

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

V	I	T	A	R	I	C	H		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I
D	I	A	R	I	E	S																							

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

M	a	r	i	l	a	o	-	S	a	n		J	o	s	e		R	o	a	d	,		S	t	a	.		R	o	
s	a		I	,		M	a	r	i	l	a	o	,		B	u	l	a	c	a	n									

Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
agd@vitarich.com	(044) 843-3033	(0918) 848 2200
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,126	Last Friday of June	December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Stephanie Nicole S. Garcia	nsg@vitarich.com	(044) 843-3033	(0918) 8482258

CONTACT PERSON'S ADDRESS

Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan
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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.

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2021**
2. Commission identification number **21134** 3. BIR Tax Identification No. **000-234-398**
4. Exact name of issuer as specified in its charter **VITARICH CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization **BULACAN**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
MARILAO-SAN JOSE ROAD, STA. ROSA I, MARILAO, BULACAN **3019**
8. Issuer's telephone number, including area code
(+632) 8843-3033
9. Former name, former address and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
- | Title of each Class | Number of shares of common
stock outstanding and amount of debt outstanding |
|----------------------------|--|
| <u>Common Stock</u> | <u>3,054,334,014</u> |
11. Are any or all of the securities listed on a Stock Exchange?
- Yes [☒] No [☐]
- If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
- Philippine Stock Exchange, Inc.** **Common**
12. Indicate by check mark whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
- Yes [☒] No [☐]
- (b) has been subject to such filing requirements for the past ninety (90) days.
- Yes [☐] No [☒]

Annex A

SEC Number 21134

File Number

VITARICH CORPORATION AND SUBSIDIARIES

(Company's Full Name)

Marilao- San Jose Road, Sta. Rosa. I. Marilao, Bulacan

(Company's Address)

(+632) 8843-30-33

(Telephone Number)

Quarterly Consolidated
Unaudited Financial Statements

Form Type

Amendment Designation (If Applicable)

September 30, 2021

Period Ended Date

(Secondary License Type and File Number)

PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

The unaudited financial statements of Vitarich Corporation and its subsidiaries as at and for the period ended September 30, 2021 (with comparative figures as of December 31, 2020) and for the period ended September 30, 2020 and Selected Notes to Consolidated Financial Statements are filed as part of this form 17-Q as Annex "A"

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

The information required by Part III, Paragraph (A) (2) (B) of "Annex C" is attached hereto as Annex "B".

PART II – OTHER INFORMATION

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant – **VITARICH CORPORATION**

By:


STEPHANIE NICOLE S. GARCIA
EVP, Corporate Management Services
Director/ Treasurer
ATTY. MARY CHRISTINE DABU-PEPITO
Assistant Corporate Secretary, Corporate
Information Officer and Compliance Officer

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

Vitarich Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 31, 1962 to engage primarily in manufacturing and selling of feeds and livestock. On July 23, 2018, the SEC approved the extension of its corporate life to perpetual existence. The Company's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

On October 16, 2013, the SEC approved the Company's increase in authorized capital stock to ₱3.5 billion and the conversion of Company debts amounting to ₱2.4 billion to Kormasinc, Inc. (Kormasinc) into equity at 1 share of common stock for every ₱1.00 debt. Of the converted debt, ₱90.0 million was applied as payment for 90,030,236 shares from unissued shares and ₱2.3 billion was applied as payment for additional shares from the increase in authorized capital.

With the debt-to-equity conversion and significant improvement in the Company's operations, the Regional Trial Court of Malolos, Bulacan (the Rehabilitation Court) approved the Company's exit from Corporate Rehabilitation on September 16, 2016.

On December 22, 2017, the SEC approved the debt-to-equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share increasing Kormasinc's ownership interest from 69.20% to 71.90%.

On June 30, 2017, the Company's stockholders approved the Company's plan to undergo a Quasi-reorganization. The Company reduced the par value of the Company share and the existing additional paid-in capital and outstanding revaluation surplus was applied to eliminate the Company deficit of ₱2.2 billion as at December 31, 2017.

On July 11, 2018, the SEC approved the change in par value which resulted to a decrease in the capital stock of the Company from ₱3.5 billion divided into 3.5 billion shares with par value of ₱1.00 each to ₱1.33 billion divided into 3.5 billion shares with the par value of ₱0.38 each. The reduction in par value resulted to recognition of additional paid in capital amounting to ₱1.9 billion. On July 18, 2018, the Company received the Certificate of Approval of Equity Restructuring to wipe out the deficit as of December 31, 2017 in the amount of ₱2.3 billion against the additional paid in capital of ₱2.3 billion.

On July 26, 2017, the Board of Directors (BOD) and Stockholders of Philippines Favorite Chicken, Inc. (PFCI) approved the shortening of the corporate life of PFCI until March 31, 2019. PFCI which ceased operations since 2005, was placed under the liquidation process. The Company deconsolidated PFCI and recognized a gain of ₱28.2 million on deconsolidation.

On May 31, 2018, the SEC approved the shortening of the corporate life of Gromax, Inc. (Gromax) until November 10, 2019. Gromax ceased operations since 2015. The Company recognized an impairment loss of ₱7.4 million which pertains to assets that are no longer recoverable.

The registered principal place of business of the Company is located at Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan. The Company has operating offices in Luzon, Iloilo and Davao, and maintains satellite offices in Southern Philippines.

Results of Operations:

Vitarich Sets New Nine-Month Revenue Record Exceeds P7 Billion Milestone

November 15, 2021– Vitarich Corporation (PSE:VITA) revenues continued to reach new highs, surpassing the P7 billion mark for the first time in any nine-month period on record. Revenues were up 28% year-over-year to P7.3 billion, which were well ahead of pre-pandemic levels and were only P572 million short of full-year revenues achieved in 2020 and P1.6 billion in 2019.

For the third quarter, revenues reached P2.7 billion, an increase of 47% compared to P1.8 billion in 3Q 2020, and an increase of 15% from P2.4 billion in 2Q 2021.

“In the face of evolving market dynamics caused by COVID-19 challenges, we continue to be responsive and agile to meet the needs of our stakeholders,” said Rocco Sarmiento, President and CEO. “In doing so, we are seeing new revenue records in all our segments, while also successfully investing in a pipeline of CAPEX projects to drive our future growth. Yet we are still in the early stages of gaining market share. We expect further expansion of our customer base through broadened product offerings as well as distribution. We also expect benefits from our newly upgraded facilities to support our growing hotel, restaurant, and institutional (HRI) customers.”

Volumes picked up strongly across all business segments but were partially offset by the decline in average selling prices of chicken and day-old-chicks due to the reimposed series of stricter quarantine measures from August through October.

Cost of goods increased 25% to P6.6 billion mostly on higher prices of raw materials such as wheat, soybean, and corn which rose by as much as 19% in the third quarter primarily from global logistics challenges. As a result, margins came in softer-than-expected.

Gross profit was P692 million, up 72% from a year ago, while operating income stood at P262.3 million, up nearly 6 times but down from P382.0 million in 1H 2021.

Operating expenses were maintained at 6% of revenues, reflecting the company’s ability to manage costs effectively, including administrative costs, and selling and distribution costs even as it incurred higher marketing spend for the recently launched *Freshly Frozen* line.

Net income was P180.5 million with earnings per share of P0.059.

“While we are pleased with our top-line development particularly volume growth, we remain focused and committed to achieving our profitability goals. We have several initiatives underway which we believe will get us there and will play to our strength long term.”

