T. Young

BUDGET COMMITTEE

CHAIRMAN : Alvin C. Yu

MEMBERS:

1. Eduardo V. Concepcion
2. Peter Y. Ong
3. Terence D. Son Keng Po
4. Lucio K. Tan, Jr.

The Board of Directors also approved the appointment of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers (PwC) as the external Auditor of the Company for the crop year 2017-2018.

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: 07 February 2017



VICTORIAS MILLING COMPANY, INC.

March 30, 2017

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

Dear Hon. Callangan:

We are sending the attached report of Victorias Milling company, Inc. (SEC Form 17-C) relative to the approval of its listing application with the Philippine Stock Exchange, Inc.

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. MARCH 30, 2017
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) 399-3588 Fax No. (034) 399-3588
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares
11. Indicate the item numbers reported herein: Item No. 9

REPORTED HEREIN:

That Victorias Milling Company, Inc.'s (VMC) listing application with the Philippine Stock Exchange (PSE) has been approved. A copy of PSE's Notice of Approval which VMC received on March 29, 2017, is hereto attached.

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: March 30, 2017



March 27, 2017

Victorias Milling Company, Inc.
VICMICO Compound, Victorias City
Negros Occidental

Attention : Eduardo V. Concepcion
President and COO

Re : Notice of Approval
Treasury Shares and Underlying Common Shares of Convertible Notes

Dear Mr. Concepcion,

We are pleased to inform you that the Board of Directors of The Philippine Stock Exchange, Inc. (the "Exchange" or "PSE"), in its regular meeting on March 22, 2017, approved, subject to the conditions set forth below, the application of Victorias Milling Company ("VMC" or the "Company") for the listing of additional shares covering the following:

1. 10,530 common shares held in treasury ("Treasury Shares"), with a par value of Php 1.00 per share, to regularize the listing of VMCs unlisted treasury shares; and
2. 272,857,968 common shares ("Conversion Shares"), with par value of Php 1.00 per share, to cover the underlying common shares of the Company's Convertible Notes held by various Noteholders, with the following details:

	Noteholders	Convertible Notes (in Php)	No. of Underlying VMC Shares
a.	LT Group, Inc.	124,086,666.00	124,086,666
b.	Narra Capital Investment Corporation	92,636,586.00	92,636,586
c.	Premier Network Intl. Ltd.	56,134,716.00	56,134,716
d.	TOTAL	272,857,968.00	272,857,968

The Conversion Shares were issued at Php 1.00 per share for a total transaction value of Php 272,857,968.00.

The actual listing and eligibility for trading of the Treasury Shares and Conversion Shares will take effect only after the following requirements have been complied with:

1. The Company pays the PSE listing fee and any other fees or surcharges;
2. The Company pays the SEC listing fee;
3. The Company submits a sworn Corporate Secretary's Certificate certifying that the Treasury Shares and Conversion Shares will be duly lodged with the Philippine Depository and Trust Corporation ("PDTC") on the scheduled listing date. This Certificate should make reference to the actual number of shares for listing, the date of actual lodgment and the listing application covering the above-cited VMC shares. Further, the Company shall submit a written confirmation from the PDTC of the actual lodgment of the Treasury Shares and the Conversion Shares at least one (1) trading day prior to the scheduled listing date; and
4. The Company submits the duly signed duplicate original of this letter.

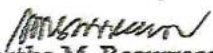
Notwithstanding the requirement to submit a written confirmation from the PDTC, the listing date will be scheduled three (3) trading days from the Company's compliance with the aforementioned requirements.

The PSE and SEC listing fees should be paid within fifteen (15) calendar days from receipt of this notice. Otherwise, the Company shall be fined a 25% surcharge plus a 1% interest on the PSE listing fee billed for every day of delay. A copy of the official receipt covering the SEC listing fee should be submitted to the Exchange. The original receipt shall be shown for purposes of verification. All documents must be duly received by the Listings Department.

This approval is being issued on the basis of the representations made to the Exchange by the Company, and/or its agents and representatives. However, in the event that the representations are found to be false, inaccurate, misleading and/or incomplete, then this approval shall be considered null and void.

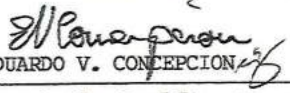
If these conditions are acceptable to you, please indicate your conformity by signing on the space provided below. The duplicate original should be returned to the Exchange so that we can proceed with the final processing of your application.

Very truly yours,


Marsha M. Resurreccion
Head, Issuer Regulation Division

CONFORME:

VICTORIAS MILLING COMPANY, INC.

By: 
EDUARDO V. CONCEPCION
Authorized Signatory
(Signature over Printed Name)

Date: MARCH 29, 2017

cc: Anna Melissa R. Lichaytoo
Partner

Roxas De Los Reyes Laurel
Rosario & Leagogo Law Offices
19/F BDO Plaza, 8737 Paseo de Roxas,
Makati City, 1226



VICTORIAS MILLING COMPANY, INC.

May 9, 2017

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

Dear Hon. Callangan:

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 Attendance of the following VMC members of the Board and Officers to a Corporate Governance Training with SEC-Accredited Training Provider on May 4, 2017.

1. Mr. Wilson T. Young - Chairman
2. Atty. Brian Keith F. Hosaka - Corporate Secretary
3. Mr. Terence D. Son Keng Po - Treasurer and Director
4. Mr. Peter Y. Ong - Director
5. Mr. Eduardo V. Concepcion - President & Chief Operating Officer
6. Ms. Minnie O. Chua - Asst. Treasurer & Deputy Chief Operating Officer
7. Atty. Eva A. Vicencio-Rodriguez - Chief Administrative Officer & Compliance and Information Officer
8. Ms. Teresita V. Ilagan - Chief Finance Officer
9. Ms. Linley A. Retirado - Chief Manufacturing Officer
10. Ms. Judy Anne G. Tiongco - Investor Relations Officer
11. Ms. Giannina E. Kaw - Internal Audit Department Head
12. Atty. Melissa R. Lichaytoo - Consultant

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

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

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. May 9, 2017
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, I.I. Ossorio Street, Brgy. XVI, Victorias City, Negros
Occidental
Address of office 6119
Postal Code
8. (034) 399-3588 Fax No. (034) 399-3588
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares
11. Indicate the item numbers reported herein: Item No. 9



This

Certificate of Attendance

is presented to

Wilson T. Young

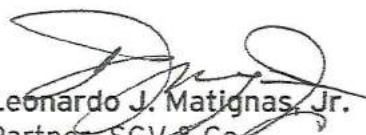
for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



This

Certificate of Attendance

is presented to

Brian Keith F. Hosaka

for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



This

Certificate of Attendance

is presented to

Terence D. Son Keng Po

for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



This

Certificate of Attendance

is presented to

Peter Y. Ong

for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



This

Certificate of Attendance

is presented to

Eduardo V. Concepcion

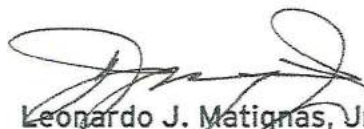
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6764 Ayala Avenue, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



This

Certificate of Attendance

is presented to

Minnie O. Chua

for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City



Leonardo J. Matigas, Jr.
Partner, SGV & Co.



This

Certificate of Attendance

is presented to

Eva V. Rodriguez

for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.



This

Certificate of Attendance

is presented to

Teresita V. Ilagan

for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City

A handwritten signature in black ink, appearing to read 'Leonardo J. Matignas, Jr.', is written over the printed name.

Leonardo J. Matignas, Jr.
Partner, SGV & Co.



This

Certificate of Attendance

is presented to

Linley A. Retirado

for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



This

Certificate of Attendance

is presented to

Judy Anne G. Tiongco

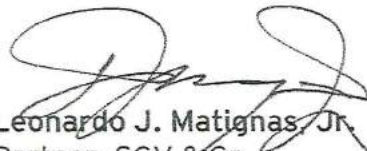
for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.



SGV

Building a better
working world

This

Certificate of Attendance

is presented to

Giannina E. Kaw

for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City



Leonardo J. Matignas, Jr.
Partner, SGV & Co.



SGV

Building a better
working world

This

Certificate of Attendance

is presented to

Atty. Melissa Lichaytoo

for having completed the seminar on

Corporate Governance

04 May 2017

1:00 p.m. to 5:00 p.m.

Training Room 1, 3rd Floor, STI Building,
6764 Ayala Avenue, Makati City

Leonardo J. Matignas, Jr.
Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



VICTORIAS MILLING COMPANY, INC.

May 15, 2017

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

Dear Hon. Callangan:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. (VMC) relative to its application for increase in Authorized Capital Stock, and Amendment of Article VII of the Articles of Incorporation.

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

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

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. May 15, 2017
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, I.I. Ossorio Street, Brgy. XVI, Victorias City, Negros
Occidental 6119
Address of office Postal Code
8. (034) 399-3588 Fax No. (034) 399-3588
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares
11. Indicate the item numbers reported herein: Item No. 9

REPORTED HEREIN:

That on May 12, 2017, Victorias Milling Company, Inc. (VMC) applied for increase in Authorized Capital Stock from 2,913,250,850 to 3,042,061,094, and Amendment of Article VII of the Articles of Incorporation.

Attached herewith is a copy stamped received by the Honorable Commission.

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: May 15, 2017

COVER SHEET
for Applications at
COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

SEC REGISTRATION NUMBER

Amendment of Article VII

P W - 6 3 4

Former Company Name

Table with 2 rows and 20 columns containing the text 'VICTORIAS MILLING COMPANY, INC.'

AMENDED TO:
New Company Name

Table with 2 rows and 20 columns for the new company name.

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

Table with 2 rows and 20 columns containing the text 'VICTORIAS CITY, NEGROS OCCIDENTAL'.

Company's Email Address

Empty box for company email address.

Company's Information
Company's Telephone Number/s

Empty box for company telephone number.

Company's Facsimile Number/s

Empty box for company facsimile number.

Name of Contact Person

Sherleen Lourds R. Macatangay

CONTACT PERSON INFORMATION

Email Address

Empty box for contact email address.

Telephone Number/s

(02) 840-3783

Facsimile Number/s

(02) 813-0885

Contact Person's Address

Empty box for contact person's address.

To be accomplished by CRMD Personnel

Assigned Processor

Empty lines for assigned processor.

Date

Empty lines for date.

Signature

Empty lines for signature.

Document I.D.

Empty box for document I.D.

Received by Corporate Filing and Records Division (CFRD)

Empty line for received by CFRD.

Empty line for received by CFRD.

Forwarded to:

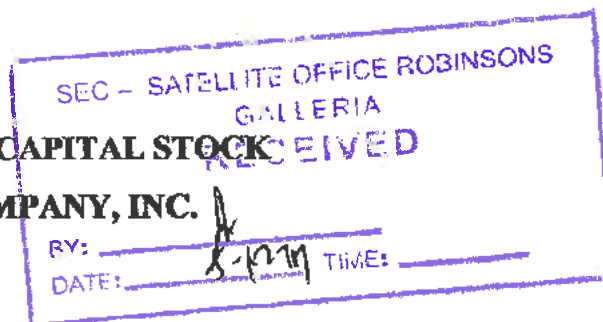
Checkboxes for forwarding options.

- Corporate and Partnership Registration Division
Green Lane Unit
Financial Analysis and Audit Division
Licensing Unit
Compliance Monitoring Division

Empty lines for forwarding to.

Empty lines for forwarding to.

**CERTIFICATE OF INCREASE OF CAPITAL STOCK
OF VICTORIAS MILLING COMPANY, INC.**



We, the undersigned, being at least a majority of the Directors of **VICTORIAS MILLING COMPANY, INC.** (the "Corporation"), the Chairman and the Secretary of the Board Meeting held at the principal office of the Corporation on 9 December 2016, hereby certify that:

1. In compliance with the Alternative Rehabilitation Plan (ARP) and Debt Restructuring Agreement (DRA) approved by the SEC on 19 November 2000 and 29 April 2002, respectively, the stockholders by affirmative vote of at least two-thirds (2/3) of the outstanding capital stock of the Corporation approved in its annual stockholders' meeting held on 7 February 2012 the increase in capital stock of the Corporation from Two Billion Five Hundred Sixty Three Million Thirty Five Thousand Seven Hundred Eight Pesos (PhP2,563,035,708.00) divided into Two Billion Five Hundred Sixty Three Million Thirty Five Thousand Seven Hundred Eight (2,563,035,708) shares with a par value of One Peso (PhP1.00) per share up to Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six Pesos (PhP4,605,086,296.00) divided into Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six (4,605,086,296) shares with a par value of One Peso (PhP1.00) per share and its corresponding amendment in the Corporation's Articles of Incorporation.

2. Because of the value of Convertible Notes to be converted into equity at this time, the Board of Directors, by majority vote, in its meeting held on 9 December 2016, was constrained to partially implement the stockholders' resolution by approving the increase in capital stock from Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty Pesos (PhP2,913,250,850.00) divided into Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty (2,913,250,850) shares

with a par value of One Peso (PhP1.00) per share to Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (PhP3,042,061,094.00) divided into Three Billion Forty Two Million Sixty One Thousand Ninety Four (3,042,061,094.00) shares with a par value of One Peso (PhP1.00) per share.

2. The requirements of Section 38 of the Corporation Code in connection with the increase in the authorized capital stock of the Corporation have been complied with;

3. No bonded indebtedness has been or will be incurred and/or created as a result of the increase in the Corporation's authorized capital stock.

4. The total liabilities of the Corporation as of 30 November 2016 is Three Billion Four Hundred Ninety Million Five Hundred Thirty Eight Thousand Three Hundred Eighty One Pesos (PhP3,490,538,381.00).

5. Out of the increase in the authorized capital stock, One Hundred Twenty Eight Million Eight Hundred Ten Thousand Two Hundred Forty Four (128,810,244) shares have been subscribed and the amount of One Hundred Twenty Eight Million Eight Hundred Ten Thousand Two Hundred Forty Four Pesos (PhP128,810,244.00), Philippine currency, has been received by the Corporation in payment therefore by way of conversion into equity of certain Convertible Notes previously issued to creditors of the Corporation in the amount of One Hundred Twenty Eight Million Eight Hundred Ten Thousand Two Hundred Forty Four Pesos (PhP128,810,244.00).

6. The list of stockholders of the Corporation, before and after the increase in its authorized capital stock, is attached hereto and made an integral part hereof as Annex "A".

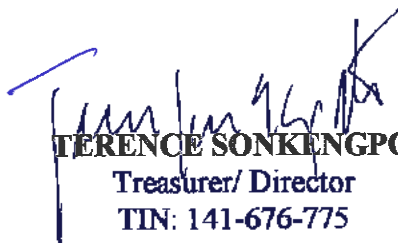
IN WITNESS WHEREOF, we have executed this Certificate of Increase of Capital
Stock of Victorias Milling Company, Inc., this _____ day of
JAN 06 2017 at the City of Makati City.


WILSON T. YOUNG
Chairman of the Meeting/ Director
TIN: 115-318-663


BRIAN KEITH F. HOSAKA
Director/Corporate Secretary
TIN: 156-430-529


EDUARDO V. CONCEPCION
President/Director
TIN: 131-380-040

LUCIO K. TAN, JR.
Director
TIN: 120-553-708


TERENCE SONKENGPO
Treasurer/ Director
TIN: 141-676-775


MICHAEL G. TAN
Director
TIN: 120-533-724


ALBERTO P. FENIX, JR.
Director
TIN: 104-103-864


WILLIAM Y. CHUA
Director
TIN: 104-074-740


ALVIN C. YU
Director
TIN: 151-111-318


MARTIN C. YU
Director
TIN: 161-549-636


PETER Y. ONG
Director
TIN: 120-533-040

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 6th day of January 2017 in
Makati City, affiants exhibiting to me the following:

<u>Name</u>	<u>Gov't Issued ID.</u>	<u>Date issued/Place</u>
Wilson T. Young	PP No. EC5897344	5 November 2015/DFA NCR East
Eduardo V. Concepcion	PRC Reg No. 0006985	20 May 2015/PRC Manila
Alberto P. Fenix, Jr.	PP No. EB8155757	20 May 2013/DFA NCR East
Terence D. Sonkengpo	DL No. N01-86- 032850 (OR No. 935190546)	17 May 2016/LTO Office
William Y. Chua	PP No. EB8924292	15 August 2013/DFA Bacolod
Alvin C. Yu	SSS No. 07-155805- 01	
Martin C. Yu	PP No. EC2058872	9 September 2014/DFA NCR East
Peter Y. Ong	SSS No. 03- 2236883-1	

Doc. No. 11;
Page No. 4;
Book No. 1;
Series of 2017.


ELVIN S. SALINDO
Notary Public until 31 December 2018
19th F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 5813572, Makati City, 04 January 2017
IBP No. 1058174, Makati, 04 January 2017
Roll No. 65845, Commission No. M-23

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 12th day of January 2017
in Makati City, affiants exhibiting to me the following:

<u>Name</u>	<u>Gov't Issued ID.</u>	<u>Date issued/Place</u>
Brian Keith F. Hosaka	DL No. N02-88-081186	12 January 2015/Quezon City
Michael G. Tan	PP No. EC0229876	6 February 2014/DFA Manila

Doc. No. 94 ;
Page No. 11 ;
Book No. I ;
Series of 2017.


ELVIN S. SALINDO
Notary Public until 31 December 2018
19th F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 5913572, Makati City, 04 January 2017
IBP No. 1058174, Makati, 04 January 2017
Roll No. 85845, Commission No. M-23

ANNEX "A"

VICTORIAS MILLING COMPANY, INC.

