

VICTORIAS MILLING COMPANY, INC.

**BALANCE SHEETS
AS OF FEBRUARY 28, 2007 AND AUGUST 31, 2006**

	Parent		Consolidated	
	February 28 2007	<i>Audited</i> August 31 2006	February 28 2007	<i>Audited</i> August 31 2006
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents – note 6	314,933	233,662	351,999	244,490
Receivables, net – note 7	36,429	23,414	62,581	37,122
Inventories, net – note 8	239,759	242,320	279,882	285,656
Prepayments and other current assets – note 9	115,502	64,396	123,460	72,275
Total current assets	706,623	563,791	817,922	639,542
INVESTMENTS IN SHARES OF STOCK AND ADVANCES, net – note 10				
Others, at cost	22,746	25,225	(99,134)	25,225
	144,493	147,038	22,680	25,225
PROPERTY, PLANT AND EQUIPMENT, net – note 11	4,432,088	4,575,332	4,485,786	4,631,254
INVESTMENT PROPERTY	438,436	438,436	698,410	698,410
OTHER ASSETS, net – note 12	3,108,483	1,960,308	3,110,928	1,997,166
	8,123,500	7,121,114	8,317,804	7,352,055
TOTAL ASSETS	8,830,123	7,684,905	9,135,726	7,991,597
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses – note 13	2,076,266	1,911,777	2,136,012	1,957,937
Current portion of long term debts – note 14	366,032	369,226	370,156	373,350
Total current liabilities	2,442,298	2,281,003	2,506,168	2,331,287
LONG TERM DEBTS, net of current portion – note 14	6,734,751	6,769,885	6,741,961	6,779,157
RETIREMENT BENEFIT OBLIGATION	457,184	480,254	458,424	482,577
DEFERRED TAX LIABILITY	57,126	57,126	145,195	144,968
DUE TO A STOCKHOLDER			(6,110)	6,000
	9,691,359	9,588,269	9,845,637	9,743,989
CAPITAL STOCK				
Authorized – 2,563,035,708 shares at P1 par value				
Issued – 1,595,941,956 shares	1,595,942	1,595,942	1,595,942	1,595,942
Reserve for decline in value of investments			(2,302)	(2,302)
Revaluation increment in property	104,095	104,095	113,289	113,288
MINORITY INTEREST	-	-	-	-
DEFICIT	(2,561,940)	(3,604,067)	(2,417,507)	(3,459,987)
CONVERSION FEATURE ON CONVERTIBLE NOTES	666	666	666	666
	(861,237)	(1,903,364)	(709,912)	(1,752,392)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	8,830,123	7,684,905	9,135,726	7,991,597

See accompanying notes to financial statements

VICTORIAS MILLING COMPANY, INC.

STATEMENTS OF OPERATION
FOR THE PERIOD ENDED FEBRUARY 28, 2007 AND 2006

<i>(In Thousand Pesos)</i>	Parent		Consolidated	
	2007	2006	2007	2006
REVENUES FROM OPERATIONS	2,338,010	2,037,567	2,428,050	2,134,883
COST OF SALES	999,164	1,074,423	1,079,427	1,159,838
GROSS PROFIT	1,338,846	963,144	1,348,623	975,045
OTHER INCOME	117,188	107,208	118,934	108,167
	1,456,034	1,070,352	1,467,557	1,083,212
SELLING EXPENSES	20,578	17,778	21,741	17,778
ADMINISTRATIVE EXPENSES	80,329	138,222	87,614	144,543
OTHER OPERATING EXPENSES	4,199	103,601	4,981	104,169
INCOME FROM OPERATIONS	1,350,928	810,751	1,353,221	816,722
FINANCING COST	(307,747)	(309,287)	(309,040)	(310,817)
EQUITY IN NET INCOME (SHARE IN LOSSES) OF INVESTEE COMPANIES	-	2,827	-	-
PROVISION FOR INCOME TAX	-	-	642	1,614
NET INCOME FOR THE PERIOD	1,043,181	504,291	1,043,539	504,291
EARNINGS PER SHARE	0.65	0.32	0.65	0.32

VICTORIAS MILLING COMPANY, INC.