Segment Highlights

The Feeds segment, which accounted for 47% of total revenues, was up 9% over nine months to P3.4 billion. The business enjoyed higher volumes of 8% for commercial and tie-up customers combined. The decrease in gross margin mainly reflects the ongoing market conditions under COVID-19 which are driving up the cost of raw materials. The Feeds segment produces and markets animal feeds, health and nutritional products and supplements to various distributors, dealers, and end users nationwide.

The Foods segment, which accounted for 42% of total revenues, registered a 40% increase to P3.1 billion. The business benefitted from a 25% increase in volume and 12% increase in selling prices. The Food segment sells chicken broilers to HRI customers, supermarkets, and wet markets.

The Farms segment, which accounted for the remaining 11% of revenues, surged 134% to P799 million. Fair value adjustments on biological assets amounting to P271 million was recognized as part of revenues.

Outlook

“With over 85% of Metro Manila’s target population fully vaccinated, we expect better performance in the seasonally stronger fourth quarter for several reasons, including: a higher demand due to the holiday season, the easing of COVID-19-related movement and business restrictions as well as indications that overall confidence has improved and momentum is supportive of an ongoing recovery. For 2022, election spending may also result in accelerating economic activity and rebuilding favorable environment for businesses—providing the boost we need.”

“At the same time, we anticipate higher production costs mostly from rising input costs of our main raw materials and other costs of trade following the disruptions of the pandemic to transport and logistics. Despite this trend, we expect our investments in technology, digitalization, research and development (R&D), storage facilities, and on human capital to help contain upward pressure on costs and contribute to productivity.”

“By executing on our strategic priorities, we continue to enhance our capabilities to achieve our medium-term goal of a net income compound annual growth rate (CAGR) of at least 30% from 2019 to 2026. This outlook reflects the following growth strategies:

- Grow the core by 1) adding new Original Equipment Manufacturer (OEM) accounts and deepening our business with many of our existing HRI customers through joint product development, customization, and collaborative supply chain demand planning; and 2) expanding downstream by focusing on our Cook’s brand and introducing ready-to-cook lines in Greater Manila, Central Luzon, and Bicol in the near-term;
- Diversify into adjacent business areas to capture domestic opportunities in hog repopulation and pork meat market following African swine fever (ASF) by replicating our poultry contract growing operations and building upon our large geographical footprint and trusted partnerships;
- Transform the cost base and deliver profitable growth by 1) managing raw materials volatility and saving on lease payments through development of more warehouses; 2) consolidating feed milling in Luzon; and 3) driving improvements on costs through automation, further integration, innovation, supply chain optimization, and continual assessment in feeds formulation and efficiency;
- Invest and adapt for the future by spending approximately P670M in CAPEX until 2022 to 1) construct a new feed mill plant in Davao—adding +60% capacity to 473,200 MT by 2024; 2) upgrade dressing plant facilities in Bulacan to double site capacity; and 3) implement operations automation and information systems which began in 2017;
- Create shared value for Philippines’ food self-sufficiency.”

PHP millions, except per share data

	9M 2021	9M 2020	Change	9M 2019	Change	3Q 2021	3Q 2020	Change	3Q 2019	Change
Revenues	7,310.3	5,692.2	28%	5,959.6	23%	2,725.6	1,848.4	47%	2,305.5	18%
Operating income	262.3	47.5	452%	-15.0	2117%	-119.7	3.0	-4033%	110.4	-208%
Net income	180.5	3.6	4906%	-105.6	271%	-96.5	-8.0	-1113%	100.0	-197%
EPS	0.059	0.001	4906%	-0.03	271%	-0.032	-0.003	-1113%	0.033	-197%
EBITDA	320.7	164.2	95%	32.1	897%	96.6	41.5	-332%	147.0	-166%

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Subsidiaries:

Gromax, Inc. is a wholly owned subsidiary of the Company which started commercial operation in January 1996. Previously, Gromax was a division of the Company, which was spun off to a separate entity. Gromax was registered with SEC on November 10, 1995.

Effective April 1, 2015 the operations of Gromax, manufacturing animal health and nutritional feeds, was reintegrated into the Company. Specialty feeds supplement the product offering of animal feeds produced by the Company. Pursuant to the reintegration, Gromax transferred all its employees to the Company. Retirement benefits accruing to these employees were transferred accordingly.

On May 31, 2018, the SEC approved the shortening of the corporate life of Gromax until November 10, 2019. Gromax Inc. has ceased operations since 2015. The Company recognized an impairment loss of ₱7.4 million which pertains to assets that are no longer recoverable.

Philippine's Favorite Chicken Inc. (PFCI), one of the subsidiaries of the Company, entered into distribution agreements in 1995 with America's Favorite Chicken Company (AFC), a company that operates the Texas Chicken and Popeye's Chicken restaurants in the United States. Under these distribution agreements, PFCI will distribute the paper goods, restaurant supplies, equipment, and food products to Texas Manok Atbp. Inc. (TMA). The latter corporation, which is owned by the Sarmiento family, in turn, entered into a development and franchise agreement with AFC. Under the development agreement between TMA and AFC, PFCI was granted the exclusive right to develop an aggregate of fifty (50) Texas Chicken and fifty (50) Popeye's Chicken restaurants in the Philippines in consideration for territorial and franchise fees payable to AFC as stipulated in the agreements. In addition, a 5% percent royalty fee based on sales is assessed for each franchised restaurant. This royalty is being paid by TMA, the operator of the restaurant. The franchise agreement allows the PFCI to use the Texas Chicken and Popeye's Chicken trade names, service marks, logos, food formulae and recipes, and other exclusive rights to the proprietary Texas and Popeye's Chicken System.

The development of the restaurants is scheduled over a period of seven years starting in 1995 for Texas Chicken and 1996 for Popeye's. The franchise agreement shall be for a period of ten (10) years for each restaurant unit, renewable for four additional periods of five years each, at the option of the franchisee. However, PFCI, in 2000, lost its right to develop Popeye's Chicken in the Philippines.

On October 1, 1998, the Board of Directors of PFCI approved the conversion into equity of the advances of Vitarich Corporation to PFCI amounting to ₱165 million to be applied to its unpaid subscriptions and for additional shares of stock of PFCI. Out of the ₱165 million advances to be converted into equity, ₱25 million was applied to Vitarich's unpaid subscription while the remaining ₱140 million was shown under Deposit on Future Stock Subscriptions account pending the approval from the SEC of the conversion.

In 2003, PFCI reverted the investment in shares of stock in PFCI to Advances to subsidiaries amounting to ₱140 million, as the BOD of PFCI decided not to pursue its application with the SEC to convert into equity the advances received from Vitarich. PFCI initially recorded the transaction as an increase in investment in shares of stock in PFCI and a decrease in advances to subsidiaries when the BOD of PFCI approved the proposed conversion in 1998.

AFC unilaterally terminated its development and franchise agreements with PFCI in 2001. As a result, in August 2001, PFCI and TMA filed a case against AFC and some of AFC's officers, such as Tom Johnson, Anthony Pavese and Loreta Sassen, among others, for undue termination of the development and franchise agreements with the Regional Trial Court of Pasig City, docketed as Civil Case No. 68583. The case called for injunction, specific performance, sum of money, and damages against AFC and some of its officers.

In connection with such legal action, in 2001, PFCI recognized as claims receivable, as of December 31, 2001, certain losses arising from the closure of certain Texas Chicken restaurants and legal fees incurred relating to the case filed against AFC. Losses recognized as claims receivable include, among others, the

loss on write-off of leasehold and building improvements relating to the closed stores. The total amount recognized as claims receivable (presented as part of Other Non-current Assets account in the condensed interim consolidated balance sheets) totaled ₱23.2 million as of December 31, 2001.