I. LIST OF STOCKHOLDERS

As of 31 December 2016

A. BEFORE THE INCREASE IN AUTHORIZED CAPITAL STOCK TO PhP3,042,061,094.00

	<u>Shareholder</u>	<u>Nationality</u>	<u>No. of Common Shares Subscribed</u>	<u>Amount Subscribed and Paid up</u>
1.	Premier Network International Limited	BVI	726,054,382	PhP726,054,382.00
2.	PCD Nominee Corporation (exclusive of treasury shares)	Filipino Foreign	515,817,814 39,400,830	PhP515,817,814.00 PhP39,400,830.00
3.	LT Group, Inc.	Filipino	538,747,529	PhP538,747,529.00
4.	Narra Capital Investment Corp.	Filipino	255,596,823	PhP255,596,823.00
5.	Fortune Tobacco Corporation	Filipino	131,863,677	PhP131,863,677.00
6.	Silverbox Equities, Inc.	Filipino	69,826,000	PhP69,826,000.00
7.	MC Metroplex Holdings, Inc.	Filipino	67,332,729	PhP67,332,729.00
8.	Sullasses Holdings, Inc.	Filipino	49,331,844	PhP49,331,844.00
9.	FEBTC TA #401-00012	Filipino	27,360,373	PhP27,360,373.00
10.	Miguel, Jurdayne N.	Filipino	17,049,926	PhP17,049,926.00
11.	AB Capital And Investment Corporation – Trust & Investment Division	Filipino	11,712,681	PhP11,712,681.00
12.	North Negros Marketing Co., Inc.	Filipino	10,173,459	PhP10,173,459.00

13.	Bank of the Philippine Islands	Filipino	5,658,157	PhP5,658,157.00
14.	Liberty Trading/Navigation Co.	American	4,772,380	PhP4,772,380.00
15.	Alrac, Inc.	Filipino	4,654,944	PhP4,654,944.00
16.	FEBTC TA #401-00008	Filipino	4,159,990	PhP4,159,990.00
17.	Victorias Insurance Factors Corporation	Filipino	3,456,975	PhP3,456,975.00
18.	Asset Pool A (SPV-AMC), Inc.	Filipino	3,313,417	PhP3,313,417.00
19.	Makati Supermarket Corporation	Filipino	3,146,973	PhP3,146,973.00
20.	FEBTC A/C #341-00094	Filipino	2,876,448	PhP2,876,448.00
21.	Others	Filipino	105,385,847	PhP105,385,847.00
		Foreign	15,547,122	PhP15,547,122.00
22.	Treasury Shares		<u>300,010,530</u>	<u>PhP300,010,530.00</u>
	TOTAL		<u>2,913,250,850</u>	<u>PhP2,913,250,850.00</u>

**B. IN SUPPORT OF THE INCREASE IN
AUTHORIZED CAPITAL STOCK TO
PhP3,042,061,094.00**

	<u>Shareholder</u>	<u>Nationality</u>	<u>No. of Common Shares Subscribed</u>	<u>Amount Subscribed and Paid up</u>
1.	LT Group, Inc.	Filipino	58,942,885	PhP58,942,885.00
2.	Narra Capital Investment Corporation	Filipino	43,750,209	PhP43,750,209.00
3.	Premier Network Intl. Ltd.	BVI	<u>26,117,150</u>	<u>PhP26,117,150.00</u>
	TOTAL		<u>128,810,244</u>	<u>PhP128,810,244.00</u>

**C. AFTER INCREASE IN
AUTHORIZED CAPITAL
STOCK TO PhP3,042,061,094.00**

	<u>Shareholder</u>	<u>Nationality</u>	<u>No. of Common Shares Subscribed</u>	<u>Amount Subscribed and Paid up</u>
1.	Premier Network International Limited	BVI	752,171,532	PhP752,171,532.00
2.	PCD Nominee Corporation (exclusive of treasury shares)	Filipino Foreign	515,817,814 39,400,830	PhP515,817,814.00 PhP39,400,830.00
3.	LT Group, Inc.	Filipino	597,690,414	PhP597,690,414.00
4.	Narra Capital Investment Corp.	Filipino	299,347,032	PhP299,347,032.00
5.	Fortune Tobacco Corporation	Filipino	131,863,677	PhP131,863,677.00
6.	Silverbox Equities, Inc.	Filipino	69,826,000	PhP69,826,000.00
7.	MC Metroplex Holdings, Inc.	Filipino	67,332,729	PhP67,332,729.00
8.	Sullasses Holdings, Inc.	Filipino	49,331,844	PhP49,331,844.00
9.	FEBTC TA #401-00012	Filipino	27,360,373	PhP27,360,373.00
10.	Miguel, Jurdayne N.	Filipino	17,049,926	PhP17,049,926.00
11.	AB Capital And Investment Corporation – Trust & Investment Division	Filipino	11,712,681	PhP11,712,681.00
12.	North Negros Marketing Co., Inc.	Filipino	10,173,459	PhP10,173,459.00
13.	Bank of the Philippine Islands	Filipino	5,658,157	PhP5,658,157.00
14.	Liberty Trading/Navigation Co.	American	4,772,380	PhP4,772,380.00

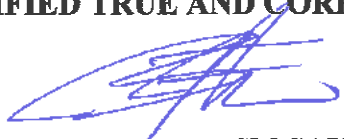
15. Alrac, Inc.	Filipino	4,654,944	PhP4,654,944.00
16. FEBTC TA #401-00008	Filipino	4,159,990	PhP4,159,990.00
17. Victorias Insurance Factors Corporation	Filipino	3,456,975	PhP3,456,975.00
18. Asset Pool A (SPV-AMC), Inc.	Filipino	3,313,417	PhP3,313,417.00
19. Makati Supermarket Corporation	Filipino	3,146,973	PhP3,146,973.00
20. FEBTC A/C #341-00094	Filipino	2,876,448	PhP2,876,448.00
21. Others	Filipino	105,385,847	PhP105,385,847.00
	Foreign	15,547,122	PhP15,547,122.00
22. Treasury Shares		<u>300,010,530</u>	<u>PhP300,010,530.00</u>
TOTAL		<u>3,042,061,094</u>	<u>PhP3,042,061,094.00</u>

II. CAPITAL STRUCTURE SUMMARY

	<u>Before the Increase</u>	<u>After the Increase</u>
1. Authorized Capital Stock	PhP2,913,250,850.00	PhP3,042,061,094.00
2. Subscribed Capital Stock	PhP2,913,250,850.00	PhP3,042,061,094.00
Outstanding Shares	2,613,240,320	PhP2,742,050,564.00
Treasury Shares	300,010,530	PhP300,010,530.00
3. Paid-Up Capital Stock	PhP2,913,250,850.00	PhP3,042,061,094.00
4. Par value	PhP1.00	PhP1.00

CERTIFIED TRUE AND CORRECT:

By:


BRIAN KEITH F. HOSAKA
 Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
Makati City) SS.

SUBSCRIBED AND SWORN to before me this _____ day of
JAN 12 2017 2017, in Makati City, affiant exhibiting to me his
 Driver's License No. N02-88-081186 issued on 12 January 2015 at Quezon City,
 Philippines.

Doc. No. 41;
 Page No. 10;
 Book No. 1;
 Series of 2017.


ELVIN S. SALINDO
 Notary Public until 31 December 2018
 19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
 PTR No. 5813572, Makati City, 04 January 2017
 IBP No. 1058174, Makati, 04 January 2017
 Roll No. 85845, Commission No. M-23



TREASURER'S AFFIDAVIT

I, **TERENCE SONKENGPO**, Filipino, of legal age, with address at 45 Hemady St., Quezon City, after having been duly sworn to in accordance with law, hereby depose and state that:

I am the duly elected and incumbent Treasurer of **VICTORIAS MILLING COMPANY, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine laws.

At meetings held on 9 December 2016 and 07 February 2012¹, the Corporation's Board of Directors by majority vote, and the stockholders by affirmative vote of at least two-thirds (2/3) of the outstanding capital stock of the Corporation, respectively, approved the increase in capital stock of the Corporation from Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty Pesos (PhP2,913,250,850.00) divided into Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty (2,913,250,850) shares with a par value of One Peso (PhP1.00) per share to Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (PhP3,042,061,094.00) divided into Three Billion Forty Two Million Sixty One Thousand Ninety Four (3,042,061,094.00) shares with a par value of One Peso (PhP1.00) per share.

Out of the increase in the authorized capital stock, One Hundred Twenty Eight Million Eight Hundred Ten Thousand Two Hundred Forty Four (128,810,244) shares have been subscribed and the amount of One Hundred Twenty Eight Million Eight Hundred Ten Thousand Two Hundred Forty Four Pesos (PhP128,810,244.00), Philippine currency, has been received by the Corporation in payment therefor by way of conversion into equity of certain Convertible Notes previously issued to creditors of the Corporation in the amount of One Hundred Twenty Eight Million Eight Hundred Ten Thousand Two Hundred Forty Four Pesos (PhP128,810,244.00)

IN WITNESS WHEREOF, I have hereunto affixed my signature on this ____ day of
JAN 06 2017 in Makati City


TERENCE SONKENGPO
TIN: 141-676-775

¹ To comply with the Alternative Rehabilitation Plan (ARP) and Debt Restructuring Agreement (DRA) approved by the SEC on 29 November 2000 and 29 April 2002, respectively, the stockholders approved the increase in capital stock of the Corporation to Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six Pesos (PhP4,605,086,296.00) divided into Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six (4,605,086,296) shares with a par value of One Peso (PhP1.00) per share. The Board was constrained to partially implement said stockholders resolution because of the value of the convertible notes available for conversion into equity at this time.

REPUBLIC OF THE PHILIPPINES)
Makati City) SS.

SUBSCRIBED AND SWORN to before me this _____ day of
JAN 06 2017 2017, in Makati City, affiant exhibiting to me his
 Driver's License No. N01-86-032850 (OR No. 935190546) issued on 17 May 2016 at LTO
 Office.

Doc. No. 9 ;
 Page No. 8 ;
 Book No. I ;
 Series of 2017.


ELVIN S. SALINDO
 Notary Public until 31 December 2018
 19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
 PTR No. 5913572, Makati City, 04 January 2017
 IBP No. 1056174, Makati, 04 January 2017
 Roll No. 85846, Commission No. M-23

**ESCRITURA SOCIAL ENMENDADA DE LA
VICTORIAS MILLING COMPANY, INC.
(AMENDED ARTICLES OF INCORPORATION)**

PRIMERO. – Que el nombre de la citada corporacion sera

“VICTORIAS MILLING COMPANY, INC.”

SECOND.

Primary Purpose

To acquire, construct, maintain and operate mills in the Philippines, works, refineries, machinery and appliances which may be used in the grinding of sugar cane and the manufacture of sugar, and to do all business incidental thereto which may be done in connection therewith. (As amended on 1 April 2005)

Secondary Purposes

1. To engage in any carry on the business of planting and cultivation of sugar cane corporate farming, and, the manufacture of sugar and special sugar products, and to buy, sell and otherwise deal in and with sugar and sugar cane products of sugar making, including cane purchase and sugar trading; (As amended on 07 February 2012)
 2. To engage in the manufacture of any and all materials, substances and commodities as may be useful or suitable for the utilization of any by-products or otherwise deal in and with the same;
 3. To engage in and carry on any mercantile or commercial business, and to buy, sell, and otherwise deal in and with goods, wares and merchandise; and generally to engage in such other agricultural manufacturing and mercantile pursuits, and to acquire, hold, sell and deal in and with such personal property and such rights, easements, privileges and franchises as may be usefully engaged, held or dealt in connection with or for the convenience in the carrying on of any of its purposes;
 4. To purchase, acquire, hold, sell, lease, exchange, mortgage and convert the use of, and otherwise deal in and with real and personal property and to purchase, lease, construct or acquire interest in buildings, storehouses, roads, docks, piers, water works, and irrigation systems, and works of all kinds; and, as well as in
-

furtherance of and in conjunction with the general business of the Company, to acquire, lease or construct, operate and dispose of railroads, steamships and other vessels, and other transportation facilities, for the moving of its properties, supplies and products, and incidental thereto and in connection therewith, for the carriage of freight and passengers for hire between any and all places whatsoever, within and without the Philippine Republic, subject to such limitations as may be established by law; (As amended on 07 February 2012)

5. To acquire water rights, on its own lands and elsewhere, for irrigation and other purposes, for its own use and for sale or hire, and to generate and/or co-generate electric current and power for its own use for lighting and other purposes, and to sell the same to others, and do all things convenient and necessary for the accomplishment and enjoyment of said powers; (As amended on 05 February 2013)
 6. To purchase, subscribe, acquire, hold, sell, exchange and otherwise deal in with shares, stocks, bonds, obligations, debentures, securities and other evidence of indebtedness created by any public or private corporation, government or municipality, firm, person or persons, and while the owner or holder thereof to exercise all the rights and incidents of ownership, including the right to vote the same where votes are accorded thereto and to receive, collect and dispose of the interest, dividends and income therefrom; and to make and vary investments in any and all kinds of property, and to loan money upon note, mortgage, pledge or other security, for the purposes of investment or otherwise;
 7. To carry on a general agency, investment and brokerage business; to act as financial or commercial agent or factor of or to undertake the general management for any person, partnership, corporation or association in carrying on the business of any nature; to act as agent or broker for insurance companies in soliciting and receiving applications for fire, casualty, plate glasses, automobiles, trucks and other motor vehicles, boiler, elevator, accident, health, burglary, marine, credit and life insurance, and all other kinds of insurance and to conduct a general insurance brokerage business; to act as ship agents and ship brokers for vessels of Philippine or foreign registry, whether engaged in coastwise or foreign trade, owned by any person, firm or corporation; to act as managers of shipping property, contractors for freight and/or passengers, forwarding agents, warehousemen and general traders; to undertake and perform subcontracts, and to act in any of the business of the Company through or by means of agents, factors, brokers, sub-contractors or otherwise;
 8. Conformably with law, to undertake and carry on any business venture or enterprise, whether commercial, manufacturing, including, but not limited to, ethanol and/or potable alcohol production, agricultural, educational, mercantile, insurance, trading, real estate, fiduciary, infrastructure, transportation,
-

telecommunications, mining, water, power generation, recreation, financial or credit, consultancy, provided that the Company shall not provide financial advise and/or engage as a financial adviser to an investment house, or otherwise, which is or may be undertaken and carried on through a public-private partnership with the government or by natural persons as capitalists, financiers, merchants, contractors, agriculturists, agents, factors, trustees or otherwise, either directly itself in its own name or indirectly by agents, or trustees or through the medium of ownership of stock or shares or other interests in any other business venture or enterprise established for or carried on to engage in any such pursuits; and to do so not only for its own benefit, but also in the capacity of agent, contractor, attorney or trustee for any other person, firm or corporation; (As amended on 05 February 2013)

9. To the same extent as a natural person and in conformity with law, to acquire by purchase, or lease, exchange, hire, or otherwise, and thereafter, hold or sell, convey, exchange, lease, mortgage, pledge, or otherwise deal with or dispose of any and all kinds of property, improved and unimproved, real, personal and mixed, buildings and other structures, rights, privileges, easements and franchises of every kind and description and wheresoever situated, and to manage and control the same; and otherwise to acquire, take over, hold and manage the property and business and assume the liabilities thereof of any other person, firm or corporation carrying on any business which this Company is authorized to carry on, or possessed of property which this Company may have power to acquire;
10. To do all and everything suitable, convenient and proper for the accomplishment of any of the purposes and for the attainment of any of the objects herein enumerated or incidental to the purposes herein named, or which shall at any time appear conducive and expedient for the protection or benefit of the Company, including the exercise of the powers, authorities and attributes conferred upon commercial corporations by the corporation laws of the Republic of the Philippines. (As amended on 1 April 2005)

THIRD. The principal office shall be in Victorias City, Negros Occidental. (As amended on 05 February 2008)

CUATRO. El period de vida de esta corporacion que, segun sus Articulos de Incorporacion, es hasta el 7 de Mayo 1969, por la presnte, quenda extendida por un period adicional de cincuenta (50) años, a partir de dicha fecha 7 de Mayo de 1969.

QUINTO. Que los nombres y domicilios de los fundadores de dicha corporacion, son los siguientes:

Don Miguel J. Ossorio	Manila, L.F.
Dña Paz Yangco de Ossorio	Manila, L.F.
Don Francisco Ossorio	Manila, L.F.
Mr. Shiras M. Jones	Manila, L.F.
Don Claudio R. de Luzuriaga	Manila, L.F.

SEXTO. Que el numero de los directores de la citada corporacion sera el de once, y los nombres y domicilios de los directores de la misma que ha de prestart servicios hasta que sus sucesores sean elegidos, y habilitados como se dispone en los Estatutos, son como sigue:

Don Miguel J. Ossorio	Manila, L.F.
Dña Paz Yangco de Ossorio	Manila, L.F.
Don Francisco Ossorio	Manila, L.F.
Mr. Shiras M. Jones	Manila, L.F.
Don Claudio R. de Luzuriaga	Manila, L.F.

SEVENTH. That the authorized capital stock of the Company is Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (PhP3,042,061,094.00) divided into Three Billion Forty Two Million Sixty One Thousand Ninety Four (3,042,061,094) shares with a par value of One Peso (PhP1.00) per share. *(As amended by a majority vote of the Directors and the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at meetings held on 25 September 2015 and 07 February 2012¹, respectively.) (As further amended by a majority vote of the Directors and the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at meetings held on 9 December 2016 and 07 February 2012, respectively.)*

The stockholders shall have no pre-emptive right to the shares issued pursuant to the increase in the authorized capital stock except those rights expressly provided for in the Alternative Rehabilitation Plan as approved by the Securities and Exchange Commission. (Amended as per Order of the Securities

¹ To comply with the Alternative Rehabilitation Plan (ARP) and Debt Restructuring Agreement (DRA) approved by the SEC on 19 November 2000 and 29 April 2002, respectively, the stockholders approved the increase in capital stock of the Corporation to Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six Pesos (PhP4,605,086,296.00) divided into Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six (4,605,086,296) shares with a par value of One Peso (PhP1.00) per share. The Board was constrained to partially implement said stockholders resolution because of the value of the convertible notes available for conversion into equity at this time.

and Exchange Commission dated 2 June 199, 17 and 19 August 1999 and 29 November 2000 in SEC Case No. 07-97-5693)

Seventh-A. The stockholders of the Company shall not have the pre-emptive right to purchase or subscribe to an aliquot number of shares with respect only to the shares of stock subject of the initial Public offering approved by this meeting today, August 6, 1993 only. Such pre-emptive rights shall apply and be effective, to issues authorized or approved after this date, August 6, 1993.