STATEMENTS OF OPERATION
FOR THE QUARTER ENDED FEBRUARY 28, 2007 AND 2006

<i>(In Thousand Pesos)</i>	Parent		Consolidated	
	2007	2006	2007	2006
REVENUES FROM OPERATIONS	1,206,676	1,312,762	1,251,986	1,390,194
COST OF SALES	459,846	674,943	498,151	745,906
GROSS PROFIT	746,830	637,819	753,834	644,288
OTHER INCOME	43,644	43,930	44,482	44,340
	790,474	681,749	798,317	688,628
SELLING EXPENSES	10,461	10,067	10,999	10,067
ADMINISTRATIVE EXPENSES	45,300	84,835	49,326	87,450
OTHER OPERATING EXPENSES	(20,854)	100,000	(20,460)	100,569
INCOME FROM OPERATIONS	755,567	486,847	758,451	490,542
FINANCING COST	(153,720)	(154,161)	(154,398)	(154,980)
EQUITY IN NET INCOME (SHARE IN LOSSES) OF INVESTEE COMPANIES	-	950	-	-
PROVISION FOR INCOME TAX	-	-	482	1,926
NET INCOME FOR THE PERIOD	601,847	333,636	603,571	333,636
EARNINGS PER SHARE	0.38	0.21	0.38	0.21

VICTORIAS MILLING COMPANY, INC.
(Parent Company Only)

STATEMENTS OF CASH FLOWS
For the period ended February 28, 2007 and 2006

	Parent		Consolidated	
	February 28 2007	February 28 2006	February 28 2007	February 28 2006
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss) for the period	1,043,180	504,291	1,043,539	215,324
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation	178,720	225,748	181,919	477,915
Revaluation increment absorbed thru depreciation	-	-		
Gain on sale of property plant and equipment	-	-		
Provision for doubtful accounts	-	-		
Provision for decline in value of investments				
Provision for inventory obsolescence and sugar shrinkage				
Write off of engineering provision for invty obsolescence				
Write off of sugar shrinkage				
(Increase) decrease in receivables	(13,015)	59,619	(25,459)	112,452
(Increase) decrease in inventories	2,560	(26,779)	5,774	88,871
Increase (decrease) in prepayments and other current assets	(51,106)	(39,272)	51,185	101,601
Increase (decrease) in excess over investment cost				
Increase in accounts payable and accrued expenses	141,418	152,886	165,804	362,562
Net cash provided by operating activities	<u>1,301,759</u>	<u>876,493</u>	<u>1,422,762</u>	<u>1,358,725</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
(Increase) decrease in property, plant and equipment	(35,476)	(75,018)	(36,451)	(84,604)
Share in revaluation increment of subsidiaries	-	-		
Change in Accounting policy-adoption of SFAS 12/IAS 12	-	-		
Correction of fundamental error	-	-		
Decrease in investments and advances to affiliated cos.	2,546	-	(124,359)	129,881
Prior period adjustments of subsidiaries	-	-		
(Increase) in other assets	(1,148,174)	(1,486,497)	(1,113,762)	(1,902,837)
Net cash used in investing activities	<u>(1,181,105)</u>	<u>(1,561,515)</u>	<u>(1,274,572)</u>	<u>(1,857,560)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Retained earnings	(1,053)	-		
Gain on forex translation in current portion of LTD	(3,194)		(3,194)	
Gain on forex/current portion of long term debt.				
Prior years adjustment on vqpc & expired MCIT				
Decrease in revaluation				
Gain on forex translation in Long-Term Debt	(35,134)	(58,895)	(37,486)	(69,981)
(Increase) decrease in investments and advances to aff.cos.	-	(1,134)		
Net cash provided by used in financing activities	<u>(39,381)</u>	<u>(60,029)</u>	<u>(40,680)</u>	<u>(69,981)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>81,272</u>	<u>(745,051)</u>	<u>107,509</u>	<u>(568,816)</u>
CASH AND CASH EQUIVALENTS				
Beginning of period	233,661	785,241	244,490	813,306
End of period	<u>314,933</u>	<u>40,190</u>	<u>351,999</u>	<u>244,490</u>

VICTORIAS MILLING COMPANY, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the period ended February 28, 2007 and 2006

(In thousand pesos)