The Regional Trial Court of Pasig City, in a decision dated April 3, 2002, approved the issuance of a preliminary writ of attachment on the properties of AFC in the Philippines upon posting of PFCI and TMA of a bond amounting to ₱100 million. Management believed that this case would be settled in favor of PFCI and TMA.

On September 24, 2003, the trial court granted the Motion to Dismiss filed by two of the defendants. PFCI, in turn, filed a Motion for Partial Reconsideration of the order. Moreover, AFC has filed a Petition for Certiorari before the Court of Appeals assailing the validity of the trial court previously issued writ of attachment.

On December 22, 2004, the parties have entered into a compromise agreement for the settlement of the case of which the parties have filed a joint motion to dismiss before the Regional Trial Court of Pasig City, Branch 152.

On March 4, 2005, the Regional Trial Court of Pasig City, Branch 152 had approved the Joint Motion to Dismiss filed by the parties based on the Compromise Agreement entered into by them, thus, putting an end to the case.

In 2005, PFCI discontinued operations of its Texas Manok's Restaurants. Accordingly, it terminated all its employees and provided full valuation allowances on all its remaining assets.

On July 26, 2017, the BOD and Stockholders of PFCI approved the shortening of the corporate life of PFCI until March 31, 2019. PFCI which ceased operations since 2005 and was placed under the liquidation process. The Company deconsolidated PFCI and recognized a gain of ₱28.2 million on deconsolidation.

Financial Condition

Unaudited balance sheet as at September 30, 2021 vs. audited December 31, 2020

The Company's consolidated total assets as at September 30, 2021 is at ₱4,206 million higher than December 31, 2020 level of ₱3,868 million. Total current assets increased from ₱1,850 million as at December 31, 2020 to ₱2,171 million as at September 30, 2021 primarily because of high inventories.

Cash balance decreased to ₱132 million as at September 30, 2021 from ₱177 million as at December 31, 2020, as we update all past due accounts.

Trade and other receivables accounts of ₱916 million are at par to its balance of as at December 31, 2020, due to improved collection efficiency.

Inventories amounting to ₱798 million as at September 30, 2021 increased from ₱503 million as at December 31, 2020. This was attributed to continuous higher raw material prices in the market, and increased Feeds volume requirements.

Other current assets of ₱325 million as at September 30, 2021 was increased as compared to ₱241 million as at December 31, 2020, mainly due to higher advances to suppliers by ₱107 million related to importation of raw materials. Other non-current assets also increased by ₱20.6 million as compared to ₱16.1 million as at December 31, 2020, due to additional cost of software and increase in security deposit.

Total current liabilities as at September 30, 2021 amounted to ₱1,984 million, higher by 10% as compared to its balance as at December 31, 2020, primarily because of high inventories.

Stockholders' equity increased from ₱1,667 million to ₱1,848 million, due to remarkable net income posted particularly during the first half of 2021.

The Corporation's top four (4) key performance indicators are described as follows:

	Unaudited September 2021	Unaudited September 2020
Revenue (₱ million)		
Sale of goods	₱7,039	₱5,692
Fair value adjustment on biological assets	271	–
Cost Contribution (₱ million)		
Cost of goods sold	6,323	5,290
Fair value adjustment on biological assets	295	–
Gross Profit Rate (%)	9%	7%
Operating Income (₱ million)	262	47

1) Sales Volume, Price, and Revenue Growth

Consolidated revenue composed of feeds, day old chicks, chicken, and animal health products sales amounted to ₱7,039 million for the three-quarter period of 2021, which is higher from the same period of last year by ₱1,347 million, mainly because of higher selling price of chicken in the market and increased sales volume particularly during the 1st half of the year. Fair value adjustments on biological assets are ₱271 million as at September 30, 2021.

2) Cost Contribution

This measures the cost efficiency of the products and trend of raw materials prices, particularly importations wherein there are foreign exchange exposures. Costs are analyzed on a regular basis for management's better strategic decision in cost reduction and efficiency measures.

3) Gross Profit Rate

The review is done on a regular basis to check if the targets are being met based on the forecasted gross profit rate. This is being done on a regular basis for proper and immediate action.

4) Operating Margin

This is the result after operating expenses are deducted. Review of operating expenses is performed on a regular basis. These are being analyzed and compared against budget, last month and previous years, to ensure that cost reduction measures are being met and implemented.

VITARICH CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited September 2021	Audited December 2020
ASSETS		
Current Assets		
Cash (Note 6)	₱132,078,028	₱177,304,767
Trade and other receivables (Note 7)	916,302,298	928,721,700
Inventories and livestock (Note 8)	798,466,456	502,928,504
Other current assets (Note 9)	324,520,491	240,756,038
Total Current Assets	2,171,367,273	1,849,711,009
Noncurrent Assets		
Receivable from insurance (Notes 10)	101,889,912	101,889,912
Property, plant and equipment: - net (Note 11)		
At revalued amount	865,714,516	906,718,914
At cost	74,537,144	29,714,145
Investment properties (Note 12)	944,095,272	931,375,980
Right-of-use assets (Note 13)	28,727,929	32,551,359
Other noncurrent assets (Note 13)	20,591,013	16,078,041
Total Noncurrent Assets	2,035,555,786	2,018,328,351
	₱4,206,923,059	₱3,868,039,360
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱1,675,628,014	₱1,629,159,192
Loans payable (Note 15)	292,799,581	156,844,958
Current portion of lease liabilities (Note 27)	15,238,937	18,497,266
Total Current Liabilities	1,983,666,532	1,804,501,416
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	104,502,827	123,118,899
Cash bond deposits (Note 16)	45,279,666	40,097,279
Lease liabilities - net of current portion (Note 27)	17,786,628	17,140,191
Net retirement liability (Note 22)	129,970,433	132,205,929
Net deferred tax liabilities (Note 23)	77,951,536	83,674,140
Total Noncurrent Liabilities	375,491,090	396,236,438
Total Liabilities	2,359,157,622	2,200,737,854
Equity		
Capital stock (Note 25)	1,160,646,925	1,160,646,925
Additional paid-in capital (Note 1)	1,470,859	1,470,859
Retained earnings	366,699,420	186,235,489
Other comprehensive income (Notes 11 and 25)	318,948,233	318,948,233
Total Equity	1,847,765,437	1,667,301,506
	₱4,206,923,059	₱3,868,039,360