OCTAVO. Que el importe del citado capital social que ha sido realmente suscrito es de MIL PESOS (P1,000.00), y las personal siguientes se han suscrito por el numero de acciones el importe del capital que se expresan a continuacion:

Nombres	Acciones	Capital Suscrito
Don Miguel J. Ossorio	1	P 10.00
Dofia Paz Yangco de Ossorio	96	960.00
Don Francisco Ossorio	1	10.00
Mr. Shiras M. Jones	1	10.00
Don Claudio R. de Luzuriaga	<u>1</u>	<u>10.00</u>
	100	P1,000.00

NOVENO. Que las siguientes personas han pagado sobre las acciones del capital social por que se han suscrito las cantidades que se han suscrito las cantidades que se expresan despues de sus nobres respectivos:

Nombres	Capital Suscrito
Don Miguel J. Ossorio	P 10.00
Dofia Paz Yanco de Ossorio	P 960.00
Don Francisco Ossorio	P 10.00
Mr. Shiras M. Jones	P 10.00
Don Claudio R. de Luzuriaga	<u>P 10.00</u>
	P1,000.00

DECIMO. Que Shiras M. Jones ha sido elegido po los suscriptores como Tesorero de la corporacion para actuar como tal hasta que su successor haya sido debidamente elegido y habilitado, de acuerdo con los Estatutos, y que, como tal Tesorero, ha sido autorizado para recibir para la corporacion, todas las suscripciones pagados por los citados suscriptores y dar recibor, en su number, por las mismas.

UNDECIMO. Que en junta celebrada por los Directores de la Corporacion, los mismos han elegido los cargos que a continuacion se especifican, y los ejerceran hasta que sus sucesores hayan sido elegidos de acuerdo con les Estatutos:

Presidente	Don Miguel J. Ossorio
Vice-Presidente	Dofia Paz Yangco de Ossorio
Tesorero	Mr. Shiras M. Jones
Secretario	Don Claudio R. de Luzuriaga

TWELFTH. That the corporation shall have all the express powers of a corporation as provided under Section 36 of the Corporation Code of the Philippines. (As amended on 1 April 2005)

EN TESTIMONIO DE TODO LO CUAL, todas los otorgantes firmamos el presente documento, en esta ciudad de Manila, hoy 3 de Mayo de 1919.

(Fdo.) M.J. OSSORIO

PAZ YANGCO DE OSSORIO
p.p. (fdo.) M.J. OSSORIO

(Fdo.) SHIRAS M. JONES

(Fdo.) F. OSSORIO

(Fdo.) CLAUDIO R. DE LUZURIAGA

FIRMADO EN PRESENCIA DE:

(Fdo.) Nemesto Zamora

(Fdo.) Roman Aguilar

**ESTADOS UNIDOS DE AMERICA, SS
ISLAS FILIPINAS**

En la ciudad de Manila, hoy a 3 de Mayo de 1919, Ante Mi, comparecieron personalmente, Don Miguel J. Ossorio, por si y por Dofia Pa Yangco de Ossorio, Don Francisco Ossorio, Mr. Shiras M. Jones y Don Claudio R. de Luzuriaga, de quienes doy fe que conozco por se las mismas personas que otorgaron el document

que procede y ratification ser el mismo un acto de su libre voluntad y otorgamiento, sus cédulas son:

Don Miguel J. Ossorio, F-82502, Feb. 19, 1919, Manila
 Doña Pa Yangco de Ossorio, extenta en razon a su sezo
 Don Francisco Ossorio, F-89031, Abril 29, 1919, Manila
 Don Claudio R. de Luzuriaga, F-6165, Enero 7, 1919, Manila

EN FE DE LO CUAL, pongon mi nombre al pie de esta certification y coloco mi sello official, ed dia, mes y año arriba mencionados.

(Fdo.) JOSE GALAN BLANCO
 NOTARIO PUBLICO

Mi nombramiento expira el 31 Decembre
 De 1920

Reg. Not. No. 295, Fol. 88

(Aderidos un sello documentario de 20 centavos y el sello official del Notario.)

CIUDAD DE MANILA, SS
 ISLAS FILIPINAS

MR. SHIRAS M. JONES, habiento prestado el debido juramento, declaras y dice:

Que el dia 3 de Mayo de 1919, fue elegido devidamente por los suscriptories nombradones en la anterior escritura de incorporation, como Tesorero de la misma, par actuar como tal hasta que su successor haya sido dibiddamente elegido y habilitado de acuerdo con los Estatutos de la Corporacion, y que como tal Tesorero has sido autorizado por los suscriptores para recibir para la corporacion todas las suscripciones pagodas por los suscriptores para el capital social; que, realmente ha sido sucrito todo el capital social y que la ha sido pagado todo dicho capital social, en efectivo metalico.

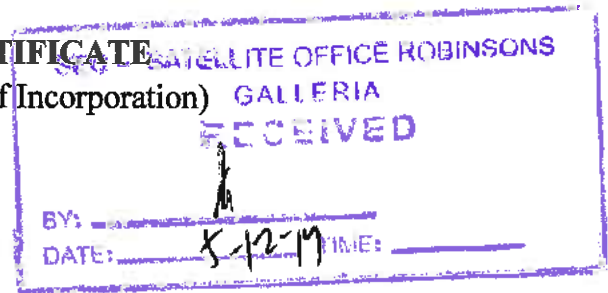
(Fdo.) SHIRAS M. JONES

Suscrita y jurada ante mi, en esta Ciudad de Manila, hoy a 3 de Mayo, 1919, por Mr. Shiras M. Jones, quien me exhibito su cedula No. F2531, expedida en Manila, el dia 2 de Enero de 1919.

(Fdo.) JOSE GALAN BLANCO
 NOTARIO PUBLICO

Mi nombramiento expira el 31
 Decembre de 1920

DIRECTORS' CERTIFICATE
(Amendment of Articles of Incorporation)

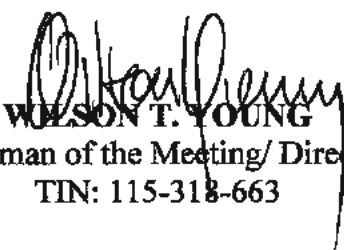


KNOW ALL MEN BY THESE PRESENTS:

We, the undersigned majority of the Directors and the Corporate Secretary of **VICTORIAS MILLING COMPANY, INC.** (the "Corporation"), do hereby certify that the Articles of Incorporation of said Corporation was amended by a majority vote of the Directors and the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at meetings held on 9 December 2016 and 7 February 2012¹, respectively, at the principal office of the Corporation.

The amended provisions of the attached Articles of Incorporation refer to the amendment of Article VII, to reflect the increase in authorized capital stock from Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty Pesos (PhP2,913,250,850.00) divided into Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty (2,913,250,850) shares with a par value of One Peso (PhP1.00) per share to Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (PhP3,042,061,094.00) divided into Three Billion Forty Two Million Sixty One Thousand Ninety Four (3,042,061,094) shares with a par value of One Peso (PhP1.00) per share.

IN WITNESS WHEREOF, we have executed this Director's Certificate this _____ day of JAN 06 2017 2017 at the City of Makati City.

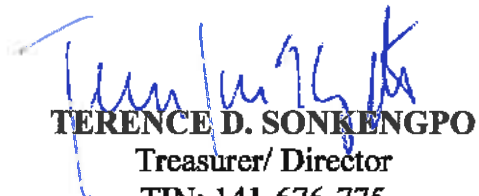

WILSON T. YOUNG
Chairman of the Meeting/ Director
TIN: 115-318-663


BRIAN KEITH F. HOSAKA
Director/Corporate Secretary
TIN: 156-430-529

¹ To comply with the Alternative Rehabilitation Plan (ARP) and Debt Restructuring Agreement (DRA) approved by the SEC on 29 November 2000 and 29 April 2002, respectively, the stockholders approved the increase in capital stock of the Corporation to Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six Pesos (PhP4,605,086,296.00) divided into Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six (4,605,086,296) shares with a par value of One Peso (PhP1.00) per share. The Board was constrained to partially implement said stockholders resolution because of the value of the convertible notes available for conversion into equity at this time.


EDUARDO V. CONCEPCION
 President/Director
 TIN: 131-380-040


LUCIO K. TAN, JR.
 Director
 TIN: 120-553-708


TERENCE D. SONKENGPO
 Treasurer/ Director
 TIN: 141-676-775


MICHAEL G. TAN
 Director
 TIN: 120-533-724


ALBERTO P. FENIX, JR.
 Director
 TIN: 104-103-864


WILLIAM Y. CHUA
 Director
 TIN: 104-074-740


ALVIN C. YU
 Director
 TIN: 151-111-318


MARTIN C. YU
 Director
 TIN: 161-549-636


PETER Y. ONG
 Director
 TIN: 120-533-040

REPUBLIC OF THE PHILIPPINES)
 MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 6th day of January 2017 in
 Makati City, affiants exhibiting to me the following:

<u>Name</u>	<u>Gov't Issued ID.</u>	<u>Date issued/Place</u>
Wilson T. Young	PP No. EC5897344	5 November 2015/DFA NCR East
Lucio K. Tan, Jr.	PP No. EC1401914	14 June 2014/DFA Manila
Eduardo V. Concepcion	PRC Reg No. 0006985	20 May 2015/PRC Manila
Alberto P. Fenix, Jr.	PP No. EB8155757	20 May 2013/DFA NCR East
Terence D. Sonkengpo	DL No. N01-86- 032850 (OR No. 935190546)	17 May 2016/LTO Office
William Y. Chua	PP No. EB8924292	15 August 2013/DFA Bacolod
Alvin C. Yu	SSS No. 07-155805- 01	
Martin C. Yu	PP No. EC2058872	9 September 2014/DFA NCR East
Peter Y. Ong	SSS No. 03- 2236883-1	

Doc. No. 10;
 Page No. 3;
 Book No. I;
 Series of 2017.

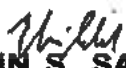

ELVIN S. SALINDO
 Notary Public until 31 December 2018
 19th F BDO Plaza, 8737 Paseo de Roxas, Makati City
 PTR No. 5913572, Makati City, 04 January 2017
 UBP No. 1056174, Makati, 04 January 2017
 Roll No. 85645, Commission No. M-23

REPUBLIC OF THE PHILIPPINES)
 MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 12th day of January 2017
 in Makati City, affiants exhibiting to me the following:

<u>Name</u>	<u>Gov't Issued ID.</u>	<u>Date issued/Place</u>
Brian Keith F. Hosaka	DL No. N02-88-081186	12 January 2015/Quezon City
Michael G. Tan	PP No. EC0229876	6 February 2014/DFA Manila

Doc. No. 45 ;
 Page No. 10 ;
 Book No. I ;
 Series of 2017.


ELVIN S. SALINDO
 Notary Public until 31 December 2018
 19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
 PTR No. 5913572, Makati City, 04 January 2017
 IISF No. 1058174, Makati, 04 January 2017
 Roll No. 65645, Commission No. M-23

SECRETARY'S CERTIFICATE

I, **BRIAN KEITH F. HOSAKA**, of legal age, Filipino, with office address at 502 Pacific Center Bldg., 33 San Miguel Ave., Ortigas Center, Pasig City, after having been duly sworn to in accordance with law, hereby depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **VICTORIAS MILLING COMPANY, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the Philippine laws;

2. Based on the records in my possession and to the best of my knowledge, there are no actions or proceedings that have been filed or are pending before any Court or tribunal involving an intra-corporate dispute by any person or group against the directors and/or officers of the Corporation.

3. The foregoing is in accordance with the records of the Corporation in my possession.

4. I am executing this Secretary's Certificate pursuant to the Corporation's application for increase in its authorized capital stock and amendment of its Articles of Incorporation.

IN WITNESS WHEREOF, I have hereunto affixed my signature at this ____ day of JAN 12 2017 in Makati City.

BRIAN KEITH F. HOSAKA
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

SUBSCRIBED AND SWORN to before me this ____ day of JAN 12 2017 2017 in Makati City, affiant exhibiting to me his Driver's License No. N02-88-081186 issued on 12 January 2015 at Quezon City, Philippines.

Doc. No. 43 ;
Page No. 10 ;
Book No. P ;
Series of 2017.

ELVIN S. SALINDO
Notary Public until 31 December 2018
19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
PTR No. 5813572, Makati City, 04 January 2017
IIBP No. 1056174, Makati, 04 January 2017
Roll No. 65645, Commission No. M-23

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This Deed of Assignment made and executed this 19th 9 2015 in
_____ by and between the following parties:

ASSIGNOR : **LT GROUP, INC.**, a corporation duly organized and existing under the laws of the Philippines, with office address at 11th Floor, Unit 3 Bench Tower, 30th Street cor. Rizal Drive, Crescent Park West 5, Bonifacio Global City, Taguig City, herein represented by its **President, Mr. Michael G. Tan**,

- and -

ASSIGNEE : **VICTORIAS MILLING COMPANY, INC.**, a corporation duly organized and existing under the laws of the Philippines, with office address at Victorias City, Negros Occidental, herein represented by its **President and COO, Mr. Eduardo V. Concepcion**, and **Chief Finance Officer, Ms. Teresita V. Ilagan**;

WHEREAS :

- A. ASSIGNOR is the holder of certain convertible note/s under the Debt Restructuring Agreement (DRA), approved by the SEC on 29 April 2002, subject to mandatory conversion into common shares of ASSIGNEE at the rate of One Peso (PhP1.00) to one (1) common share of ASSIGNEE (the "Convertible Note");
- B. Upon notice received from ASSIGNEE, ASSIGNOR now desires to convert a portion of the Convertible Note in the amount of **Fifty Eight Million Nine Hundred Forty Two Thousand Eight Hundred Eighty Five Pesos (PhP58,942,885.00)** into equity equivalent to **Fifty Eight Million Nine Hundred Forty Two Thousand Eight Hundred Eighty Five (58,942,885)** common shares of ASSIGNEE, and ASSIGNEE is willing to issue said shares in favor of ASSIGNOR.

NOW THEREFORE, BE AS IT IS HEREBY AGREED as follows:

For and in consideration of **Fifty Eight Million Nine Hundred Forty Two Thousand Eight Hundred Eighty Five (58,942,885)** common shares to be issued by

ASSIGNEE in favor of ASSIGNOR in support of an increase in capital, which shares shall be issued at the rate of One Peso (PhP1.00) per share (the "Shares"), ASSIGNOR hereby assigns, transfers and conveys in favor of ASSIGNEE, and ASSIGNEE hereby accepts as subscription payment for the Shares, the equivalent of **Fifty Eight Million Nine Hundred Forty Two Thousand Eight Hundred Eighty Five Pesos (PhP58,942,885.00)** worth of ASSIGNOR's rights, title and interests in the Convertible Note. The signatories below have been authorized by the Board of Directors of the companies they represent to enter into the foregoing Deed of Assignment.

The Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the date and at the place first above written.

ASSIGNOR:

LT GROUP, INC.

By:

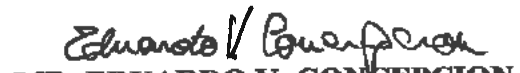


MR. MICHAEL G. TAN
President

ASSIGNEE:

**VICTORIAS MILLING
COMPANY, INC.**

By:



MR. EDUARDO V. CONCEPCION
President & COO



MS. TERESITA V. ILAGAN
Chief Finance Officer

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) SS.

BEFORE ME, a Notary Public for and in PASIG CITY, this
FEB 08 2017, personally appeared the following:

<u>Name</u>	<u>Competent Evidence Of Identity No.</u>	<u>Date/Place Issued</u>
LT Group, Inc. By: Michael G. Tan	PP No. EC0229876	6 February 2014/ DFA Manila
Victorias Milling Company, Inc. By: Mr. Eduardo V. Concepcion	PRC Reg. No. 0006985	20 May 2015/ PRC Manila
Ms. Teresita V. Ilagan	SSS No. 03-6364606-2	

known to me and to me known to be the same persons who executed the foregoing Deed of Assignment, consisting of three (3) pages including the page on which this Acknowledgment is written and they acknowledged to me that the same is their free and voluntary act, as well as the free and voluntary act of the corporations they represent.

IN WITNESS WHEREOF, I hereby cause my hand and seal to be affixed on the date and at the place first above-written.

Doc. No. 45 ;
 Page No. 4 ;
 Book No. 4 ;
 Series of 17 .

GAUDENCIO A. BARBOZA, JR.
 NOTARY PUBLIC
 Cities of Pasig, San Juan and
 in the Municipality of Pateros, Metro Manila
 Until December 31, 2018
 PTR No. A-3217144 / 01-03-17 Taguig City
 IBP No. 1050040 / 11-03-16 RSM
 ROLL No. 41000
 MCLE Comp. V. 0021481 / May 02, 2016
 No. 11, Unit I Freemont Arcade Bldg.
 Shaw Blvd. Brgy. San Antonio, Pasig City
 Appointment No. 26

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This Deed of Assignment made and executed this DEC 8 2016 in the City of _____ by and between the following parties:

ASSIGNOR : **PREMIER NETWORK INTL. LTD.,** a corporation duly organized and existing under the laws of the British Virgin Islands, with office address at Quastisky Building, PO Box 4389, Road Town, Tortola, British Virgin Islands, herein represented by **Atty. Emmanuel S. Ypil;**

- and -

ASSIGNEE : **VICTORIAS MILLING COMPANY, INC.,** a corporation duly organized and existing under the laws of the Philippines, with office address at Victorias City, Negros Occidental, herein represented by its **President and COO, Mr. Eduardo V. Concepcion,** and **Chief Finance Officer, Ms. Teresita V. Ilagan;**

WHEREAS

- A. ASSIGNOR is the holder of certain convertible note/s under the Debt Restructuring Agreement (DRA) approved by the SEC on 29 April 2002 subject to mandatory conversion into common shares of ASSIGNEE at the rate of One Peso (PhP1.00) to one (1) common share of ASSIGNEE (the "Convertible Note");
- B. Upon notice received from ASSIGNEE, ASSIGNOR now desires to convert a portion of the Convertible Note in the amount of **Twenty Six Million One Hundred Seventeen Thousand One Hundred Fifty Pesos (PhP26,117,150.00)** into equity equivalent to **Twenty Six Million One Hundred Seventeen Thousand One Hundred Fifty (26,117,150)** common shares of ASSIGNEE, and ASSIGNEE is willing to issue said shares in favor of ASSIGNOR.