	Parent		Consolidated	
	2007	2006	2007	2006
CAPITAL STOCK				
Authorized – 2,563,035,708 shares at P1 par value each				
Issued – 1,595,941,956 shares	1,595,957	1,595,957	1,595,957	1,595,957
Less – shares held in treasury	(15)	(15)	(15)	(15)
Issued and outstanding	1,595,942	1,595,942	1,595,942	1,595,942
REVALUATION INCREMENT IN PROPERTY, PLANT AND EQUIPMENT				
Beginning of year, net of depreciation charged to operations	104,094	302,063	113,289	302,063
Share in revaluation increment in property, plant and equipment of subsidiaries	-	-		
Decrease in revaluation increment due to transfer of depreciation to deficit	-	-		
Increase in revaluation increment due to appraisal	-	-		
Application of revaluation increment against deficit	-	-	(2,301)	
	104,094	302,063	110,987	302,063
DEFICIT				
Beginning of the year	(3,604,067)	(3,698,527)	(3,459,985)	(3,698,527)
Priod period adjustments	(1,053)			
Share in prior period adjustments of a subsidiary				
Net Income (loss) for the period	1,043,180	504,291	1,042,515	504,291
Revaluation increment absorbed through depreciation charged to operations				
Write off of minimum corporate income tax			(37)	
Decrease in deficit due to application of revaluation increment				
Revaluation increment in property, plant and equipment written off				
Revaluation increment in property, plant and equipment retired				
End of the year	(2,561,940)	(3,194,236)	(2,417,507)	(3,194,236)
CONVERSION FEATURE ON CONVERTIBLE NOTES	666		666	
CAPITAL DEFICIENCY	(861,237)	(1,296,231)	(709,912)	(1,296,231)

See accompanying notes to financial statements

VICTORIAS MILLING COMPANY, INC.

**COST OF GOODS MANUFACTURED AND SOLD
FOR THE PERIOD ENDED FEBRUARY 28, 2007 AND 2006**

	Parent		Consolidated	
	2007	2006	2007	2006
Direct labor	152,382	174,104	158,028	181,678
Repairs and maintenance	91,000	232,342	91,355	232,733
Materials and supplies	125,494	137,958	178,121	199,408
Energy cost	81,371	85,178	83,581	89,493
Contracted services and cost of cane hauling	364,801	357,756	364,976	358,599
Others	213,979	167,967	221,758	174,221
Changes in beginning and ending inventories	(29,863)	(80,882)	(18,392)	(76,294)
Cost of goods manufactured and sold	999,164	1,074,423	1,079,427	1,159,838

VICTORIAS MILLING COMPANY, INC.SCHEDULE OF SELLING EXPENSES
FOR THE PERIOD ENDED FEBRUARY 28, 2007 AND 2006

<i>(In Thousand Pesos)</i>	Parent		Consolidated	
	2007	2006	2007	2006
Salaries and wages	9,507	10,161	9,507	10,161
Repairs and maintenance	2,400	5,477	2,400	5,477
Materials and supplies	1,264	845	1,264	845
Energy cost	1,193	1,191	1,193	1,191
Contracted services	26	12,879	1,189	14,625
Others	6,188	(12,775)	6,188	(14,521)
Total	20,578	17,778	21,741	17,778

SCHEDULE OF GENERAL AND ADMINISTRATIVE
FOR THE PERIOD ENDED FEBRUARY 28, 2007 AND 2006

<i>(In Thousand Pesos)</i>	Parent		Consolidated	
	2007	2006	2007	2006
Salaries and wages	40,035	27,969	45,166	30,851
Retirement & retrenchment costs	5,200	25,352	5,200	25,352
Repairs and maintenance	517	1,208	517	1,300
Materials and supplies	1,888	17,613	2,049	17,749
Energy cost	5,232	1,069	5,487	1,119
Contracted services	2	8,578	545	17,635
Others	27,455	56,433	28,650	50,537
Total	80,329	138,222	87,614	144,543

VICTORIAS MILLING COMPANY, INC. AND SUBSIDIARIES**AGING OF ACCOUNTS RECEIVABLE**

As of February 28, 2007

DESCRIPTION	BALANCE PER BOOK	0-30 days	31-60 days	61-90 days	Over 90 days
TRADE	211,554	25,242	19,104		167,209
PLANTERS AND HAULERS	157,918				157,918
ADVANCES TO OFFICERS & EMPLOYEES	119,056	1,243	484	169	117,160
NON -TRADE	44,604	813	904	675	42,212
OTHERS	9,193	8			9,185
TOTAL	542,326	15,318	14,219	502	468,805
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	479,745				
NET BALANCES	62,581				