See accompanying Notes to Interim Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited Jul-Sep 2021	Unaudited Jan-Sep 2021	Unaudited Jul-Sep 2020	Unaudited Jan-Sep 2020
REVENUE				
Sale of goods, net of discount (Notes 17 and 24)	₱2,630,852,209	₱7,039,321,301	₱1,848,429,109	₱5,692,163,347
Fair value adjustment on biological assets (Notes 3 and 17)	94,711,983	271,001,245	—	—
	2,725,564,192	7,310,322,546	1,848,429,109	5,692,163,347
COST OF GOODS SOLD (Note 18)				
Cost of goods sold	(2,564,287,434)	(6,323,233,716)	(1,733,929,651)	(5,290,201,142)
Fair value adjustment on biological assets (Notes 3 and 17)	(121,815,967)	(295,096,772)	—	—
	(2,686,103,401)	(6,618,330,488)	(1,733,929,651)	(5,290,201,142)
GROSS PROFIT	39,460,791	691,992,058	114,499,458	401,962,205
Operating expenses (Note 19)	(165,851,198)	(450,702,768)	(126,228,806)	(388,083,016)
Other operating income (Note 20)	6,660,839	21,026,797	14,773,414	33,678,691
	(159,190,359)	(429,675,971)	(111,455,392)	(354,404,325)
OPERATING PROFIT	(119,729,568)	262,316,087	3,044,066	47,557,880
OTHER INCOME (EXPENSES)				
Interest expense (Notes 15,24, and 27)	(6,040,162)	(15,781,401)	(7,699,013)	(30,151,825)
Interest income (Notes 6 and 7)	515,379	611,234	54,605	128,557
Other income (charges) – net (Note 21)	(5,242,019)	(19,800,388)	(2,587,639)	(6,053,514)
	(10,766,802)	(34,970,553)	(10,232,047)	(36,076,782)
INCOME (LOSS) BEFORE INCOME TAX	(130,496,370)	227,345,534	(7,187,981)	11,481,098
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)				
Current	(28,994,326)	58,750,328	2,541,368	8,708,975
Deferred	(5,027,817)	(11,868,725)	(1,775,233)	(832,688)
	(34,022,143)	46,881,603	766,135	7,876,287
NET INCOME (LOSS)	(96,474,227)	180,463,931	(7,954,116)	3,604,811
OTHER COMPREHENSIVE INCOME				
<i>Items not to be reclassified to profit or loss:</i>				
Actuarial gain - net of deferred income tax (Note 20)				
Revaluation increase on property, plant and equipment - net of deferred income tax (Note 10)	—	—	—	—
	—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱96,474,227)	₱180,463,931	(₱7,954,116)	₱3,604,811
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED (Note 26)	(₱0.032)	₱0.059	(₱0.003)	₱0.001

See accompanying Notes to Interim Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	For the Nine Months Ended	
	Unaudited September 2021	Unaudited September 2020
CAPITAL STOCK - ₱0.38 par value (Note 25)	₱1,160,646,925	₱1,160,646,925
ADDITIONAL PAID - IN CAPITAL	1,470,859	1,470,859
RETAINED EARNINGS		
Balance at beginning of year	186,235,489	173,183,434
Net income	180,463,931	3,604,811
Balance at end of year	366,699,420	176,788,245
OTHER COMPREHENSIVE INCOME (Note 25)		
Balance at beginning of year	318,948,233	327,170,596
	₱1,847,765,437	₱1,666,076,625

See accompanying Notes to Interim Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Nine Months Ended	
	Unaudited September 2021	Unaudited September 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P227,345,534	P11,481,098
Adjustments for:		
Depreciation and amortization (Notes 11, 13 and 19)	77,563,704	122,587,056
Interest expense (see Note 15 and 27)	15,781,401	30,151,825
Gain on fair value of biological assets (Note 17)	—	—
Retirement benefit expense (Note 22)	2,580,650	3,300,000
Impairment loss on trade and other receivables (Note 7)	5,211,587	7,651,341
Loss (Gain) on disposal of property, plant and equipment, and investment property and right of use of assets	470,988	—
Interest income (see Notes 6)	(611,234)	(128,189)
Operating income before working capital changes	328,342,629	175,043,131
Decrease (increase) in:		
Trade and other receivables	7,703,150	193,519,652
Inventories and livestock	(295,537,952)	(49,257,151)
Other current assets	(83,764,453)	(9,737,067)
Other noncurrent assets related to operations	(4,638,266)	(14,375,298)
Increase (decrease) in:		
Trade and other payables	46,468,822	56,162,038
Cash bond deposits	5,182,387	(1,060,421)
Lease liability	—	(52,876,008)
Net cash generated from (used for) operations	3,756,317	297,418,875
Income tax paid	(52,604,207)	(4,000,139)
Retirement benefits paid (Note 22)	(4,816,146)	(8,708,975)
Interest received	115,899	128,189
Net cash provided by (used in) operating activities	(53,548,137)	284,837,950
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment (Note 11)	(56,294,788)	(49,960,501)
Investment properties (Note 12)	(24,346,946)	(64,118,724)
Proceeds from sale of property, plant and equipment	175,000	1,223,016
Net cash used in investing activities	(80,466,735)	(112,856,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans (Note 15)	325,765,319	337,865,626
Payments of loans (Note 15)	(208,426,768)	(484,062,219)
Interest paid	(15,781,401)	(24,504,916)
Payments of principal lease liabilities (Note 27)	(12,769,018)	(9,628,748)
Net cash provided by (used in) financing activities	88,788,132	(180,330,257)
NET DECREASE IN CASH	(45,226,739)	(8,348,516)
CASH AT BEGINNING OF YEAR	177,304,767	179,645,390
CASH AT END OF YEAR	P132,078,028	P171,296,874

See accompanying Notes to Interim Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Vitarich Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 31, 1962 to engage primarily in manufacturing, growing and selling of feeds and livestock. The Company's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

The subsidiaries of the Company are as follows:

	Line of Business	Percentage	
		September 2021	December 2020
Gromax, Inc. (Gromax)*	Manufacturing	100%	100%
Philippines Favorite Chicken, Inc. (PFCI)**	Distributor	—	—

*Ceased operations in 2015.

**Ceased operations in 2005 and deconsolidated in 2017.

On October 16, 2013, the SEC approved the Company's increase in authorized capital stock to ₱3.5 billion and the conversion of Company debts amounting to ₱2.4 billion to Kormasinc, Inc. (Kormasinc) into equity at 1 share of common stock for every ₱1.00 debt. Of the converted debt, ₱90.0 million was applied as payment for 90,030,236 shares from unissued shares and ₱2.3 billion was applied as payment for additional shares from the increase in authorized capital.

With the debt to equity conversion and significant improvement in the Company's operations, the Regional Trial Court of Malolos, Bulacan (the Rehabilitation Court) approved the Company's exit from Corporate Rehabilitation on September 16, 2016.

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share increasing Kormasinc's ownership interest from 69.20% to 71.90% (see Note 25).

On June 30, 2017, the Company's stockholders approved the Company's plan to undergo a Quasi-reorganization. The Company reduced the par value of the Company share and the existing additional paid-in capital and outstanding revaluation surplus was applied to eliminate the Company deficit of ₱2.2 billion as at December 31, 2017.

On July 11, 2018, the SEC approved the change in par value which resulted to a decrease in the capital stock of the Company from ₱3.5 billion divided into 3.5 billion shares with par value of ₱1.00 each to ₱1.33 billion divided into 3.5 billion shares with par value of ₱0.38 each. The reduction in par value resulted to recognition of additional paid in capital of ₱1.9 billion. On July 18, 2018, the Company received the Certificate of Approval of Equity Restructuring to wipe out the deficit as of December 31, 2017 in the amount of ₱2.3 billion against the additional paid in capital of ₱2.3 billion.

On July 26, 2017, the Board of Directors (BOD) and Stockholders of PFCI approved the shortening of the corporate life of PFCI until March 31, 2019. PFCI which ceased operations since 2005, was placed under the liquidation process. The Company deconsolidated PFCI and recognized a gain of ₱28.2 million on deconsolidation (see Note 4).

On May 31, 2018, the SEC approved the shortening of the corporate life of Gromax until November 10, 2019. Gromax ceased operations since 2015. In 2018, the Company recognized an impairment loss of ₱7.4 million which pertains to assets that are no longer recoverable.

As at December 31, 2020, Kormasinc ownership interest decreased from 71.90% to 48.28%.

The registered principal place of business of the Company is located at Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan. The Company has operating offices in Luzon, Iloilo and Davao, and maintains satellite offices in Southern Philippines.