NOW THEREFORE, BE, AS IT IS HEREBY, AGREED as follows:

For and in consideration of **Twenty Six Million One Hundred Seventeen Thousand One Hundred Fifty (26,117,150)** common shares to be issued by ASSIGNEE in favor of ASSIGNOR in support of an increase in capital, which shares shall be issued at the rate of One Peso (PhP1.00) per share (the "Shares"),



ASSIGNOR hereby assigns, transfers and conveys in favor of ASSIGNEE, and ASSIGNEE hereby accepts as subscription payment for the Shares, the equivalent of **Twenty Six Million One Hundred Seventeen Thousand One Hundred Fifty Pesos (PhP26,117,150.00)** worth of ASSIGNOR's rights, title and interests in the Convertible Note. The signatories below have been authorized by the Board of Directors of the companies they represent to enter into the foregoing Deed of Assignment.

The Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the date and at the place first above written.

ASSIGNOR:

PREMIER NETWORK INTL. LTD

By:


ATTY. EMMANUEL S. YPIL

ASSIGNEE:

**VICTORIAS MILLING
 COMPANY, INC.**

By:


MR. EDUARDO V. CONCEPCION
 President & COO


MS. TERESITA V. ILAGAN
 Chief Finance Officer

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
 _____ PASIG) SS.

BEFORE ME, a Notary Public for and in PASIG, this
FEB 03 2017, personally appeared the following:

<u>Name</u>	<u>Competent Evidence of Identity No.</u>	<u>Date/Place Issued</u>
Premier Network Intl. Ltd. By:		
Atty. Emmanuel S. Ypil	DL#: L02-89-062818	8 June 2015/ LTO Office
Victorias Milling Company, Inc. By:		
Mr. Eduardo V. Concepcion	PRC Reg. No. 0006985	20 May 2015/ PRC Manila
Ms. Teresita V. Ilagan	SSS No. 03-6364606-2	

known to me and to me known to be the same persons who executed the foregoing Deed of Assignment, consisting of three (3) pages including the page on which this Acknowledgment is written and they acknowledged to me that the same is their free and voluntary act, as well as the free and voluntary act of the corporations they represent.

IN WITNESS WHEREOF, I hereby cause my hand and seal to be affixed on the date and at the place first above-written.

Doc. No. 306
 Page No. 62
 Book No. 3
 Series of 219

GAUDENCIO A. BARBOZA, JR.
 NOTARY PUBLIC
 Cities of Pasig, San Juan and
 in the Municipality of Paterns, Metro Manila
 Until December 31, 2018
 PTR No. A-321/144 / 01-03-17 Taguig City
 IBP No. 1650940 / 11-03-16 RSM
 ROLL No. 41969
 MCLE Comp. v. 0021451 / May 02, 2016
 No. 11, Unit 1 Freemont Arcade Bldg.
 Shaw Blvd. Brgy. San Antonio, Pasig City
 Appointment No. 26

DEED OF ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

This Deed of Assignment made and executed this DEC 4 2016
in _____ by and between the following parties:

ASSIGNOR : **NARRA CAPITAL INVESTMENT CORPORATION**, a corporation duly organized and existing under the laws of the Philippines, with office address at Kamunsil Street, Villamonte, Bacolod City, Negros Occidental, herein represented by its Vice President, Mr. Martin Yu;
- and -

ASSIGNEE : **VICTORIAS MILLING COMPANY, INC.**, a corporation duly organized and existing under the laws of the Philippines, with office address at Victorias City, Negros Occidental, herein represented by its President and COO, Mr. Eduardo V. Concepcion, and Chief Finance Officer, Ms. Teresita V. Ilagan;

WHEREAS :

- A. ASSIGNOR is the holder of certain convertible note/s under the Debt Restructuring Agreement (DRA), approved by the SEC on 29 April 2002, subject to mandatory conversion into common shares of ASSIGNEE at the rate of One Peso (PhP1.00) to one (1) common share of ASSIGNEE (the "Convertible Note");
- B. Upon notice received from ASSIGNEE, ASSIGNOR now desires to convert a portion of the Convertible Note in the amount of **Forty Three Million Seven Hundred Fifty Thousand Two Hundred Nine Pesos (PhP43,750,209.00)** into equity equivalent to **Forty Three Million Seven Hundred Fifty Thousand Two Hundred Nine (43,750,209)** common shares of ASSIGNEE, and ASSIGNEE is willing to issue said shares in favor of ASSIGNOR.

NOW THEREFORE, BE AS IT IS HEREBY AGREED as follows:

For and in consideration of **Forty Three Million Seven Hundred Fifty Thousand Two Hundred Nine (43,750,209)** common shares to be issued by ASSIGNEE in favor of ASSIGNOR in support of an increase in capital, which shares shall be issued at the rate of One Peso (PhP1.00) per share (the "Shares"), ASSIGNOR hereby assigns, transfers and conveys in favor of ASSIGNEE, and ASSIGNEE hereby accepts as subscription payment for the Shares, the equivalent of



Forty Three Million Seven Hundred Fifty Thousand Two Hundred Nine Pesos (PhP43,750,209.00) worth of ASSIGNOR's rights, title and interests in the Convertible Note. The signatories below have been authorized by the Board of Directors of the companies they represent to enter into the foregoing Deed of Assignment.

The Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the date and at the place first above written.

ASSIGNOR:

NARRA CAPITAL INVESTMENT CORPORATION

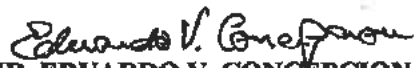
By:


MARTIN YU
Vice President

ASSIGNEE:

VICTORIAS MILLING COMPANY, INC.

By:


MR. EDUARDO V. CONCEPCION
President & COO


MS. TERESITA V. ILAGAN
Chief Finance Officer

SIGNED IN THE PRESENCE OF:

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
PASIG) SS.

FEB 03 2017

BEFORE ME, a Notary Public for and in PASIG, this
personally appeared the following:

<u>Name</u>	<u>Competent Evidence of Identity No.</u>	<u>Date/Place Issued</u>
Narra Capital Investment Corporation By:		
Mr. Martin Yu	DL#: F01-92-072940	28 March 2016/ LTO Office
Victorias Milling Company, Inc. By:		
Mr. Eduardo V. Concepcion	PRC Reg. No. 0006985	20 May 2015/ PRC Manila
Ms. Teresita V. Ilagan	SSS No. 03-6364606-2	

known to me and to me known to be the same persons who executed the foregoing
Deed of Assignment, consisting of three (3) pages including the page on which this
Acknowledgment is written and they acknowledged to me that the same is their free
and voluntary act, as well as the free and voluntary act of the corporations they
represent.

IN WITNESS WHEREOF, I hereby cause my hand and seal to be affixed on
the date and at the place first above-written.

Doc. No. 307
Page No. 62
Book No. 3
Series of 217

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
Cities of Pasig, San Juan and
in the Municipality of Pateros, Metro Manila
Until December 31, 2018
PTR No. A-3217144 / 01-03-17 Taguig City
IBP No. 1050940 / 11-08-16 RSM
ROLL No. 41869
MCLE Comp. V. 0021481 / May 02, 2016
No. 11, Unit 1 Freedom Arcade Bldg.
Shaw Blvd. Brgy. San Antonio, Pasig City
Appointment No. 26

MS N SP

SECRETARY'S CERTIFICATE

We, **Intercorp Secretaries Limited**, being the duly appointed Company Secretary of **Premier Network International Limited** ("Company"), a BVI Business Company incorporated in the Territory of the British Virgin Islands on the 15th day of July, 2011 with company number 1661103, do hereby certify that at the meeting of the Board of Directors of the Company ("Board") held on 07 December 2012, whereby a quorum was present and acting throughout, the Board approved the following resolutions:

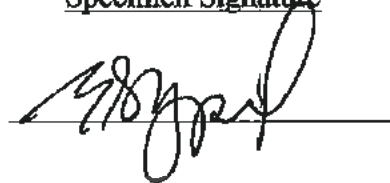
"RESOLVED, AS IT IS HEREBY RESOLVED, that Premier Network International Limited ("Company") be authorized to acquire and purchase any and all forms of credits, rights, loans, receivables, credit or debt instruments, notes, securities, shares of stocks and other negotiable instruments, including but not limited to those that are traded at the Philippine Stock Exchange (collectively the "Assets") from any person, company or entity."

"RESOLVED FURTHER, that Mr. Emmanuel S. Ypil, is hereby authorized and empowered to sign, execute and/or deliver any and all agreements, contracts, term sheets, deeds, certifications, documents in connection with the acquisition and purchase of the Assets, including accessory or preparatory agreements such as confidentiality agreements or undertakings and required client information or data sheets."

Name

Specimen Signature

Emmanuel S. Ypil



Dated this 7th day of December, 2012.

Intercorp Secretaries Limited
Company Secretary of
Premier Network International Limited

By:



Severino R. Sumulong
Authorized Representative

DOC. NO. 289
PAGE NO. 02
BOOK NO. 93
SERIES OF 200

UPSCRIBED AND SIGNED TO BEFORE ME . AT PASIG CITY
DAY OF DECEMBER 2012
NO. XX 5403172 EXHIBITING TO ME MS/MR. EMMANUEL S. YPIL
ON 02-05-10

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
PTR NO. 2642832/1-03-11 MKT.
ISP NO. 842139/1-03-11 RSM
ROLL NO. 41969



Pasay City | (+632) 816 60 80 | 816 55 93
www.soc.gov.ph | inquiry@soc.gov.ph



VICTORIAS MILLING COMPANY, INC.

May 16, 2017

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

Dear Hon. Callangan:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. in connection with its Appeal of the Decision dated March 7, 2017 of the Securities and Exchange Commission (SEC) En Banc to the Court of Appeals.

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. May 16, 2017
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. (034) 399-3588 Fax No. (034) 399-3588
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	2,913,250,850	shares
Subscribed and paid-up	2,613,240,320	shares
11. Indicate the item numbers reported herein: Item No. 9

REPORTED HEREIN:

Subject of the Disclosure:

- Appeal by Victorias Milling Company, Inc. ("VMC") on the Decision dated March 7, 2017 of the Securities and Exchange Commission ("SEC") En Banc to the Court of Appeals.

Background/Description of the Disclosure

- VMC filed a Petition for Review with prayer for Preliminary Injunction and Temporary Restraining Order (Re: Decision dated March 7, 2017 issued by the SEC En Banc before the Court of Appeals.

Name of the Court or Agency in which the Proceedings are pending

- Court of Appeals – Fourteenth Division

Date Instituted

- March 30, 2017

Docket Number

- CA-G.R. No 150198

Principal Parties

- VMC and Landbank of the Philippines

Nature and Description of the Legal Proceedings

- On August 27, 1998, LBP filed a Complaint-in-Intervention with the SEC in the Rehabilitation Case of VMC, where LBP sought to directly enforce against VMC its claim against North Negros Marketing Company, Inc. ("NNMCI") over a credit line LBP extended to NNMCI. To secure the obligation, NNMCI mortgaged its real properties and executed deeds of assignment over certain refined sugar delivery orders ("RSDOs") in favor of LBP. The RSDOs were allegedly originally issued by VMC. Despite LBP's foreclosure of NNMCI's real properties, LBP argued that there remains an obligation in the amount of P187,176,231.40.

Since the alleged loans were incurred by NNMCI, VMC neither received anything nor benefitted from the alleged loans.

On April 7, 1999, LBP amended its Complaint-in-Intervention and requested for the inclusion of a promissory note issued by NNMCI and increased its claims against VMC to P409,814,013.28.

VMC opposed LBP's complaints and claims by filing the appropriate pleadings.

On March 22, 2016, VMC received a copy of the Order dated March 17, 2016

of the SEC Special Hearing Panel - 1, directing it to deliver the above-mentioned quantity of refined sugar equivalent to intervenor Landbank of the Philippines or its duly authorized representative. In case the release of the refined sugar is no longer possible, the SEC Special Hearing Panel 1 directed the Company to pay for the monetary equivalent of the remaining amount of the loan incurred by NNMCI, in the amount as above-mentioned.

Consequently, VMC appealed the decision of the SEC Special Hearing Panel - 1 to the SEC En Banc.

On March 15, 2017, VMC received a copy of the Decision of the SEC En Banc dated March 7, 2017, denying the appeal of VMC.

VMC, thereafter, filed a Petition for Review with the Court of Appeals, pursuant to Section 4, Rule 43 of the Rules of Court. VMC raised, among others, the lack of jurisdiction of the SEC in adjudicating and awarding the claims of LBP over NNMCI against VMC. VMC's Petition was raffled to the Fourteenth Division of the Court of Appeals, and docketed as CA-G.R. 150198. The Petition is still pending as of this date."

The effect(s) on the Issuer's business or operations, if any

- None.

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: May 16, 2017



REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor, Secretariat Building, PICC
City of Pasay, Metro Manila

COMPANY REG. NO. PW-634

**CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION**

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

**VICTORIAS MILLING COMPANY, INC.
(Amending Articles VII thereof)**

copy annexed, adopted on December 9, 2016 by a majority vote of the Board of Directors and on February 7, 2012 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 23rd day of May, Twenty Seventeen.




FERDINAND B. SALES
Director

Company Registration and Monitoring Department

**ESCRITURA SOCIAL ENMENDADA DE LA
VICTORIAS MILLING COMPANY, INC.
(AMENDED ARTICLES OF INCORPORATION)**

PRIMERO. – Que el nombre de la citada corporacion sera

“VICTORIAS MILLING COMPANY, INC.”

SECOND.

Primary Purpose

To acquire, construct, maintain and operate mills in the Philippines, works, refineries, machinery and appliances which may be used in the grinding of sugar cane and the manufacture of sugar, and to do all business incidental thereto which may be done in connection therewith. (As amended on 1 April 2005)

Secondary Purposes

1. To engage in any carry on the business of planting and cultivation of sugar cane corporate farming, and, the manufacture of sugar and special sugar products, and to buy, sell and otherwise deal in and with sugar and sugar cane products of sugar making, including cane purchase and sugar trading; (As amended on 07 February 2012)
2. To engage in the manufacture of any and all materials, substances and commodities as may be useful or suitable for the utilization of any by-products or otherwise deal in and with the same;
3. To engage in and carry on any mercantile or commercial business, and to buy, sell, and otherwise deal in and with goods, wares and merchandise; and generally to engage in such other agricultural manufacturing and mercantile pursuits, and to acquire, hold, sell and deal in and with such personal property and such rights, easements, privileges and franchises as may be usefully engaged, held or dealt in connection with or for the convenience in the carrying on of any of its purposes;
4. To purchase, acquire, hold, sell, lease, exchange, mortgage and convert the use of, and otherwise deal in and with real and personal property and to purchase, lease, construct or acquire interest in buildings, storehouses, roads, docks, piers, water works, and irrigation systems, and works of all kinds; and, as well as in

furtherance of and in conjunction with the general business of the Company, to acquire, lease or construct, operate and dispose of railroads, steamships and other vessels, and other transportation facilities, for the moving of its properties, supplies and products, and incidental thereto and in connection therewith, for the carriage of freight and passengers for hire between any and all places whatsoever, within and without the Philippine Republic, subject to such limitations as may be established by law; (As amended on 07 February 2012)

5. To acquire water rights, on its own lands and elsewhere, for irrigation and other purposes, for its own use and for sale or hire, and to generate and/or co-generate electric current and power for its own use for lighting and other purposes, and to sell the same to others, and do all things convenient and necessary for the accomplishment and enjoyment of said powers; (As amended on 05 February 2013)
6. To purchase, subscribe, acquire, hold, sell, exchange and otherwise deal in with shares, stocks, bonds, obligations, debentures, securities and other evidence of indebtedness created by any public or private corporation, government or municipality, firm, person or persons, and while the owner or holder thereof to exercise all the rights and incidents of ownership, including the right to vote the same where votes are accorded thereto and to receive, collect and dispose of the interest, dividends and income therefrom; and to make and vary investments in any and all kinds of property, and to loan money upon note, mortgage, pledge or other security, for the purposes of investment or otherwise;
7. To carry on a general agency, investment and brokerage business; to act as financial or commercial agent or factor of or to undertake the general management for any person, partnership, corporation or association in carrying on the business of any nature; to act as agent or broker for insurance companies in soliciting and receiving applications for fire, casualty, plate glasses, automobiles, trucks and other motor vehicles, boiler, elevator, accident, health, burglary, marine, credit and life insurance, and all other kinds of insurance and to conduct a general insurance brokerage business; to act as ship agents and ship brokers for vessels of Philippine or foreign registry, whether engaged in coastwise or foreign trade, owned by any person, firm or corporation; to act as managers of shipping property, contractors for freight and/or passengers, forwarding agents, warehousemen and general traders; to undertake and perform subcontracts, and to act in any of the business of the Company through or by means of agents, factors, brokers, sub-contractors or otherwise;
8. Conformably with law, to undertake and carry on any business venture or enterprise, whether commercial, manufacturing, including, but not limited to, ethanol and/or potable alcohol production, agricultural, educational, mercantile, insurance, trading, real estate, fiduciary, infrastructure, transportation,

telecommunications, mining, water, power generation, recreation, financial or credit, consultancy, provided that the Company shall not provide financial advise and/or engage as a financial adviser to an investment house, or otherwise, which is or may be undertaken and carried on through a public-private partnership with the government or by natural persons as capitalists, financiers, merchants, contractors, agriculturists, agents, factors, trustees or otherwise, either directly itself in its own name or indirectly by agents, or trustees or through the medium of ownership of stock or shares or other interests in any other business venture or enterprise established for or carried on to engage in any such pursuits; and to do so not only for its own benefit, but also in the capacity of agent, contractor, attorney or trustee for any other person, firm or corporation; (As amended on 05 February 2013)

9. To the same extent as a natural person and in conformity with law, to acquire by purchase, or lease, exchange, hire, or otherwise, and thereafter, hold or sell, convey, exchange, lease, mortgage, pledge, or otherwise deal with or dispose of any and all kinds of property, improved and unimproved, real, personal and mixed, buildings and other structures, rights, privileges, easements and franchises of every kind and description and wheresoever situated, and to manage and control the same; and otherwise to acquire, take over, hold and manage the property and business and assume the liabilities thereof of any other person, firm or corporation carrying on any business which this Company is authorized to carry on, or possessed of property which this Company may have power to acquire;
10. To do all and everything suitable, convenient and proper for the accomplishment of any of the purposes and for the attainment of any of the objects herein enumerated or incidental to the purposes herein named, or which shall at any time appear conducive and expedient for the protection or benefit of the Company, including the exercise of the powers, authorities and attributes conferred upon commercial corporations by the corporation laws of the Republic of the Philippines. (As amended on 1 April 2005)

THIRD. The principal office shall be in Victorias City, Negros Occidental. (As amended on 05 February 2008)

CUATRO. El period de vida de esta corporacion que, segun sus Articulos de Incorporacion, es hasta el 7 de Mayo 1969, por la presnte, quenda extendida por un period adicional de cincuenta (50) años, a partir de dicha fecha 7 de Mayo de 1969.

QUINTO. Que los nombres y domicilios de los fundadores de dicha corporacion, son los siguientes:

Don Miguel J. Ossorio	Manila, L.F.
Dofia Paz Yangco de Ossorio	Manila, L.F.
Don Francisco Ossorio	Manila, L.F.
Mr. Shiras M. Jones	Manila, L.F.
Don Claudio R. de Luzuriaga	Manila, L.F.

SEXTO. Que el numero de los directores de la citada corporacion sera el de once, y los nombres y domicilios de los directores de la misma que ha de prestart servicios hasta que sus sucesores sean elegidos, y habilitados como se dispone en los Estatutos, son como sigue:

Don Miguel J. Ossorio	Manila, L.F.
Dofia Paz Yangco de Ossorio	Manila, L.F.
Don Francisco Ossorio	Manila, L.F.
Mr. Shiras M. Jones	Manila, L.F.
Don Claudio R. de Luzuriaga	Manila, L.F.

SEVENTH. That the authorized capital stock of the Company is Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (PhP3,042,061,094.00) divided into Three Billion Forty Two Million Sixty One Thousand Ninety Four (3,042,061,094) shares with a par value of One Peso (PhP1.00) per share. *(As amended by a majority vote of the Directors and the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at meetings held on 25 September 2015 and 07 February 2012¹, respectively.) (As further amended by a majority vote of the Directors and the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at meetings held on 9 December 2016 and 07 February 2012, respectively.)*

The stockholders shall have no pre-emptive right to the shares issued pursuant to the increase in the authorized capital stock except those rights expressly provided for in the Alternative Rehabilitation Plan as approved by the Securities and Exchange Commission. (Amended as per Order of the Securities

¹ To comply with the Alternative Rehabilitation Plan (ARP) and Debt Restructuring Agreement (DRA) approved by the SEC on 19 November 2000 and 29 April 2002, respectively, the stockholders approved the increase in capital stock of the Corporation to Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six Pesos (PhP4,605,086,296.00) divided into Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six (4,605,086,296) shares with a par value of One Peso (PhP1.00) per share. The Board was constrained to partially implement said stockholders resolution because of the value of the convertible notes available for conversion into equity at this time.

and Exchange Commission dated 2 June 199, 17 and 19 August 1999 and 29 November 2000 in SEC Case No. 07-97-5693)

Seventh-A. The stockholders of the Company shall not have the pre-emptive right to purchase or subscribe to an aliquot number of shares with respect only to the shares of stock subject of the initial Public offering approved by this meeting today, August 6, 1993 only. Such pre-emptive rights shall apply and be effective, to issues authorized or approved after this date, August 6, 1993.

OCTAVO. Que el importe del citado capital social que ha sido realmente suscrito es de MIL PESOS (P1,000.00), y las personal siguientes se han suscrito por el numero de acciones el importe del capital que se expresan a continuacion:

Nombres	Acciones	Capital Suscrito
Don Miguel J. Ossorio	1	P 10.00
Dofia Paz Yangco de Ossorio	96	960.00
Don Francisco Ossorio	1	10.00
Mr. Shiras M. Jones	1	10.00
Don Claudio R. de Luzuriaga	<u>1</u>	<u>10.00</u>
	100	P1,000.00

NOVENO. Que las siguientes personas han pagado sobre las acciones del capital social por que se han suscrito las cantidades que se han suscrito las cantidades que se expresan despues de sus nobres respectivos:

Nombres	Capital Suscrito
Don Miguel J. Ossorio	P 10.00
Dofia Paz Yanco de Ossorio	P 960.00
Don Francisco Ossorio	P 10.00
Mr. Shiras M. Jones	P 10.00
Don Claudio R. de Luzuriaga	<u>P 10.00</u>
	P1,000.00

DECIMO. Que Shiras M. Jones ha sido elegido po los suscriptores como Tesorero de la corporacion para actuar como tal hasta que su successor haya sido debidamente elegido y habilitado, de acuerdo con los Estatutos, y que, como tal Tesorero, ha sido autorizado para recibir para la corporacion, todas las suscripciones pagados por los citados suscriptores y dar recibor, en su number, por las mismas.

UNDECIMO. Que en junta celebrada por los Directores de la Corporacion, los mismos han elegido los cargos que a continuacion se especifican, y los ejerceran hasta que sus sucesores hayan sido elegidos de acuerdo con les Estatutos:

Presidente	Don Miguel J. Ossorio
Vice-Presidente	Doña Paz Yangco de Ossorio
Tesorero	Mr. Shiras M. Jones
Secretario	Don Claudio R. de Luzuriaga

TWELFTH. That the corporation shall have all the express powers of a corporation as provided under Section 36 of the Corporation Code of the Philippines. (As amended on 1 April 2005)

EN TESTIMONIO DE TODO LO CUAL, todas los otorgantes firmamos el presente documento, en esta ciudad de Manila, hoy 3 de Mayo de 1919.

(Fdo.) M.J. OSSORIO

PAZ YANGCO DE OSSORIO
p.p. (fdo.) M.J. OSSORIO

(Fdo.) SHIRAS M. JONES

(Fdo.) F. OSSORIO

(Fdo.) CLAUDIO R. DE LUZURIAGA

FIRMADO EN PRESENCIA DE:

(Fdo.) Nemesto Zamora

(Fdo.) Roman Aguilar

**ESTADOS UNIDOS DE AMERICA, SS
ISLAS FILIPINAS**

En la ciudad de Manila, hoy a 3 de Mayo de 1919, Ante Mi, comparecieron personalmente, Don Miguel J. Ossorio, por si y por Doña Pa Yangco de Ossorio, Don Francisco Ossorio, Mr. Shiras M. Jones y Don Claudio R. de Luzuriaga, de quienes doy fe que conozco por se las mismas personas que otorgaron el document

que procede y ratification ser el mismo un acto de su libre voluntad y otorgamiento, sus cédulas son:

Don Miguel J. Ossorio, F-82502, Feb. 19, 1919, Manila
 Doña Pa Yangco de Ossorio, extenta en razon a su sezo
 Don Francisco Ossorio, F-89031, Abril 29, 1919, Manila
 Don Claudio R. de Luzuriaga, F-6165, Enero 7, 1919, Manila

EN FE DE LO CUAL, pongon mi nombre al pie de esta certificacion y coloco mi sello official, ed dia, mes y año arriba mencionados.

(Fdo.) JOSE GALAN BLANCO
 NOTARIO PUBLICO

Mi nombramiento expira el 31 Decembre
 De 1920

Reg. Not. No. 295, Fol. 88

(Aderidos un sello documentario de 20 centavos y el sello official del Notario.)

CIUDAD DE MANILA, SS
ISLAS FILIPINAS

MR. SHIRAS M. JONES, habiento prestado el debido juramento, declaras y dice:

Que el dia 3 de Mayo de 1919, fue elegido devidamente por los suscriptories nombradones en la anterior escritura de incorporation, como Tesosorero de la misma, par actuar como tal hasta que su successor haya sido dibiddamente elegido y habilitado de acuerdo con los Estatutos de la Corporacion, y que como tal Tesorero has sido autorizado por los suscriptores para recibir para la corporacion todas las suscripciones pagodas por los suscriptores para el capital social; que, realmente ha sido sucrito todo el capital social y que la ha sido pagado todo dicho capital social, en efectivo metalico.

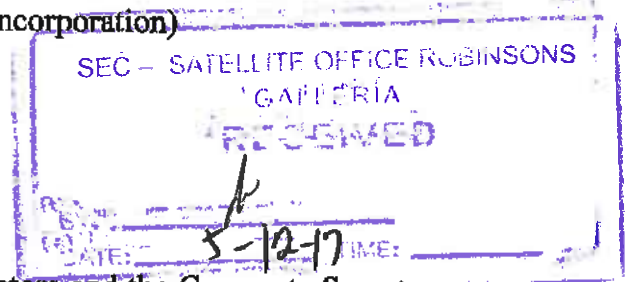
(Fdo.) SHIRAS M. JONES

Suscrita y jurada ante mi, en esta Ciudad de Manila, hoy a 3 de Mayo, 1919, por Mr. Shiras M. Jones, quien me exhibito su cedula No. F2531, expedida en Manila, el dia 2 de Enero de 1919.

(Fdo.) JOSE GALAN BLANCO
 NOTARIO PUBLICO

Mi nombramiento expira el 31
 Decembre de 1920

DIRECTORS' CERTIFICATE
(Amendment of Articles of Incorporation)



KNOW ALL MEN BY THESE PRESENTS:

We, the undersigned majority of the Directors and the Corporate Secretary of **VICTORIAS MILLING COMPANY, INC.** (the "Corporation"), do hereby certify that the Articles of Incorporation of said Corporation was amended by a majority vote of the Directors and the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at meetings held on 9 December 2016 and 7 February 2012¹, respectively, at the principal office of the Corporation.

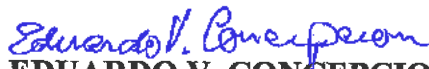
The amended provisions of the attached Articles of Incorporation refer to the amendment of Article VII, to reflect the increase in authorized capital stock from Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty Pesos (PhP2,913,250,850.00) divided into Two Billion Nine Hundred Thirteen Million Two Hundred Fifty Thousand Eight Hundred Fifty (2,913,250,850) shares with a par value of One Peso (PhP1.00) per share to Three Billion Forty Two Million Sixty One Thousand Ninety Four Pesos (PhP3,042,061,094.00) divided into Three Billion Forty Two Million Sixty One Thousand Ninety Four (3,042,061,094) shares with a par value of One Peso (PhP1.00) per share.

IN WITNESS WHEREOF, we have executed this Director's Certificate this _____ day of JAN 06 2017 2017 at the City of Makati City.

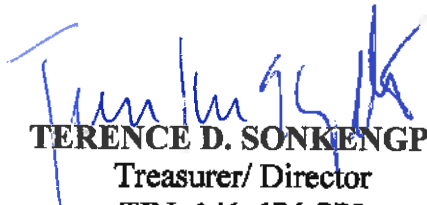

WILSON T. YOUNG
Chairman of the Meeting/ Director
TIN: 115-318-663


BRIAN KEITH F. HOSAKA
Director/Corporate Secretary
TIN: 156-430-529

¹ To comply with the Alternative Rehabilitation Plan (ARP) and Debt Restructuring Agreement (DRA) approved by the SEC on 29 November 2000 and 29 April 2002, respectively, the stockholders approved the increase in capital stock of the Corporation to Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six Pesos (PhP4,605,086,296.00) divided into Four Billion Six Hundred Five Million Eighty Six Thousand Two Hundred Ninety Six (4,605,086,296) shares with a par value of One Peso (PhP1.00) per share. The Board was constrained to partially implement said stockholders resolution because of the value of the convertible notes available for conversion into equity at this time.

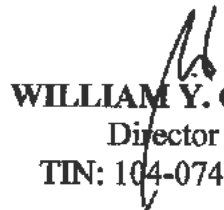

EDUARDO V. CONCEPCION
 President/Director
 TIN: 131-380-040


LUCIO K. TAN, JR.
 Director
 TIN: 120-553-708


TERENCE D. SONKENGPO
 Treasurer/ Director
 TIN: 141-676-775

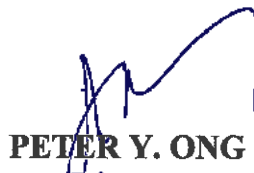

MICHAEL G. TAN
 Director
 TIN: 120-533-724


ALBERTO P. FENIX, JR.
 Director
 TIN: 104-103-864


WILLIAM Y. CHUA
 Director
 TIN: 104-074-740


ALVIN C. YU
 Director
 TIN: 151-111-318


MARTIN C. YU
 Director
 TIN: 161-549-636


PETER Y. ONG
 Director
 TIN: 120-533-040

REPUBLIC OF THE PHILIPPINES)
 MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 6th day of January 2017 in
 Makati City, affiants exhibiting to me the following:

<u>Name</u>	<u>Gov't Issued ID.</u>	<u>Date issued/Place</u>
Wilson T. Young	PP No. EC5897344	5 November 2015/DFA NCR East
Lucio K. Tan, Jr.	PP No. EC1401914	14 June 2014/DFA Manila
Eduardo V. Concepcion	PRC Reg No. 0006985	20 May 2015/PRC Manila
Alberto P. Fenix, Jr.	PP No. EB8155757	20 May 2013/DFA NCR East
Terence D. Sonkengpo	DL No. N01-86- 032850 (OR No. 935190546)	17 May 2016/LTO Office
William Y. Chua	PP No. EB8924292	15 August 2013/DFA Bacolod
Alvin C. Yu	SSS No. 07-155805- 01	
Martin C. Yu	PP No. EC2058872	9 September 2014/DFA NCR East
Peter Y. Ong	SSS No. 03- 2236883-1	

Doc. No. 10 ;
 Page No. 3 ;
 Book No. I ;
 Series of 2017.

Elvin S. Salindo
ELVIN S. SALINDO
 Notary Public until 31 December 2018
 19th/F BDO Plaza, 8737 Paseo de Roxas, Makati City
 PTR No. 5913572, Makati City, 04 January 2017
 NBP No. 1058174, Makati, 04 January 2017
 Roll No. 85845, Commission No. M-23

REPUBLIC OF THE PHILIPPINES)
 MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this 12th day of January 2017
 in Makati City, affiants exhibiting to me the following:

<u>Name</u>	<u>Gov't Issued ID.</u>	<u>Date issued/Place</u>
Brian Keith F. Hosaka	DL No. N02-88-081186	12 January 2015/Quezon City
Michael G. Tan	PP No. EC0229876	6 February 2014/DFA Manila

Doc. No. 45 ;
 Page No. 10 ;
 Book No. 1 ;
 Series of 2017.

Elvin S. Salindo
ELVIN S. SALINDO
 Notary Public until 31 December 2018
 19th F BDO Plaza, 8737 Paseo de Roxas, Makati City
 PTR No. 5013572, Makati City, 04 January 2017
 IBP No. 1056174, Makati, 04 January 2017
 Roll No. 85645, Commission No. M-23



VICTORIAS MILLING COMPANY, INC.

May 29, 2017

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

Dear Hon. Callangan:

We are furnishing the Honorable Commission a copy of Victorias Milling Company, Inc.'s SEC Form 17-C, relative to its Change in Number of Issued and Outstanding Shares.

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

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

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. **May 29, 2017**
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) 399-3588** **Fax No. (034) 399-3588**
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. 9**

REPORTED HEREIN:

Increase in number of issued and outstanding shares pursuant to the approval of the Securities and Exchange Commission on May 23, 2017 of Victorias Milling Company's (VMC) Amendment of Article VII Articles of Incorporation.

Change(s) in Number of Issued and Outstanding Shares:

	Before	After
Issued Shares (Common)	2,913,250,850	3,042,061,094
Outstanding Shares (Common)	2,613,240,320	2,742,050,564

Breakdown of shares that resulted in the increase of VMC's issued and outstanding shares to 3,042,061,094:

1. LT Group Inc. - 58,942,885 Shares.
2. Premier Network International Ltd. 26,117,150 Shares.
3. Narra Capital Investment Corp. 43,750,209 Shares.

Certificates of Stock issued was dated May 26, 2017 but executed May 29, 2017.

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: 29 May 2017



VICTORIAS MILLING COMPANY, INC.

May 29, 2017

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

Dear Hon. Callangan:

We are furnishing the Honorable Commission a copy of Victorias Milling Company, Inc.'s SEC Form 17-C, relative to its Change in Number of Issued and Outstanding Shares.

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

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

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. **May 29, 2017**
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) 399-3588** **Fax No. (034) 399-3588**
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
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1. LT Group Inc. - 58,942,885 Shares.
2. Premier Network International Ltd. 26,117,150 Shares.
3. Narra Capital Investment Corp. 43,750,209 Shares.

Certificates of Stock issued was dated May 26, 2017 but executed May 29, 2017.

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: 29 May 2017



VICTORIAS MILLING COMPANY, INC.

May 30, 2017

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

Dear Hon. Callangan:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. in connection with Board approvals during its May 29, 2017 meeting.

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

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

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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. **May 30, 2017**
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) 399-3588** **Fax No. (034) 399-3588**
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. 9**

REPORTED HEREIN:

That in the meeting on 29 May 2017, the Board approved the extension of the corporate term of Victorias Milling Company, Inc. for another fifty (50) years, effective 25 April 2019.

The board likewise approved the amendment of fourth article of the Amended Articles of the Corporation dated 23 May 2017, to read as follows:

"FOURTH - The corporate term according to the Corporation's Amended Articles of Incorporation is for fifty (50) years starting 07 May 1969. Thus, the corporate term of the Corporation is hereby extended for an additional period of fifty (50) years effective 25 April 2019."

Also approved was the Revised Manual on Corporate Governance and the Annual Corporate Governance Report for 2016.

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: May 30, 2017



VICTORIAS MILLING COMPANY, INC.

June 15, 2017

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

Dear Hon. Callangan:

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 Certificate of Attendance of VMC's member of the Board to a Corporate Governance Training with SEC-accredited training provider on June 14, 2017.