The accompanying interim consolidated financial statements were authorized for issue by the BOD on November 15, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim consolidated financial statements have been prepared on the historical cost basis of accounting, except for property, plant and equipment (excluding transportation equipment and construction-in-progress), investment properties and biological assets which are stated at fair value.

The accompanying interim consolidated financial statements of the Company are presented in Philippine Peso, the Company's functional and presentational currency. All values represent absolute amounts except when otherwise stated.

Statement of Compliance

The accompanying interim consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC. This financial reporting framework includes PFRSs, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

Basis of Consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim consolidated financial statements from the date the Parent Company gains control until the date it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Parent Company and its subsidiaries are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full during consolidation.

Summary of Significant Accounting Policies

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Parent Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Parent Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the interim consolidated statements of comprehensive income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Current versus Non-Current Classification

The Company presents assets and liabilities in the interim consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the interim consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for fair value measurements on financial instruments, biological assets, property, plant and equipment and investment properties.

External valuers are involved for valuation of significant assets, such as property, plant and equipment and investment properties. The involvement of external valuers is determined annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company, in conjunction with the external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash

Cash includes cash on hand and in banks. Cash in banks earn interest at prevailing bank deposit rates.

Financial Instrument

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.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

Refer to the accounting policies related to "Revenue".

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's cash in banks, trade and other receivables (excluding advances to officers and employees), receivable from insurance and security deposits are classified under this category.

The Company does not have financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at fair value through profit or loss as of September 30, 2021 and December 31, 2020.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when and only when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Note 3, *Significant Judgment, Accounting Estimates and Assumptions*
- Note 7, *Trade and Other Receivables*

The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General Approach for Cash, Receivable from Insurance and Security Deposits

ECL is recognized in two stages. For credit exposures for which there has not been a significant

increase in credit risk since initial recognition, ECL is provided for credit loss that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit loss expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in banks, the Company assessed that placements are with reputable counterparty banks that possess good credit ratings.

For receivable from insurance, the Company assessed the timing and amount of expected net recoveries in calculating the ECL.

For security deposits, the Company used external benchmarking which compares the internal credit risk rating of certain debtor with the external rating agencies and use the latter's estimate of probability of default (PD) for similar credit risk rating.

Simplified Approach for Trade Receivables

The Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables (excluding statutory payables), loans payable, cash bond deposit and lease liabilities as of September 30, 2021 and December 31, 2020.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the interim consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

The Company has no financial liability at FVPL as of September 30, 2021 and December 31, 2020.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the interim consolidated statement of comprehensive income.

This category includes payables and other current liabilities (excluding statutory payables), customer's deposit, loans payable and cash bond deposit as of September 30, 2021 and December 31, 2020.

Other Financial Liabilities

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the interim consolidated statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

Offsetting of Financial Instruments

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

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, when applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized when:

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

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

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

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring and change in the present value of future cashflows, in which the difference is recognized in P&L.

Inventories

The Company recognizes inventories when the risk and rewards are transferred to the Company usually upon receipt from local suppliers and upon delivery of the goods to the carrier from importation.

Inventories are valued at the lower of cost and net realizable value (NRV). The purchase price and costs incurred in bringing each product to its present location are accounted for as follows:

Raw Materials and Feeds Supplements, Supplies and Animal Health Products – Weighted Average Method. All costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities are included as part of costs of these inventories.

Finished Goods and Factory Stocks and Supplies Inventories – Weighted Average Method. Include direct materials, labor and manufacturing overhead costs. All costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities are included as part of costs of these inventories.

NRV of finished goods is based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. NRV of raw materials and supplies is the current replacement cost.

Livestock

Livestock consist of biological assets such as day-old chicks after undergoing hatching process, chicks which are grown as chicken broilers, hatching eggs which are recorded under raw materials, and live, fresh, frozen and cut-ups chicken which are recorded under finished goods.

Day-old Chicks and Chicken Broilers – accounted for as biological assets in accordance with PAS 41, Agriculture. Starting January 1, 2019, the Company recognized the amount of fair value adjustment on agricultural produce that are sold and still in the inventory during the year. The valuation takes into consideration input based on hatchability rate of eggs, mortality of chicks being grown as chicken broilers and estimated future cash flows to be incurred in hatching the eggs and growing the chicks. The market prices are derived from unobservable market prices. The prices are reduced for costs incurred in dressing the chicken and freight costs to market, to arrive at a net fair value at farm gate. The fair value adjustments of livestock that are sold during the year is presented as part of revenues and cost of sales.

Raw Materials (Hatching Eggs) – All costs directly attributable to acquisition such as the purchase price, and taxes that are not subsequently recoverable from taxing authorities are included as part of costs of these inventories.

Finished Goods (Live, Fresh, Frozen and Cut Ups Chicken) – *Weighted Average Method.* Include all cost of the chicken broilers, labor and manufacturing overhead costs.

Other Assets

Other current assets consist of creditable withholding tax (CWT), prepayments, input value added tax (VAT) and advances to suppliers.

CWT. CWT represents the amount withheld by the Company's customers in relation to its income. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is stated at its estimated NRV.

Advances to Suppliers. Advances to suppliers consist of advance payments of raw materials inventories, supply labor tools, subscriptions, memberships, and other fees.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time.

Prepayments are classified as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the tax authorities is recognized under "Other current assets" account in the interim consolidated statements of financial position.

Other noncurrent assets consist of right-of-use asset, project development costs, security deposits (disclosed under financial instruments), and computer software.

Project Development Costs. These costs represent capitalized development costs which are accounted for under the cost model. The cost of the asset is the amount of cash paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition or production.

Costs associated with research activities are recognized as expense in the interim consolidated statements of comprehensive income as these are incurred. Costs that are directly attributable to the development phase of the Company's aqua feeds and aqua culture projects are recognized as project development cost provided, they meet the following recognition requirements:

- a. there is a demonstration of technical feasibility of the prospective product for internal use or sale;
- b. the intangible asset will generate probable economic benefits through internal use or sale;
- c. sufficient technical, financial and other resources are available for completion; and,
- d. the intangible asset can be reliably measured.

All other development costs are expensed as incurred.

Security Deposits. These represent rental deposits paid by the Company and will be returned at the end of the lease term. These qualify as financial assets and are also disclosed under financial instruments.

Computer Software. Computer software acquired is measured on initial recognition at cost. Subsequent to initial recognition, computer software is carried at cost less any accumulated amortization and any impairment losses. Internally generated computer software, excluding capitalized development costs, is not capitalized and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

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

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

Property, Plant and Equipment

Property, plant and equipment (except for transportation equipment and construction in progress) are stated at revalued amount as determined by an independent firm of appraisers less accumulated depreciation and amortization, and any impairment losses. Transportation equipment is stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset at initial recognition comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for major additions, improvements and renewals are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Subsequent to initial recognition at cost, property, plant and equipment (except for transportation equipment and construction in progress) are carried at revalued amount, as determined by independent appraisers, less any subsequent accumulated depreciation, amortization and any accumulated impairment losses. Fair market value is determined based on appraisals made by external professional valuers by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation reserve is credited to "Revaluation increase on property, plant and equipment" account presented under the equity section of the interim consolidated statements of financial position. Any decrease in the revaluation surplus of the same asset is charged to other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset and the remaining decline, if any, is recognized in the interim consolidated statements of comprehensive income.