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

Contact Person's Address

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

To be accomplished by CRMD Personnel

Date

Signature

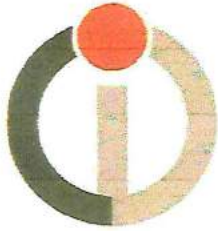
Assigned processor: _____

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



Institute of Corporate Directors

presents this

Certificate of Attendance

to

Victor T. Yu

Victorias Milling Company, Inc.

*for having attended the Corporate Governance
Orientation Program held on June 14, 2017
at EDSA Shangri-La, Manila, Mandaluyong City, Philippines*

Given this 14th day of June 2017.


Ricardo Nicanor N. Jacinto
Chief Executive Officer



VICTORIAS MILLING COMPANY, INC.

2 August 2017

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

Dear Hon. Callangan:

We are sending the attached SEC Form 17-C of Victorias Milling Company, Inc. in connection with Board approvals during its 1 August 2017 meeting.

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

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

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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

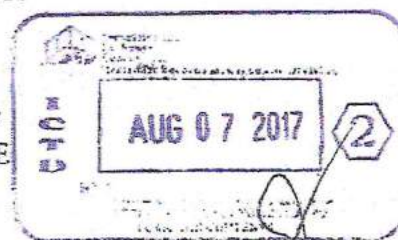
1. August 2, 2017
Date of Report (Date of earliest event reported)
2. SEC Identification Number PW-364
3. BIR Tax Identification
No. 000-270-220-000
4. VICTORIAS MILLING COMPANY, INC.
Exact name of Issuer as specified in its charter
5. NEGROS OCCIDENTAL
Province, country or other jurisdiction of
Incorporation
6. (SEC Use Only)
Industry Classification Code:
7. VMC Compound, J.I. Ossorio Street, Brgy. XVI, Victorias City, Negros
Occidental 6119
Address of office Postal Code
8. (034) 399-3588 Fax No. (034) 399-3588
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. 9

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
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1. August 2, 2017
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
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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. 9

REPORTED HEREIN:

That in the meeting held on 1 August 2017, the Board of Directors of Victorias Milling Company, Inc. (VMC) approved the following:

1) Promotion of Mr. Eduardo V. Concepcion from President & Chief Operating Officer to President & Chief Executive Officer; and

2) Promotion of Ms. Minnie O. Chua from Deputy Chief Operating Officer to Chief Operating Officer.

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

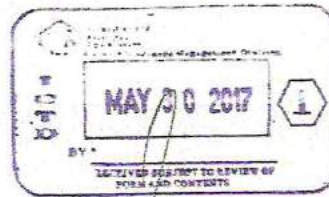
Date: 2 August 2017



VICTORIAS MILLING COMPANY, INC.

May 30, 2017

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



Dear Hon. Callangan:

Pursuant to SEC Memorandum Circular No. 20, Series of 2016, we are filing the attached three (3) copies of the duly accomplished Annual Corporate Governance Report of Victorias Milling Company, Inc. for the year 2016.

Thank you very much.

Very truly yours,

EVA A. VICENCIO-RODRIGUEZ
Compliance & Information Officer

VMC Compound, J.J. Osorio St., Barangay XVI, Victorias City, Negros Occidental
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COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

ACGR

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

Company's Telephone Number

034-399-3588

Company's Facsimile Number

034-399-3588

Contact

Contact Person Information

Name of Contact Person

EVA V. RODRIGUEZ

Email Address

Telephone Number/s

034-399-3588

Facsimile Number/s

034-399-3588

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

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Eleven (11)

Actual number of Directors for the year	Eleven (11)

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
William Y. Chua	ID	CVI GVF (Lux) Master S.A.R.L.	Premier Network Int'l., Ltd.	Feb. 4, 2014	Feb. 7, 2017	Annual Meeting	3 years
Eduardo V. Concepcion	ED	CVI GVF (Lux) Master S.A.R.L.	Premier Network Int'l. Ltd.	Feb. 4, 2014	Feb. 7, 2017	Annual Meeting	3 years
Brian Keith F. Hosaka	ID	CVI GVF (Lux) Master S.A.R.L.	CVI GVF (Lux) Master S.A.R.L.	Feb. 7, 2012	Feb. 7, 2017	Annual Meeting	4 years
Peter Y. Ong	ID	LT Group Inc.	LT Group Inc.	Feb. 2, 2010	Feb. 7, 2017	Annual Meeting	9 months
Terence D. Son Keng Po	ED	CVI GVF (Lux) Master S.A.R.L.	Premier Network Int'l., Ltd.,	Feb. 5, 2013	Feb. 7, 2017	Annual Meeting	4 years
Michael G. Tan	ID	LT Group Inc.	LT Group Inc.	Feb. 25, 2011	Feb. 7, 2017	Annual Meeting	6 years
Lucio K. Tan, Jr.	ID	LT Group Inc.	LT Group Inc.	June 6, 2014	Feb. 7, 2017	Board Meeting	3 years
Wilson T. Young	ID		Abelardo E. Bugay	April 30, 2004	Feb. 7, 2017	Annual Meeting	13 years
Alvin C. Yu	ID	Narra Capital Investment Corp.	Narra Capital Investment Corp.	Feb. 4, 2014	Feb. 7, 2017	Annual Meeting	3 years
Martin C. Yu	ID	Narra Capital Investment Corp.	Narra Capital Investment Corp.	Feb. 4, 2014	Feb. 7, 2017	Annual Meeting	3 years
Victor T. Yu	ID	LT Group Inc.	LT Group Inc.	Feb. 7, 2017	Feb. 7, 2017	Annual Meeting	N/A

• VMC Directors as of Feb. 7, 2017 ASM, which was disclosed via SEC FORM 17-C.

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

(Based on the Revised Manual on Corporate Governance)

“Compliance with the principles of good corporate governance starts with the Board of Directors. It is Board’s responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

The corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Rights of Investors and minority interests include: 1) Voting; 2) Pre-emptive; 3) Power of Inspection; 4) Right to Information; 5) Right to Dividends; and 6) Appraisal Right.”

Specific Duties and Responsibilities of Board of Director:

(Based on the Revised Manual on Corporate Governance)

1. He shall act in a manner characterized by transparency, accountability and fairness.
2. To faithfully observe his duties of loyalty, obedience to the purposes of the corporation, and diligence to ensure that personal interest does not bias Board decisions;
3. To devote time and attention necessary to properly discharge his duties and responsibilities;
4. To act judiciously;
5. To exercise independent judgment;
6. To have working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
7. To observe confidentiality; and
8. To ensure the continuing, soundness, effectiveness and adequacy of the Corporation’s control environment.

- (c) How often does the Board review and approve the vision and mission?

As often as needed.

- (d) Directorship in Other Companies

- (i) Directorship in the Company’s Group²

Identify, as and if applicable, the members of the company’s Board of Directors who hold the office of director in other companies within its Group:

Director’s Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Terence D. Son Keng Po	VMC Subsidiaries - VFC, VGCCI & CDC	Executive Director

- (ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company’s Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director’s Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Wilson T. Young	None	
William Y. Chua	None	
Eduardo V. Concepcion	None	
Peter Y. Ong	LT Group, Inc.	Non-Executive Director
Lucio K. Tan, Jr.	LT Group, Inc.; PAL Holdings; Philippine National Bank	Non-Executive Director
Brian Keith F. Hosaka	None	
Terence Son Keng Po	None	

² **The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.**

Michael G. Tan	LT Group Inc.; PAL Holdings, Inc.; Philippine National Bank	Executive Director; Non-Executive Director
Alvin C. Yu	None	
Martin C. Yu	None	
Victor T. Yu	None	

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or its group:

Alvin C. Yu	Narra Capital Investment Corp.	brother of Mr. Martin C. Yu
Martin C. Yu	Narra Capital Investment Corp.	brother of Mr. Alvin C. Yu
Michael G. Tan	LT Group, Inc.	brother of Mr. Lucio K. Tan, Jr.
Lucio K. Tan, Jr.	LT Group, Inc.	brother of Mr. Michael G. Tan

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines: **Yes.**

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Shall submit himself to a low indicative limit on membership in other corporate Boards.	Reasonable number which in any case, shall not compromise the capacity of directors to serve the Company with diligence.
Non-Executive Director	Shall submit himself to a low indicative limit on membership in other corporate Boards.	Reasonable number which in any case, shall not compromise the capacity of directors to serve the Company with diligence.
CEO	Shall submit himself to a low indicative limit on membership in other corporate Boards.	Reasonable number which in any case, shall not compromise the capacity of CEO to serve the Company with diligence.

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
William Y. Chua	1,000	89,752,734	3.43%
Eduardo V. Concepcion	1,000	1,000	0.00%
Brian Keith F. Hosaka	1	1,000	0.00%
Peter Y. Ong	1,000	-	0.00%
Terence D. Son Keng Po	87,300	-	0.00%
Michael G. Tan	60	-	0.00%
Lucio K. Tan, Jr.	1,100	-	0.00%
Wilson T. Young	300	-	0.00%
Alvin C. Yu	1	-	0.00%
Martin C. Yu	1	-	0.00%
Victor T. Yu	1,000	-	0.00%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒

No ☐

Identify the Chair and CEO:

Chairman of the Board	Mr. Wilson T. Young
Chief Executive Officer	Vacant

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

(Based on VMC By-Laws)

	Chairman	Chief Executive Officer
Role	The Chairman of the Board presides over all the sessions of the Board of Directors and the regular and special meetings of the stockholders. The Chairman can be elected and serve concurrently as Chief Executive Officer, Chief Financial Officer or Chief Operating Officer of the Corporation.	The Chief Executive Officer is elected by the Board of Directors and shall only have such duties, powers and responsibilities as may be defined by the Board of Directors. The President, Chairman or Vice Chairman can be elected as Chief Executive Officer of the Corporation.
Accountabilities	The Chairman of the Board presides over all the sessions of the Board of Directors and the regular and special meetings of the stockholders. The Chairman can be elected and serve concurrently as Chief Executive Officer, Chief Financial Officer or Chief Operating Officer of the Corporation.	The Chief Executive Officer is elected by the Board of Directors and shall only have such duties, powers and responsibilities as may be defined by the Board of Directors. The President, Chairman or Vice Chairman can be elected as Chief Executive Officer of the Corporation.
Deliverables	The Chairman of the Board presides over all the sessions of the Board of Directors and the regular and special meetings of the stockholders. The Chairman can be elected and serve concurrently as Chief Executive Officer, Chief Financial Officer or Chief Operating Officer of the Corporation.	The Chief Executive Officer is elected by the Board of Directors and shall only have such duties, powers and responsibilities as may be defined by the Board of Directors. The President, Chairman or Vice Chairman can be elected as Chief Executive Officer of the Corporation.

- 3) Explain how the Board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The By-Laws states that all officers shall have one (1) year term of office and until their successors are duly elected and qualified.

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The current composition of the Board of Directors is dictated by the Corporation's Approved Rehabilitation Plan (ARP), classified as secured creditors, creditors with debt conversion, and existing stockholders.

Moreover, the qualification of the members of the Board of Directors are provided for in the company's Manual on Corporate Governance.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The same explanation as above.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:
N.A., all members of the Board have been considered as Independent Directors. They have such explicit roles, accountabilities and deliverables as provided in the corporation's By-laws and Revised Manual on Corporate Governance.

	Executive	Non-Executive	Independent Director
Role			
Accountabilities			
Deliverables			

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independence is freedom from interference in the direction of one's own corporate affairs, dealings and judgments. The Company fully subscribes to and strives to comply with the requirements on independence.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

N.A., because the corporation's composition of Board of Directors is based on its Approved Rehabilitation Plan (ARP).

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Anna Rosario V. Paner	Managing Director & CEO	October 28, 2016	Appointment to Government Office
Ray C. Espinosa	Director	May 27, 2016	Resignation

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

N.A., the Board of Directors are elected and/or removed pursuant to the Corporation Code, Corporation's Approved Rehabilitation Plan and Manual on Corporate Governance.

Procedure	Process Adopted	Criteria/Grounds
a. Selection/Appointment		
b. Re-appointment		
c. Permanent Disqualification		
		Based on Revised Manual on Corporate Governance a. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgression; b. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any of the provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas; c. Any person judicially declared to be insolvent; d. Any person finally found guilty by a foreign court or

		equivalent financial regulatory authority of acts, violations, or misconduct similar to any of the acts, violations, or misconduct listed in the foregoing in the foregoing paragraphs; and e. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
d. Temporary Disqualification		
		Based on Revised Manual on Corporate Governance a. Refusal to fully disclose the extent of the business interest as required under the Securities Regulation Code and its implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; b. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; c. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; d. Being under preventive suspension by the Corporation; e. If the independent director becomes an officer or employee of the same corporation, he shall be automatically disqualified from being an independent director; and f. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.
e. Removal		
f. Re-instatement		
g. Suspension		

Voting Result of the last Annual Stockholders' Meeting as of February 7, 2017

Name of Director	Votes Received
Eduardo V. Concepcion	one (1) vote
William Y. Chua	one (1) vote
Brian Keith F. Hosaka	one (1) vote
Peter Y. Ong	one (1) vote
Terence D. Son Keng Po	one (1) vote
Michael G. Tan	one (1) vote
Lucio K. Tan, Jr.	one (1) vote
Wilson T. Young	one (1) vote
Alvin C. Yu	one (1) vote
Martin C. Yu	one (1) vote

Victor T. Yu	one (1) vote

****The above listed members of the board were elected to the Company's eleven-seat board, pursuant to the Alternative Rehabilitation Plan and Debt Restructuring Agreement, with at least one (1) vote each, considering that there was exactly the same number of nominees for each board seat.***

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

As a matter of practice, new directors are provided with documents and are given informal lectures on the operations of the Company during guided tours of the factory, offices and subsidiaries.

- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
William Y. Chua	5 June 2014 27 August 2015 8 December 2016	-Orientation Course on Corporate Governance -Corporate Governance Seminar -Corporate Governance Seminar	-Institute of Corporate Directors -Philippine Corporate Enhancement and Governance, Inc. -SGV Corp.
Eduardo V. Concepcion	6 March 2014 27 August 2015 22 November 2016 4 May 2017	-Orientation Course on Corporate Governance -Corporate Governance Seminar -3 rd Annual SEC-PSE Corporate Governance Forum -Corporate Governance	-Institute of Corporate Directors -Philippine Corporate Enhancement and Governance, Inc. -SEC & PSE -SGV
Brian Keith F. Hosaka	5 June 2014 27 August 2015 22 November 2016 4 May 2017	-Orientation Course on Corporate Governance -Corporate Governance Seminar -3 rd Annual SEC-PSE Corporate Governance Forum -Corporate Governance	-Institute of Corporate Directors -Philippine Corporate Enhancement and Governance, Inc. -SEC & PSE -SGV
Peter Y. Ong	9 June 2016 4 May 2017	-Distinguished Corporate Governance Speaker Series -Corporate Governance	-Institute of Corporate Directors -SGV
Terence D. Son Keng Po	6 March 2014 27 August 2015 22 November 2016 4 May 2017	-Orientation Course on Corporate Governance -Corporate Governance Seminar -3 rd Annual SEC-PSE Corporate Governance Forum -Corporate Governance	-Institute of Corporate Directors -Philippine Corporate Enhancement and Governance, Inc. -SEC & PSE -SGV
Lucio K. Tan, Jr.	21 October 2014 19 October 2016	-Corporate Governance -Best Practices in Parliamentary Procedures for Board Directors and Top Management	-Risks, Opportunities, Assessment & Management (ROAM), Inc. -Center for Global Best Practices
Michael G. Tan	03 August 2016	-SEC Corporate Governance Forum	- SEC
Wilson T. Young	6 March 2014 9 December 2015 22 November 2016 4 May 2017	- Orientation Course on Corporate Governance - Corporate Governance -3 rd Annual SEC-PSE Corporate Governance Forum -Corporate Governance	- Institute of Corporate Directors - SGV Corp. -SEC & PSE -SGV
Alvin C. Yu	21 November 2014 27 August 2015	-Corporate Governance -Corporate Governance	-SGV -Philippine Corporate

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

	8 December 2016	Seminar -Corporate Governance	Enhancement and Governance, Inc. -SGV
Martin C. Yu	21 November 2014 27 August 2015 8 December 2016	-Corporate Governance -Corporate Governance Seminar -Corporate Governance	-SGV -Philippine Corporate Enhancement and Governance, Inc. -SGV
*Victor T. Yu	*became a member of the Board only on 7 Feb. 2017	-	-
Eva A. Vicencio-Rodriguez	21 October 2014 27 August 2015 03 August 2016 4 May 2017	-SEC-PSE Corporate Governance Forum -Corporate Governance Seminar -SEC Corporate Governance Forum -Corporate Governance	-SEC & PSE -Philippine Corporate Enhancement and Governance, Inc. -SEC -SGV
Teresita V. Ilagan	6 March 2014 27 August 2015 22 November 2016 4 May 2017	-Orientation Course on Corporate Governance -Corporate Governance Seminar -3 rd Annual SEC-PSE Corporate Governance Forum -Corporate Governance	-Institute of Corporate Directors -Philippine Corporate Enhancement and Governance, Inc. -SEC & PSE -SGV
Linley A. Retirado	5 June 2014 27 August 2015 22 November 2016 4 May 2017	-Orientation Course on Corporate Governance -Corporate Governance Seminar -3 rd Annual SEC-PSE Corporate Governance Forum -Corporate Governance	-Institute of Corporate Directors -Philippine Corporate Enhancement and Governance, Inc. -SEC & PSE -SGV

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<i>Should be promptly disclosed</i>	<i>Should be promptly disclosed</i>	<i>Should be promptly disclosed</i>
(b) Conduct of Business and Fair Dealings	<i>Strictly Required</i>	<i>Strictly Required</i>	<i>Strictly Required</i>
(c) Receipt of gifts from third parties	<i>Strictly Discouraged</i>	<i>Strictly Discouraged</i>	<i>Strictly Discouraged</i>
(d) Compliance with Laws & Regulations	<i>Strictly Enjoined</i>	<i>Strictly Enjoined</i>	<i>Strictly Enjoined</i>
(e) Respect for Trade Secrets/Use of Non-public Information	<i>Strictly Required</i>	<i>Strictly Required</i>	<i>Strictly Required</i>
(f) Use of Company Funds, Assets and Information	<i>Strictly Monitoring</i>	<i>Strictly Guided with Rules</i>	<i>Strictly Monitored</i>
(g) Employment & Labor Laws & Policies	<i>Compliance therewith Strictly Required from Service Contractors</i>	<i>Compliance therewith Strictly Required from Service Contractors</i>	<i>Compliance therewith Strictly Required from Service Contractors</i>
(h) Disciplinary action	<i>With Strict Rules</i>	<i>Strictly Implemented</i>	<i>Strictly Complied</i>
(i) Whistle Blower	<i>No Retaliation</i>	<i>No Retaliation</i>	<i>No Retaliation</i>
(j) Conflict Resolution	<i>Encouraged</i>	<i>Encouraged</i>	<i>Encouraged</i>

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes, a copy of VMC's Employee Code of Conduct and Discipline (ECCD) is given to new hires, as well as to directors and senior management.