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained Earnings" under the equity section in the interim consolidated statements of financial position for the depreciation relating to the revaluation reserve, net of related taxes. Upon disposal, any revaluation reserve relating to the particular asset sold is transferred to "Retained Earnings." Revaluations are performed with sufficient regularity ensuring that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets (except for land). The depreciation and amortization periods for property, plant and equipment, based on the above policies, are as follows:

Asset Type	Number of Years
Machinery and equipment	10 to 20
Buildings	20
Leasehold and land improvements	2 to 5 or lease term, whichever is shorter
Office furniture, fixtures and equipment	3 to 10
Transportation equipment	4 to 5

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The estimated useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction-in-progress (CIP) pertains to properties under construction and is stated at cost. Cost includes costs of construction, labor and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and available for operational use.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the interim consolidated statements of comprehensive income in the year the item is derecognized.

Investment Properties

Investment properties, accounted for under the fair value model, are property held either to earn rental income 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 measured initially at acquisition cost, including transaction costs. Subsequently, investment properties are stated at fair value as determined by independent appraisers on an annual basis. The carrying amounts recognized in the interim consolidated statements of financial position reflect the prevailing market conditions at the end of each reporting period.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in the interim consolidated statements of comprehensive income.

No depreciation charges are recognized on investment properties accounted for under the fair value method.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

Rental income and operating expenses from investment properties are reported as part of "Other operating income" and "Operating expenses," respectively, in the interim consolidated statements of comprehensive income.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Impairment of Nonfinancial Assets

Nonfinancial assets consisting of property, plant and equipment, right-of-use asset, computer software, project development cost and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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 time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the interim consolidated statements of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the interim consolidated statements of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over remaining useful life.

Equity

Capital Stock and Additional Paid-in Capital (APIC). Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC. Incremental costs incurred directly attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax. Unpaid subscriptions are recognized as a reduction of subscribed capital shares.

Other Comprehensive Income (OCI). OCI comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. OCI of the Company pertains to revaluation reserve on property, plant and equipment and remeasurement gains and losses on retirement liability.

Retained Earnings (Deficit). Retained earnings (deficit) represents the accumulated net income or losses, net of any dividend declaration.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Earnings per Share

The Company presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any. Diluted earnings per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

Revenue Recognition

The Company is engaged in the growing, production and distribution of chicken broilers, either as live or dressed; manufacture and distribution of animal feeds, animal health and nutritional products, and feed supplements and production of day-old chicks and pullets. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

Revenue from sale of live or dressed chicken, animal feeds, animal health and nutritional products, and feed supplements and day-old chicks is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery. The normal credit term is 30 to 90 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

Sale of Goods. Revenue is recognized at point in time when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Tolling. Revenue is recognized over time when the performance of contractually agreed tasks has been substantially rendered.

Other Income. Other income is recognized when earned. Revenue is measured at the fair value of the consideration received.

Rights of Return

For sale of animal feeds, certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in PFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Contract Balances

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in financial instruments – initial recognition and subsequent measurement.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

As of September 30, 2021 and December 31, 2020, the Company does not have contract assets and contract liabilities.

Right of Return Assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund Liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

As of September 30, 2021 and December 31, 2020, the Company's estimated right of return assets and refund liabilities is not material.

Revenue outside the scope of PFRS 15

Interest income. Interest income is recognized as the interest accrues on a time proportion basis taking into account the principal amount outstanding and effective yield on the assets. Interest income represents interest earned from cash in banks.

Rentals. Revenue from operating leases is recognized on a straight-line basis over the lease term.

Cost and Expense Recognition

Costs and expenses are recognized in the interim consolidated statements of comprehensive income upon consumption of goods, utilization of the services or at the date these are incurred.

Leases

Starting January 1, 2019, the Company adopted PFRS 16.

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee. The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, amortization is calculated using the estimated useful life of the assets.

The amortization periods for the right-of-use asset, based on the above policies, are as follows:

Asset Type	Number of Years
Right-of-use asset – transportation equipment	5
Right-of-use asset – buildings	2 to 5
Right-of-use asset – machineries	2 to 3

Lease liabilities. At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Pre-termination of lease contracts. The Company, as a lessee, reassesses whether it is reasonably certain not to exercise a termination option upon the occurrence of either a significant event or a significant change in circumstances that: (a) is within the control of the Company; and (b) affects whether the Company is reasonably certain to exercise an option not previously included in its determination of lease term, or not to exercise an option previously included in its determination of the lease term. Pre-termination of the lease will result in the derecognition of the right of use assets and lease liability and recognition of a pre-termination gain (loss).

Employee Benefits

Short-term benefits. The Company provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

Retirement Benefits. The Company has a partially funded, noncontributory retirement plan, administered by trustees, covering their permanent local employees. Costs of retirement benefits are actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains

and losses on curtailments and non-routine settlements; and net interest expense or income in the interim consolidated statements of comprehensive income.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Company recognizes restructuring-related costs.

Net interest on the net retirement liability or asset is the change during the period in the net retirement liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement liability or asset. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the liabilities are to be settled directly. The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the interim consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

<u>Borrowing</u>	<u>Costs</u>
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Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

Interest expense not related to a qualifying asset are expensed as incurred.

Income Taxes

Current tax. Current income tax assets and liabilities for the current and prior years are measured at

the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period. Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

Deferred tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits from excess minimum corporate income tax ("MCIT") over regular corporate income tax ("RCIT") and unused net operating loss carry-over ("NOLCO") to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions

The Company determines its own functional currency and items included in the interim consolidated financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the interim consolidated statements of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Related Party Transactions

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

Provisions and Contingencies

Provisions for legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

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

Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share rate for its shares.

Basic earnings (loss) per share (EPS) is calculated by dividing net income (loss) for the year attributable to equity holders of the Company by the weighted average number of shares outstanding during the year after giving retroactive effect to any stock dividend declarations.

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Company's stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Segment Reporting

Operating segments are components of the Company: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Company); (b) whose operating results are regularly reviewed by the Company's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Company's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of reporting year (adjusting events) are reflected in the interim consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to interim consolidated financial statements when material.

3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the Company's interim consolidated financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the interim consolidated financial statements:

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

The Company has three reportable operating segments which are its foods, feeds and farms segments, and one geographical segment as the Company's operations are located in the Philippines. The Company operates and derives all its revenue from domestic operations. Thus, no further disclosures of geographical segments are necessary.

Assessment of Legal Contingencies. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with external counsel handling the Company's defense in these matters and is based upon an analysis of potential results.

There are on-going litigations filed against the Company that management believes would not have a material adverse impact on the Company's financial condition and results of operations and that the Company is availing the exemption under PAS 37 for disclosing details.

Classification of Property. The Company classifies its property as owner-occupied based on its current intentions where the property will be used. When the property is held for capital appreciation or when management is still undecided as to its future use, land is classified as investment property. Property used in operations are classified as owner-occupied property and included as part of property, plant and equipment.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Determination of Impairment Losses on Trade and Other Receivables. The Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. To search the most relevant macroeconomic variable with a strong linear relationship on the past due behavior of the portfolio, regression analysis was applied to the following: inflation, unemployment, movement of Philippine peso against the US dollar, percentage change in gross domestic product and consumer price index. Among these factors, the forward-looking information on percentage change in gross domestic product was determined to have a strong and symmetrical relationship with the past due behavior of the Company's trade receivable portfolio. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's receivables is disclosed in Note 7.

The Company did not provide any extension or reduction in payment, except for very few customers, as a result of the COVID-19 pandemic. Management has considered the impact of the COVID-19 pandemic on its ECL calculation and assessed the impact to be not significant.

The Company recognized provision for impairment losses on trade and other receivables amounting to ₱5.2 million and ₱7.6 million for the nine months period ended September 30, 2021 and 2020, respectively, (see Notes 7 and 22).

The carrying value of trade and other receivables amounted to ₱ 916.3 million and ₱928.7 million as at September 30, 2021 and December 31, 2020, respectively. Allowance for impairment losses on trade and other receivables as at September 30, 2021 and December 31, 2020 amounted to ₱229.5 million

and ₱284.1 million, respectively (see Note 7).

Estimating ECL of Receivable from Insurance. As discussed in Note 10, the Company has an outstanding claim for typhoon damages from an insurance company. The Company is currently involved in legal proceedings to pursue the collection of the remaining balance of receivable from insurance. The determination of whether the insurance claims receivable is realizable requires management's estimate of the amount and timing of the future cash inflows from this receivable and the related effective interest rate used to discount the cashflows.

Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result in any significant adverse impact on the Company's financial condition and results of operations.

Receivable from insurance amounted to ₱101.9 million as at September 30, 2021 and December 31, 2020. Allowance for impairment loss related to insurance claims receivable amounted to ₱39.7 million as at September 30, 2021 and December 31, 2020 (see Note 10).

Estimating Fair Value of Biological Assets. The fair values of the Company's livestock are based on the most reliable estimate of market prices at the point of harvest.

The following table provides a description of the various biological asset types, shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used. Refer to Note 2 for further detail on Level 3 fair value measurement.

Description	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Day-old chicks – these are hatched from eggs with hatching period of 21 days.	Income approach. The valuation model considers the net cash flows expected to be generated from the sale of day-old chicks. The cash flow projections include specific estimates for the hatching period. The valuation model also considers the hatchability rate. Due to the short hatching period, discounting is generally ignored.	Inclusive of: <ul style="list-style-type: none"> ▪ Estimated future sale price of day-old chicks ▪ Estimated hatchability and mortality rate ▪ Estimated volume of production ▪ Estimated costs to be incurred in the hatching process 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ▪ the estimated sale price was higher (lower); ▪ the estimated cash inflows based on forecasted sales were higher (lower); ▪ the estimated; hatchability rate was higher (lower); ▪ the estimated volume of production was higher (lower) or ▪ the estimated costs to be incurred in the hatching process were lower (higher).

Description	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Growing broilers – these are grown from chicks for a period of 30 days	Income approach. The valuation model considers the net cash flows expected to be generated from the sale of fully-grown broilers as dressed chickens. The cash flow projections include specific estimates for the volume of harvest considering the mortality rates. Due to the short growing period of chicks into broilers, discounting is generally ignored.	Inclusive of: <ul style="list-style-type: none"> ▪ Estimated future sale price of dressed chicken ▪ Estimated mortality rate ▪ Estimated volume of production ▪ Estimated costs to be incurred in the growing process 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ▪ the estimated sale price was higher (lower); ▪ the estimated cash inflows based on forecasted sales were higher (lower); ▪ the estimated mortality rate was lower (higher); ▪ the estimated volume of production was higher (lower); or ▪ the estimated costs to be incurred in the growing process were lower (higher).

The changes in fair value of biological assets are recognized under sales amounting to ₱271.0 million and nil for the period ended September 30, 2021 and 2020, respectively, and under cost of sales amounting to ₱295.1 million and nil for the period ended September 30, 2021 and 2020, respectively (see Note 17).

The changes in fair value of biological assets recognized on livestock amounted to (₱24) million and ₱15.1 million as at September 30, 2021 and December 31, 2020, respectively (see Notes 8 and 17).

Determination of NRV of Inventories. The Company, in determining the NRV of inventories, considers any adjustments for obsolescence which is generally 100% allowance on inventories that are damaged or expired or a certain percentage if their selling prices have declined. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. Inventories are affected by price changes in critical ingredients which are imported and in different market segments of agri-business relating to poultry breeding, feeds and animal health products. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expense and decrease current assets.

Inventories carried at lower of costs or NRV as at September 30, 2021 and December 31, 2020 amounted to ₱798.5 million and ₱502.9 million, respectively. Allowance for inventory obsolescence as at September 30, 2021 and December 31, 2020 amounted to ₱0.9 million. (see Note 8).

Revaluation of Property, Plant and Equipment (Excluding Transportation Equipment and construction-in-progress) and Investment Properties. The Company carries its investment properties at fair value, with changes in fair value being recognized in the interim consolidated statements of comprehensive income. In addition, the Company measures property, plant and equipment (excluding transportation equipment) at revalued amounts, with changes in fair value being recognized in OCI. For machinery and equipment, buildings, land improvements, office furniture, fixtures and equipment and leasehold

improvements, a valuation methodology based on cost reproduction approach was used, as there is a lack of comparable market data because of the nature of the properties.

In determining the appraised values of the property, plant and equipment and investment properties, the Company hired an independent firm of appraisers as at December 31, 2020 and 2019. In order to arrive at a reasonable valuation, the appraisers personally inspected the properties, requested information from reputable sources and considered the following: (a) utility and market value of the land; (b) cost of reproduction of the replaceable property; (c) current prices for similar used property in the second hand market; (d) age, condition, past maintenance, and present and prospective serviceability in comparison with new assets of like kind; (e) accumulated depreciation; and, (f) recent trend and development in the industry concerned.

The fair values of the land classified as part of investment properties and under property, plant and equipment were derived using the Sale Comparison Approach. Under this approach, the value of the land is based on the sales and listings of comparable properties registered within the vicinity. This approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property to those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on factors such as location, size and shape of the land, and time element which are the most significant unobservable inputs on the valuation. Although this input is subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

The fair values of the property, plant and equipment (except for land) and investment properties (except for land and the Bulacan dressing plant) were arrived at using the Cost Reproduction Approach. Under this approach, the most significant inputs are estimates of the current cost of reproduction of the replaceable property in accordance with the current market prices for materials, labor, manufactured equipment, contractor's overhead and profit and fees, but without prior provision for overtime or bonuses for labor and premiums for materials. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence to arrive at a reasonable valuation which is an unobservable input.

The value in use of the Company's dressing plant in Bulacan which is classified as part of investment properties was arrived at using the Income Approach. Under this approach, the value of an asset is determined by reference to the value of income, cash flow, or cost savings generated by the asset.

Assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period. Although this input is subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

Fair market value is defined 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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would

use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The appraiser also considered the concept of value in use which is based on the highest and most profitable continuous use or that which may reasonably be expected to produce the greatest net return over a given period of time.

In 2020 and 2018, the Company's property, plant and equipment (except transportation equipment and construction-in-progress) were re-appraised by an independent firm of appraisers resulting to an additional revaluation gain of ₱22.0 million and ₱90.7 million before tax effect, respectively (see Note 11). No revaluation was made in 2019.

In 2020, 2019 and 2018, the Company's investment properties were re-appraised by an independent firm of appraisers resulting to an additional fair value gain of ₱4.1 million, ₱158.3 million and ₱83.4 million, respectively (see Note 12).

The carrying value of property, plant and equipment at revalued amount amounted to ₱865.7 million and ₱906.7 million as at September 30, 2021 and December 31, 2020, respectively (see Note 11).

The carrying value of property, plant and equipment at cost amounted to ₱74.5 million and ₱29.7 million as at September 30, 2021 and December 31, 2020, respectively (see Note 11).

The carrying value of investment properties amounted to ₱944.1 million and ₱931.4 million as at September 30, 2021 and December 31, 2020, respectively (see Note 12).

Estimation of Useful Lives of Property, Plant and Equipment (Except Land and Construction in Progress), Right-of-Use Asset and Computer Software. The Company reviews annually the estimated useful lives of property, plant and equipment (except land and construction in progress), right-of-use assets and computer software based on expected asset's utilization, market demands and future technological development consistent with the Company's pursuit of constant modernization of the equipment fleet to ensure the availability, reliability and cost-efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment, right-of-use asset and computer software.