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

By strictly requiring compliance or obedience thereto.

- 4) Related Party Transactions

- (a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<i>Full and Prompt Disclosure required</i>
(2) Joint Ventures	<i>Full and Prompt Disclosure required</i>
(3) Subsidiaries	<i>Full and Prompt Disclosure required</i>
(4) Entities Under Common Control	<i>Full and Prompt Disclosure Required</i>
(5) Substantial Stockholders	<i>Full and Prompt Disclosure Required</i>
(6) Officers including spouse/children/siblings/parents	<i>Full and Prompt Disclosure Required</i>
(7) Directors including spouse/children/siblings/parents	<i>Full and Prompt Disclosure Required</i>
(8) Interlocking director relationship of Board of Directors	<i>Full and Prompt Disclosure Required</i>

- (b) Conflict of Interest

- (i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	<i>None</i>
Name of Officer/s	<i>None</i>
Name of Significant Shareholders	<i>None</i>

- (ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<i>Yearly accomplishment and submission of disclosure via Disclosure Questionnaire</i>
Group	<i>Yearly accomplishment and submission of disclosure via Disclosure Questionnaire</i>

- 5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

None is currently known.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

None

Names of Related Significant Shareholders	Type of Relationship	Brief Description

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

None is currently known.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

No conflicts or differences occurred for the last three years however, an ADR system is currently being developed.

	Alternative Dispute Resolution System
Corporation & Stockholders	
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The Board of Directors holds meetings every last Monday of the month and as often as needed hence, scheduling is done monthly or as often as needed.

- 2) Attendance of Directors – covering Feb. 2016 – January 2017

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Wilson T. Young	Feb. 2, 2016	11	11	100%
Member	Eduardo V. Concepcion	Feb. 2, 2016	11	11	100%
Member	William Y. Chua	Feb. 2, 2016	11	10	91%
Member	Brian Keith F. Hosaka	Feb. 2, 2016	3	2	67%
Member	Peter Y. Ong	Feb. 2, 2016	7	7	100%
Member	Terence D. Son Keng Po	Feb. 2, 2016	11	10	91%
Member	Lucio K. Tan, Jr.	Feb. 2, 2016	11	9	82%
Member	Michael G. Tan	Feb. 2, 2016	11	9	82%
Member	Alvin C. Yu	Feb. 2, 2016	11	11	100%
Member	Martin C. Yu	Feb. 2, 2016	11	10	91%
Member	Victor T. Yu	Feb. 2, 2016	N/A	N/A	N/A
Member	*Ray C. Espinosa	Feb. 2, 2016	4	0	0%
Member	**Anna Rosario V. Paner	Feb. 2, 2016	8	8	100%
Member	***Alberto P. Fenix, Jr.	Feb. 2, 2016	11	11	100%

* Ray C. Espinosa resigned as VMC director on May 27, 2016.

**** Anna Rosario V. Paner resigned as VMC director on Oct. 28, 2016 due to government appointment, replaced by Brian Keith F. Hosaka.**

***** Alberto P. Fenix, Jr. served as Director until Jan. 2017 only.**

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **None**
- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Based on Sec. 7, Article II of the Corporation's By-laws, "The presence of at least six (6) directors shall constitute a quorum for the transaction of corporate business and, subject to the requirement of Sec. 1, Article II, every decision of at least a majority of the directors present at a meeting at which there is a quorum, which in no case shall be less than five (5) directors, shall be required to be a valid corporate act."

- 5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

One (1) week before the Board Meeting.

- (b) Do board members have independent access to Management and the Corporate Secretary?

Yes

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.? **Yes**

Corporate Secretary's Duties and Responsibilities (based on the Revised Manual on Corporate Governance):

- **gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;**
- **as to the agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;**
- **attend the Board meetings and maintain record of the same;**
- **submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.**

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ☒

No ☐

Committee	Details of the procedures
Executive	<i>Agenda and Materials for meeting given in advance</i>
Audit	<i>-same-</i>
Nomination	<i>-same-</i>
Remuneration	<i>-same-</i>
Others (specify) Legal, Risk Management, Budget and Finance	<i>-same-</i>

- 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

⁵ **Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.**

Any Director is free to receive external advice.

Procedures	Details

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

No change/s in existing policies.

Existing Policies	Changes	Reason

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	COO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	/	/
(2) Variable remuneration		
(3) Per diem allowance	/	
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify) Transportation Allowance	/	

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

There is no compensatory plan or arrangement for Directors, except the COO.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors			
Non-Executive Directors			

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

N.A., the Directors do not receive any remuneration.

Remuneration Scheme	Date of Stockholders' Approval

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php16,955,294.12	-	N/A
(b) Variable Remuneration	Php1,935,000.00	Php2,615,000.00	N/A
(c) Per diem Allowance	Php680,000.00	Php980,000.00	N/A
(d) Bonuses	Php11,922,840.97	Php9,460,000.00	N/A
(e) Stock Options and/or other financial instruments	-	-	N/A
(f) Others (Specify)	-	-	N/A
Total	Php31,493,135.09	Php13,055,000.00	-

**as of 31 August 2016*

Other Benefits NONE	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares: **N.A.**

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
NONE				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting: **N.A.**

Incentive Program	Amendments	Date of Stockholders' Approval

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Chief Finance Officer	Aggregate – Php17,386,222.60
Chief Manufacturing Officer	
Chief Administrative Officer	
Corporate Communications Director/Investor Relations Officer	

**as of 31 August 2016*

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive Committee	Two (2)		Five (5)	With Committee Charter	1. Shall take up matters such as but not limited to administrative and operational concerns and disposal, and/or acquisition of assets; 2. It shall create a program that will require regular meeting and	To assist the Board to achieve the goals of the Company.	To pass upon and approve matters that are within its level of authority as prescribed and defined by the Board.

					consultation with the planters; 3. Address the concerns/needs of the planters and make proper recommendation to the Board; 4. Recommend to the Board the corporation's yearly Security Plan; and 5. Prepare reports to the Board and matters concerning planter relations and security.		
Audit Committee		N/A	Three (3)	With Committee Charter.	To assist the Board of Directors in fulfilling its oversight responsibilities for the finance reporting process, the system of internal control, the audit process, and the Corporation's process for monitoring compliance with the laws and regulations and the code of conduct.	1. Check that all financial reports are in compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements; 2. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal & other risks of the corp.; 3. Pre-approve all audit plans, scope and frequency of one (1) month before the conduct of external audit; 4. Perform direct interface functions with the internal & external auditors; 5. Elevate to intl. Standards the accounting & auditing processes, practices & methodologies, & develop the definitive timetable, accountability statement & transparent	To review and pre-approve the financial statements.

						financial system.	
Nomination Committee <i>(Legal and Nominations Committee)</i>	One (1)	N/A	Four (4)	With Committee Charter	It promulgates guidelines or criteria to govern the conduct of the nomination of independent directors. <i>(Based on By-Laws)</i>	For Nominations Committee: It pre-screens and shortlists all candidates nominated to become a member of the Board of Directors in accordance with qualifications and disqualifications set. For Legal Committee: It discusses all legal concerns of the Corporation and makes appropriate recommendations to the Board. Also discusses tax and other tax related concerns of the Corporation and makes appropriate recommendations to the Board.	It has powers granted to it under the Manual on Corp. Gov. <i>(Based on By-Laws)</i>
Remuneration Committee <i>(Human Resource and Remuneration Committee)</i>	One (1)	N/A	Four (4)	On process	Establish a formal and transparent procedure for developing an executive remuneration system and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy & control, environment.	1. Designates amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the corporation successfully; 2. Establishes a formal & transparent procedure for developing a policy; 3. Develops a form on Full Business Interest Disclosure; 4. Disallows any director to decide his or her own remuneration; 5. Provides in the corporation's annual reports, information & proxy statements a clear, concise & understand-able disclosure of compensation of its executive officers.	It has powers granted to it under the Manual on Corp. Gov. <i>(Based on By-Laws)</i>

Others (Specify) Risk and Corporate Governance Committee		N/A	Five (5)	With Committee Charter	1. It shall cause the development of Risk management Plans and Strategies and see to the proper implementation of the same; and 2. It shall review and revise the Risk Management Plans and Strategies, as needed. <i>(Based on Revised MCG)</i>	It shall assist the Board in the identification and evaluation of the Corporation's potential risk exposures. <i>(Based on MCG)</i> For Corporate Governance: It helps monitor and require compliance with the Manual of Corporate Governance and makes appropriate recommendations to the Board; It monitors, oversees and reviews compliance by all concerned with the provisions of the Manual; It formulates policies and guidelines for compliance with the Manual and recommends to the Board penalties/sanctions for violations.	It has powers granted to it under the Revised Manual on Corp. Gov. and the Board.
Others (Specify) Budget Committee	One(1)	N/A	Four (4)	On process	It shall evaluate and recommend to the Board the Corporation's yearly operational projections and budgets. <i>(Based on MCG)</i>	It shall monitor the Corporation's operational and capital expenditures and recommend to the Board any-budget related programs or guidelines as it may deem necessary and appropriate. <i>(Based on Revised MCG)</i>	It has powers granted to it under the Revised Manual on Corp. Gov. and the Board

2) Committee Members

(a) Executive Committee – Meetings were held with management.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Wilson T. Young	Feb. 2, 2016	-	-	-	-
Member (ED)	Anna Rosario V. Paner	Feb. 2, 2016	-	-	-	-
Member (NED)						
Member (ID)	Eduardo V. Concepcion	Feb. 2, 2016	-	-	-	-
	William Y. Chua	Feb. 2, 2016	-	-	-	-
	Michael G. Tan	Feb. 2, 2016	-	-	-	-
	Alvin C. Yu	Feb. 2, 2016	-	-	-	-
	Martin C. Yu	Feb. 2, 2016	-	-	-	-

(b) Audit, Compensation & Remuneration Committee (*Audit Committee*) – as of Feb. 2016 - Jan. 2017

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Dr. Alberto P. Fenix, Jr.	Feb. 2, 2016	8	8	100%	2 yrs.
Member (ED)						
Member (NED)						
Member (ID)	Terence D. Son Keng Po	Feb. 2, 2016	8	8	100%	2 yrs.
	Lucio K. Tan, Jr.	Feb. 2, 2016	8	-	0%	2 yrs.
	Martin C. Yu	Feb. 2, 2016	8	8	100%	2 yrs.
	*Atty. Ray C. Espinosa	Feb. 2, 2016	3	-	0%	N/A
	**Peter Y. Ong	May 27, 2016	5	5	100%	8 mos.

* Atty. Espinosa resigned as member of the committee on May 27, 2016

** Mr. Ong assumed the vacancy left by Atty. Espinosa on May 27, 2016

Disclose the profile or qualifications of the Audit Committee members.

Dr. Alberto P. Fenix, Jr., age 73, currently chairs the Audit Committee of VMC. Dr. Fenix is the Chairman and President of Fenix Management and Capital, Inc., President of Ivoclar Vivadent, Inc., and Executive Director of the SPC Power Corporation. He is Honorary President of the Philippine Chamber of Commerce and Industry (PCCI), President of the PCCI Human Resources Development Foundation, Inc. and a trustee of the Angeles University Foundation, Inc. Dr. Fenix holds a Bachelor's Degree in Mathematics from the Ateneo de Manila University and Master's and Doctorate degrees in Industrial Management from the Massachusetts Institute of Technology.

Terence D. Son Keng Po, age 49, is presently the Treasurer of the company. Mr. Son Keng Po holds a degree in Business Administration and Accountancy (mcl) from the University of the Philippines and a Master's Degree in Business from the University of Chicago. He is the President and CEO of Victorias Foods Corporation (VFC). He is currently a Director of Victorias Golf & Country Club, Inc. (VGCCI) and Canetown Development Corporation (CDC). He served as a Director of Cargill Financial Services, Inc. and Carval Investor Services (both subsidiaries of Cargill, Inc.).

Lucio K. Tan, Jr., age 51, He has been a Director of Victorias Milling Company, Inc., since June 6, 2014. He was awarded Master Degree under Executive Master of Business and Administration Program (EMBA) jointly by Kellogg School of Management of Northwestern University in the United States and Hong Kong University of Science and Technology as well as holding a BS in civil engineering from University of California, Davis. He serves as an Executive Vice President of Fortune Tobacco Corporation and Foremost Farms Inc. Mr. Tan serves as the Chief Executive Officer of Tanduy Distillers Inc. He has been Officer-In-Charge of Eton Properties Philippines Inc. since February 21, 2013. Mr. Tan has been a Director Eton Properties Philippines, Inc. since June 18, 2007; LT Group, Inc since February 21, 2003; Philippine National Bank since September 28, 2007 and has been Non-Executive Director of Macroasia Corp., since August 1997. He serves as a Director of Allied Savings Bank. He has been an Executive Director at Dynamic Holdings Limited since November 10, 1997. He has been Non-Executive Director at PAL Holdings, Inc. (formerly Baguio Gold Holdings Corp.) July 26, 2006. He serves as a Director at Tanduy Brands International Inc. and Tanduy Distillers, Inc. Mr. Tan served as a Director and Member of the Board of Advisors of Philippine Airlines Inc.

Martin C. Yu, age 42, serves as a Director of Victorias Milling Company, Inc. since Feb. 4, 2014, and has been the President of Firefly Electric & Lighting Corporation since 2001. Mr. Yu has been a Director of VCY Sales Corporation since 1998. He took up Business Management in the Ateneo de Manila University.

Peter Y. Ong, age 70, currently serves as Treasurer of Maranaw Hotels and Resort Corp. He also serves as Director of Allied Leasing and Finance Corporation, Allied Bankers Insurance Corporation, and Lucio Tan Group of Companies. He is also a Consultant of Basic Holdings Corporation from 2013 up to the present. He was President and CEO of Airphil Express in 2011 to 2012, and was also Senior Vice-President for Production of Fortune Tobacco Corp. in 1970 to 2011. On May 27, 2016, Mr. Ong was elected as Director of Victorias Milling Company, Inc.

Describe the Audit Committee's responsibility relative to the external auditor.

Performs direct interface functions with the internal and external auditors.

(c) Nomination Committee (*Legal and Nominations Committee*) - as of Feb. 2016 – Jan. 2017 (includes Nomination Committee Meeting)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	*Atty. Anna Rosario V. Paner	Feb. 2, 2016	1	1	100%	9 yrs.
	**Brian Keith F. Hosaka	Feb. 2, 2016	3	3	100%	N/A
Member (ED)	Wilson T. Young	Feb. 2, 2016	4	4	100%	2 yrs.

Member (NED)						
Member (ID)	Dr. Alberto P. Fenix, Jr.	Feb. 2, 2016	4	4	100%	3 yrs.
	William Y. Chua	Feb. 2, 2016	4	2	50%	2 yrs.
	Michael G. Tan	Feb. 2, 2016	4	2	50%	2 yrs.

***Atty. Paner resigned as Chairman of the Committee on Oct. 28, 2016.*

***Atty. Hosaka assumed the vacancy left by Atty. Paner.*

(d) HR, Compensation and Remuneration Committee (Human Resource & Remuneration Committee) **as of Feb. 2016 – Jan. 2017**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	William Y. Chua	Feb. 2, 2016	1	1	100%	1
Member (ED)	Eduardo V. Concepcion	Feb. 2, 2016	1	1	100%	1
Member (NED)						
Member (ID)	Alvin C. Yu	Feb. 2, 2016	1	1	100%	1
	Martin C. Yu	Feb. 2, 2016	1	1	100%	1
	Wilson T. Young	Feb. 2, 2016	1	1	100%	1

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						

(f) Budget and Finance Committee (Budget Committee) **as of Feb. 2016 – Jan. 2017**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Alvin C. Yu	Feb. 2, 2016	2	2	100%	2 yrs.
Member (ED)	Eduardo V. Concepcion	Feb. 2, 2016				2 yrs.
Member (NED)						2 yrs.
Member (ID)	Terence D. Son Keng Po	Feb. 2, 2016	2	2	100%	2 yrs.
	Lucio K. Tan	Feb. 2, 2016	2	-	0%	2 yrs.
	Dr. Alberto P. Fenix, Jr.	Feb. 2, 2016	2	2	100%	2 yrs.

(g) Risk Committee (Risk and Corporate Governance Committee) **as of Feb. 2016 – Jan. 2017**

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Risk Mgt. Chairman	Terence D. Son Keng Po	Feb. 2, 2016	1	1	100%	2 yrs.
Member (ED)	*Atty. Anna Rosario V. Paner	Feb. 2, 2016	1	1	100%	2 yrs.
Member (NED)						
Member (ID)	**Atty. Ray C. Espinosa	Feb. 2, 2016	1	-	0%	N/A
	***Peter Y. Ong	May 27, 2016	0	0	N/A	N/A
	Lucio K. Tan, Jr.	Feb. 2, 2016	1	1	100%	2 yrs.
	Michael G. Tan	Feb. 2, 2016	1	0	0%	2 yrs.
	Martin C. Yu (ad hoc)	Feb. 2, 2016	1	1	100%	N/A

**Atty. Paner resigned as member of the committee on Oct. 28, 2016*

*** Atty. Espinosa resigned as member of the committee on May 27, 2016*

**** Mr. Ong assumed the vacancy left by Atty. Espinosa on May 27, 2016*

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Anna Rosario V. Paner was replaced by Brian Keith F. Hosaka for the remainder of the term.	Appointment to government office.
Audit	Ray C. Espinosa was replaced by Peter Y. Ong for the remainder of the term.	Resignation
Nomination	Anna Rosario V. Paner was replaced by Brian Keith F. Hosaka for the remainder of the term.	Appointment to government office.
Remuneration		
Others (specify) Risk and Corporate Governance	Anna Rosario V. Paner resigned, Martin C. Yu as adhoc member. Ray C. Espinosa was replaced by Peter Y. Ong for the remainder of the term.	Appointment to government office. Resignation

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Everything necessary to act on matters that are within its level of authority as prescribed and defined by the Board and relevant SEC rules and regulations.	Numerous Administrative and Operational Concerns.
Audit	All functions as prescribed and defined by the Board and relevant SEC rules and regulations.	Internal Control System, Audit processes and a number of Audit concerns.
Nomination	All duties and responsibilities as prescribed and defined by the Board and relevant SEC rules and regulations.	Nomination-related concerns.
Remuneration	All duties and responsibilities as prescribed and defined by the Board and relevant SEC rules and regulations.	Remuneration-related concerns.
Others (specify) Legal	All duties and responsibilities prescribed and defined by the Board.	Legal-related concerns.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Compliance with the Rehabilitation Plan and Debt Restructuring Agreement.	Rehabilitation-related issues
Audit	-Same-	-Same-
Nomination	-Same-	-Same-
Remuneration	-Same-	-Same-
Others (specify)		

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;

The risk management philosophy is centered on the development of appropriate strategies for preventing and minimizing losses when they occur.

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board shall cause the development of Risk Management Plans and Strategies and see to the proper implementation of the same. The said Risk Management Plans and Strategies shall be reviewed, as often as needed.

- (c) Period covered by the review;

One (1) year.

- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

As often as needed but at least once a year.

- (e) Where no review was conducted during the year, an explanation why not.

N.A.

2) Risk Policy

- (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Non-compliance with the Approved Rehabilitation Plan (ARP) as well as Debt Restructuring Agreement (DRA).	To ensure compliance with the ARP and the DRA.	To ensure compliance with the ARP and the DRA.
Business Losses	Monitor the Corporation's operational and capital expenditures and recommend to the Board any budget related programs or guidelines, as it may deem necessary and appropriate.	To manage the financial risks to ensure compliance with the ARP and the DRA.

- (b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk: - **VMC is still in the process of developing its Group's Risk Management Policy.**

Risk Exposure	Risk Management Policy	Objective

- (c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
None

3) Control System Set Up

- (a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Non-compliance with the Approved Rehabilitation Plan (ARP) as well as Debt Restructuring Agreement (DRA).	Periodic review of compliance with the ARP and the DRA.	Periodic review of compliance with the ARP and the DRA and sound corporate governance.
Business Losses	Regular review of financial standing	Sound financial policies and practices

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company: **None**

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Risk Management	It shall cause the development of Risk Management Plans and Strategies and see to it the proper implementation of the same; It shall review and revise the Management Plans and Strategies, as needed.	To assist the Board in the identification and evaluation of the Corporation's potential risk exposures.
Audit	To check that all financial reports are in compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.	To assist the Board of Directors in fulfilling its oversight responsibilities for the finance reporting process, the system of internal control, the audit process, and the Corporation's process for monitoring compliance with the laws and regulations and the code of conduct.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal Control as instituted by VMC involves systematic measures (such as reviews, checks and balances, methods and procedures) to wit:

- 1) **Conduct its business in an orderly and efficient manner,**
- 2) **To safeguard its assets and resources,**
- 3) **Deter and detect errors, fraud, and theft,**
- 4) **Ensure accuracy and completeness of its accounting data,**
- 5) **Produce reliable and timely financial and management information'**
- 6) **Ensure adherence to its policies and plans.**

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board and the Audit Committee periodically review the effectiveness of the internal control system.

- (c) Period covered by the review; **year to date**
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system;

Quarterly

- (e) Where no review was conducted during the year, an explanation why not.

N/A. if the review is done quarterly or yearly.

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Minimum internal control mechanisms for management's operational responsibility which shall center on the President and COO, being ultimately accountable for the Corporation's organizational and procedural controls. Internal Audit provides assurance to management and the Audit Committee. Assist the audit committee in discharging its governance responsibilities by delivering:	Nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance. • An objective evaluation of the existing risk and internal control framework. • Makes recommendations for improvement in key management processes. • It aims to ensure that key risks are being appropriately managed.	Internal Audit Function is to provide with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. In-house	Giannina E. Kaw	Internal Auditor shall report to the Audit Committee Monthly to Audit Committee

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Yes. The Audit manager regularly reports on a monthly basis to the Audit Committee, which is the main recipient of the results achieved by the Internal Audit Function, in the assignments performed in the various fields of the auditing activity, while ensuring that the internal audit function is adequately resourced and enjoys appropriate standing within the organization.

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Junah Grace V. Laguda	Emigrated to Canada

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Annual Audit Program
Issues ⁶	Procedures – Risk Assessment Sugar Inventory
Findings ⁷	Procedures – High Risk & Major Impact Discrepancies Noted on Sugar Warehouses
Examination Trends	Observation, Review Verify – Policies & Procedures Actual Count on Sugar Inventory

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- Preparation of an audit plan inclusive of a timeline and milestones;
- Conduct of examination based on the plan;
- Evaluation of the progress in the implementation of the plan;
- Documentation of issues and findings as a result of the examination;
- Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- Conduct of the foregoing procedures on a regular basis.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation

NOTES:

- VMC is ISO 9001-2015 certified Company.
- Have a Policy & Procedures Manual, with detailed work instructions for workers.

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company): **None**

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Chairman of the Board will attest to the company's full compliance with the SEC Code of Corporate Governance. The directors, officers and employees are aware of the Company's Manual on Corporate Governance.

H. ROLE OF STAKEHOLDERS

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

- a. Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Priority	Concerns if any are entertained with expediency
Supplier/contractor selection practice	Competitive Bidding	Bidding Committee Evaluation of Bids
Environmentally friendly value-chain	Strongly instilled	Orientations, Trainings
Community interaction	Encouraged	Coordination Meetings
Anti-corruption programs and procedures?	In place	Values Orientations
Safeguarding creditors' rights	In place	Orientations/Compliance with Approved Rehabilitation Plan and Debt Restructuring Agreement

- b. Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? – **Yes**
- c. Performance-enhancing mechanisms for employee participation.
- What are the company's policy for its employees' safety, health, and welfare?
Enumerated in the Employees' Code of Conduct and Discipline handbook and in accordance with laws and regulations.
 - Show data relating to health, safety and welfare of its employees.
Data is available anytime upon request.
 - State the company's training and development programmes for its employees. Show the data.
Data is available anytime upon request.
 - State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.
Currently does not have reward/compensation program in as much as the Company is still under rehabilitation.
- d. What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.
A Grievance Procedure is in place.

I. DISCLOSURE AND TRANSPARENCY

- a. Ownership Structure

1. Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Premier Network International, Ltd.	751,604,775	28.76%	Premier Network International, Ltd.
LT Group, Inc.	788,424,139	30.17%	LT Group, Inc.
Narra Capital Investment Corp.	526,612,633	20.15%	Narra Capital Investment Corp.

**as of December 31, 2016*

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Eduardo V. Concepcion	1,000	1,000	0.000%
Minnie O. Chua	None	2,942	0.000%
Teresita V. Ilagan	None		0.000%
Linley A. Retirado	None		
Eva A. Vicencio-Rodriguez	None		
TOTAL	1,000	3,942	0.000%

2. Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	YES
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	NO
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	NO (reported to SEC and PSE separately)
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3. External Auditor's fee (based on Annual Report Crop Year 2015-2016)

Name of auditor	Audit Fee	Non-audit Fee
Isla Lipana & Co. (the Philippine member firm of the PwC network)	1,600,000.00, plus VAT and OPE	None

4. Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

1. Memoranda
2. E-mails
3. Publications
4. Telecommunications

5. Date of release of audited financial report: **December 14, 2016**

6. Company Website **www.victoriasmilling.com**

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7. Disclosure of RPT - **None**

RPT	Relationship	Nature	Value

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws. *Per Section 5, Article VIII of By Laws*

Quorum Required	"Unless otherwise provided by law, in all regular and special meetings of the stockholders, a majority of the holders of the outstanding common shares must be present or be represented in order to constitute a quorum and only holders of such common shares present or represented at such meeting will have the right to vote on any matter presented for approval by the stockholders at such meeting."

(b) System Used to Approve Corporate Acts

Corporate acts are approved in accordance with the approving authorities prescribed by the Board and in accordance with law and the By-laws.

System Used	
Description	

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Voting Right /	N/A
Pre-emptive Right	N/A
Power of Inspection /	N/A
Right to Information /	N/A
Right to Dividends	N/A
Appraisal Right	N/A

Article SEVENTH of the Amended Articles of Incorporation states that:

"xxx The stockholders shall have no pre-emptive right to the shares issued pursuant to the increase in the authorized capital stock except those rights expressly provided for in the Alternative Rehabilitation Plan as approved by the Securities and Exchange Commission.

Seventh – A. The stockholders of the Company shall not have the pre-emptive right to purchase or subscribe to an aliquot number of shares with respect only to the shares of stock subject of the initial Public offering approved by this meeting today, August 6, 1993 only. Such pre-emptive rights shall apply and be effective, to issue authorized or approved after this date, August 6, 1993.”

Dividends

Declaration Date	Record Date	Payment Date
N.A., under corporate rehabilitation	N/A	N/A

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Open line Communication Policy, suggestions/questions from stockholders encouraged	All forms of communication (e.g., e-mail)
Open forum	Chairman opens the floor to questions from stockholders

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- Amendments to the company's constitution – **as required by law and the By-laws**
- Authorization of additional shares – **as required by law and the By-laws**
- Transfer of all or substantially all assets, which in effect results in the sale of the company – **as required by law and the By-laws**

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **Yes**

- Date of sending out notices through publication in local and national dailies: **Philippine Daily Inquirer – November 28, 2016 & January 08, 2017; Visayan Daily Star – November 29, 2016 & January 09, 2017 for Feb. 7, 2017 ASM**
- Date of the Annual/Special Stockholders' Meeting: **First Tuesday of February of every year**

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Stockholder Antonio Ferrolino queried about the Company's sugar production projection this crop year of 3.1 million metric tons which is lower than the 3.3 million TCM as shown in last year's annual report, or a decrease of 200 MT. The President & Chief Operating Officer, Mr. Eduardo V. Concepcion, explained that the projected tonnage this crop year is lower due to the adverse effects of last year's El Nino phenomenon. Mr. Ferrolino opined that the lower cane supply this year might be due to certain new policies of the Company. Mr. Ferrolino also shared about a column in the Philippine Daily Inquirer which mentioned that some corporations are very generous with their donations to the community which is why they are profitable. The Chairman thanked Mr. Ferrolino on his concerns and informed the body that last year, VMC formed a foundation called VMC Foundation, which aims to institutionalize VMC's community services in fulfillment of its corporate social responsibility. The numerous Company-sponsored activities, delving on VMC's corporate social responsibility and numerous charitable works, were mentioned and highlighted in the Company's annual report, such as tree planting, river clean-up, educational and youth development and the continuing efforts to help the surrounding schools within the VMC community.

11. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining

12. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: **Feb. 7, 2017 VMC Website**

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification: **None**

Modifications	Reason for Modification

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	• Wilson T. Young • Anna Rosario V. Paner • Eduardo V. Concepcion • Michael G. Tan • Lucio K. Tan, Jr. • Alvin C. Yu • Martin C. Yu • William Y. Chua • Dr. Alberto P. Fenix, Jr. • Terence D. Son Keng Po • Atty. Brian Keith F. Hosaka • Atty. Eva A. Vicencio-Rodriguez • Teresita V. Ilagan • Linley A. Retirado • Judy Anne G. Tiongco	February 7, 2017	No formal voting; number of nominees exactly the same as number of director per By-laws.			81.45%
Special	None held in the recent years					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? **YES**

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. **Yes**

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	With deadline set
Notary	Not a requirement
Submission of Proxy	All proxies must be received by the Stock & Transfer Agent and the Corporate Secretary within a period determined by the Board of Directors,

	which, in no case, shall be less than the minimum period prescribed by the SEC <i>(based on By-Laws p. 19 Section 7)</i>
Several Proxies	Most recent is the one accepted.
Validity of Proxy	Five years, unless specified.
Proxies executed abroad	Should have Consular Validation.
Invalidated Proxy	Not accepted.
Validation of Proxy	Done right after deadline for submission of proxies.
Violation of Proxy	Proxy not honored.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting. *(Based on By-laws p. 17 Section 4)*

Policies	Procedure
As required by law	Notices to stockholders issued via publication through National and local dailies and by personal delivery, courier and Philippine Postal Service.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	All stockholders as of Record Date, totaling 5,278. Record date was set to December 31, 2016.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	January 10, 2017
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	January 10, 2017
State whether CD format or hard copies were distributed	CD Format, with a note that hard copies are available upon request.
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Already provided in the Annual Report and the Definitive Information Statement
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	N/A
The amount payable for final dividends.	N/A
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders. *(Based on Revised Manual on Corporate Governance)*

Policies	Implementation
The Board is committed to respect the rights of the minority stockholders.	Strict
It is the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights.	Strict

(b) Do minority stockholders have a right to nominate candidates for board of directors? **Yes**

K. INVESTORS RELATIONS PROGRAM

- Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

A website has been set up and updated as often as needed. Major company announcements are reviewed by Top management and approved by the President.

- Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	Through website
(2) Principles	-same-
(3) Modes of Communications	-same-
(4) Investors Relation Officer	-Ms. Judy Anne G. Tiongco, (02) 570-2605

- What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? **N.A., under Corporate Rehabilitation**

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
1. Adopt-a-River Program/River Clean-up	Five (5) Barangays inside the VMC Compound
2. Tree Planting Activity at the VMC Compound and its properties including government permitted quarries for VMC. Implementation of this program is in collaboration with various government agencies, e.g. DENR, PECO and LGU's	Various VMC Communities
3. Scholarship grant through the Sugar Industry Foundation, Inc. (SIFI)	VMC team members' dependents
4. Daily consultations at the VMC Clinic including dental services	VMC team members and dependents and surrounding community residents
5. Bloodletting Drive in coordination with the Philippine National Red Cross	VMC team members and dependents and surrounding community residents
6. Regular fire and earthquake evacuation drills being conducted to ensure proper responses to Emergency and disaster situation.	VMC team members
7. VMC Emergency Rescue Team (ERT) responds to various concerns during calamities	Whole VMC Community
8. Golf Grassroots Program	Children of indigent parents below 18 years old
9. 3 rd Interschool On-the-Spot Art Contest	Negros Island Region
10. St. Joseph the Worker Chapel restoration work	St. Joseph the Worker Chapel

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Board Assessment	General Board Responsibility, Board Processes and Meetings and Board-management Relationship.
Board Committees	Performance Assessment	Audit-Committee structure and Operation, Oversight on Financial Reporting and Disclosures, Oversight on Risk Management and Internal Controls, Oversight on Management and Internal Audit and Oversight on External Audit.
Individual Directors	Director's Self-Assessment	Understanding of Mission/Vision, Commitment to Principles of Good Corp. Governance, Working knowledge of Statutory and Regulatory Requirements, Skills, Trainings, Expertise, Interpersonal Relationships, Attendance to Meetings and Preparedness to discussions, Independent-mindedness, Confidentiality, Disclosures of Interests, Devotion of Time and Attention, Support to Management's Programs.
Chief Executive Officer/President	Performance Assessment	Over-all soundness of the Corporation.

N. INTERNAL BREACHES AND SANCTIONS

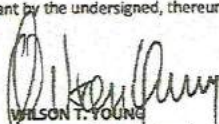
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

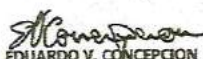
Violations	Sanctions
Non-Compliance of the Manual – 1 st violation	Reprimand
2 nd violation	Suspension from office (depends on the gravity of the violation)
3 rd violation	Maximum penalty of removal from office/removal from directorship

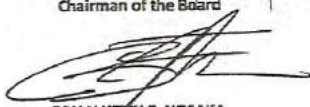
• Based on the Revised Manual on Corporate Governance

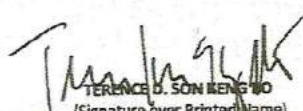
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Victoria on MAY 30 2017.

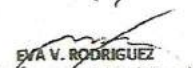
SIGNATURES


WILSON T. YOUNG
 (Signature over Printed Name)
 Chairman of the Board


EDUARDO V. CONCEPCION
 (Signature over Printed Name)
 President and COO


BRIAN KEITH F. HOSAKA
 (Signature over Printed Name)
 Independent Director


TERENCE D. SON BENG WO
 (Signature over Printed Name)
 Independent Director


EVA V. RODRIGUEZ
 (Signature over Printed Name)
 Compliance Officer

SUBSCRIBED AND SWORN to before me this MAY 30 2017 affiant(s) exhibiting to me their government issued identification cards, as follows:

Name
WILSON T. YOUNG
EDUARDO V. CONCEPCION
BRIAN KEITH F. HOSAKA
TERENCE D. SON KENG PO
EVA A. VICENCIO-RODRIGUEZ

Gov't ID No.
TIM-NO-115-218-163
TIM-NO-151-280-040
TIM-NO-156-430-829
TIM-NO-141-676-775
TIM-NO-04-240-170

Date of Issue

Place of Issue

Doc No. 69
Page No. 14
Book No. 14
Series of 2017.

ATTY. JOSE B. MOLINUAN
NOTARY PUBLIC
FOR THE CITY OF MANDALUYONG
Until December 31, 2017
COMMISSION NO. 0158-16
IBP Lifetime No. 0016030 / Postg City, 4-27-2017
PTR NO. 69251527, 1-3-17, Calula, Rizal
ROLL NO. 26904
MCLE COMP. NO. V-0022171, 6-15-16
VALID UNTIL 04-14-2019
D-22-AS GUEVENTVILLE II, 52 D.M.
GUEVARA ST., MANDALUYONG CITY
Tel No. 532-8838, 5334664
Email Add: jbmolinuan@gmail.com