The carrying amount of property, plant and equipment, right-of-use assets and computer software as at September 30, 2021 and December 31, 2020, follows:

	Unaudited September 2021	Unaudited December 2020
Property, plant and equipment* (see Note 11)	₱437,033,478	₱479,209,334
Right-of-use assets (see Note 13)	28,727,929	32,551,359
Computer software (see Note 13)	8,607,360	6,349,023
	₱474,368,767	₱518,109,716

**Excluding the carrying amount of land amounting to ₱439.7 million as at September 30, 2021 and December 31, 2020 respectively and construction in progress amounting to ₱63.5 million and ₱17.5 million as at September 30, 2021 and December 31, 2020.*

Leases - Estimating the incremental borrowing rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company would have to pay which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Company's lease liabilities amounted to ₱33.0 million and ₱35.6 million as of September 30, 2021 and December 31, 2020, respectively (see Note 27).

Assessment of Impairment of Nonfinancial Assets. The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired.

In assessing whether there is any indication that an asset may be impaired, the Company considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Company, whether it had taken place during the period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Company whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

The aggregate carrying value of property, plant and equipment, right-of-use asset and computer software as at September 30, 2021 and December 31, 2020 amounted to ₱977.6 million and ₱975.3 million respectively (see Notes 11, 12, and 13).

Estimation of Retirement Benefits. The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables for the Philippines. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases consider historical rate increases as well as expected future inflation rates.

Further details about pension obligations are provided in Note 22.

The estimated present value of defined benefit obligation amounted to ₱133.9 million and ₱136.2 million as at September 30, 2021 and December 31, 2020, respectively, while fair value of plan assets amounted to ₱3.9 million as at September 30, 2021 and December 31, 2020, respectively (see Note 22).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the

following reporting period. This forecast is based on the Company's past results and future expectations on revenues and expenses as well as future tax planning strategies.

No deferred tax assets were recognized on certain deductible temporary differences and carryforward benefits of MCIT with income tax effect amounting to ₱7.3 million as at September 30, 2021 and December 31, 2020, respectively (see Note 23). Management has assessed that it may not be probable that future taxable profit will be available in the near future against which these deferred tax assets can be utilized.

Deferred tax assets recognized by the Company amounted to ₱132.6 million and ₱137.8 million as at September 30, 2021 and December 31, 2020, respectively (see Note 23).

4. Deconsolidation of a Subsidiary

On July 26, 2017, the BOD and stockholders of PFCI approved the shortening of the corporate life of PFCI until March 31, 2019. PFCI which has ceased operations since 2005, was placed under the liquidation process. The Company deconsolidated PFCI and recognized a gain of ₱28.2 million on deconsolidation in 2017.

5. Segment Reporting

Business Segments

For management purposes, the Company is organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The industry segments where the Company operates are as follows:

- a. The Food segment is engaged in the growing, production and distribution of chicken broilers, either as live or dressed. Its products are distributed to wet markets and supermarkets.
- b. The Feeds segment caters to the feed requirement of the poultry growers' industry. It is engaged in the manufacture and distribution of animal feeds, animal health and nutritional products, and feed supplements.
- c. The Farms segment is involved in the production of day-old chicks and pullets.
- d. The Corporate and Others segment includes general and corporate income and expense items which are not specifically identifiable to a particular segment.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred tax assets and liabilities.

Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments and between geographical segments. Such sales and purchases are eliminated in consolidation. The Company generally accounts for intersegment sales and transfers at cost.

Segment Financial Information

The segment financial information is presented as follows (in thousands):

September 30, 2021						
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	P3,099,324	P3,412,001	P527,996	P-	P-	P7,039,321
Fair value adjustment on biological assets	-	-	271,001	-	-	271,001
	3,099,324	3,412,001	798,997	-	-	7,310,322
COST AND OTHER						
OPERATING EXPENSES						
Cost of goods sold excluding depreciation	P2,925,779	P2,972,185	P672,772	P-	P-	P6,570,736
Operating expenses excluding depreciation	60,782	84,812	9,898	265,242	-	420,734
Depreciation and amortization	3,354	61,258	-	12,952	-	77,564
Other operating income	-	(12,559)	-	(8,468)	-	(21,027)
	2,989,915	3,105,695	682,670	269,726	-	7,048,006
SEGMENT OPERATING						
PROFIT (LOSS)	P109,410	P306,306	P116,327	(P269,726)	P-	P262,316
Other charges -net						(34,971)
Income before income tax						227,346
Tax expense						(46,882)
Net income						P180,464
ASSETS AND LIABILITIES						
Segment assets	P574,078	P1,607,199	P610,376	P1,415,269	P-	P4,206,923
Segment liabilities	P321,931	P901,285	P342,287	P793,654	P-	P2,359,158
OTHER INFORMATION						
Capital expenditures	P24,347	P56,295	P-	P-	P-	P80,642
Non-cash expenses other than depreciation and impairment losses	P-	P-	P-	P800	P-	P800
September 30, 2020						
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	P2,218,649	P3,131,900	P341,614	P-	P-	P5,692,163
Fair value adjustment on biological assets	-	-	-	-	-	-
	2,218,649	3,131,900	341,614	-	-	5,692,163
COST AND OTHER OPERATING						
EXPENSES						
Cost of goods sold excluding depreciation	P2,215,865	P2,545,715	P431,930	P-	P-	P5,193,510
Operating expenses excluding depreciation	66,619	130,557	6,844	158,167	-	362,187
Depreciation and amortization	3,678	52,495	24	66,390	-	122,587
Other operating income	-	(24,611)	-	(9,068)	-	(33,679)
	2,286,162	2,704,156	438,798	215,489	-	5,644,605
SEGMENT OPERATING						
PROFIT (LOSS)	(P67,513)	P427,744	(P97,184)	(P215,489)	P-	P47,558
Other charges -net						(36,077)
Income before income tax						11,481
Tax expense						(7,876)
Net income						P3,605

ASSETS AND LIABILITIES						
Segment assets	P846,102	P1,878,628	P234,717	P1,097,918	P-	P4,057,365
Segment liabilities	P123,624	P1,169,590	P41,456	P1,056,618	P-	P2,391,288
OTHER INFORMATION						
Capital expenditures	P64,118	P34,029	P-	P15,932	P-	P114,079
Non-cash expenses other than depreciation and impairment losses	P-	P859	P-	P2,411	P-	P3,270

Currently, the Company's operation is only in the Philippines, hence it has no geographical segment. The Company, however, has manufacturing plants in different regions of the country.

6. Cash

This account consists of:

	Unaudited September 2021	Audited December 2020
Cash on hand	P2,654,193	P2,379,620
Cash in banks	129,423,835	174,925,147
	P132,078,028	P177,304,767

Cash in banks earn interest at prevailing bank deposit interest rates of 0.1% to 1.3% in September 2021 and December 2020. Interest income on cash in banks amounted to P0.12 million and P0.2 million in September 30, 2021 and December 2020, respectively.

7. Trade and Other Receivables

This account consists of:

	Unaudited September 2021	Audited December 2020
Trade:		
Third parties	P701,838,100	P743,684,138
Related parties (see Note 24)	172,484,734	195,651,548
Advances to officers and employees (see Note 24)	14,222,049	12,000,448
Nontrade (see Note 24)	228,383,663	206,234,301
Short-term deposits	12,342,606	11,694,606
Receivable from government	P4,305,774	P4,046,563
Others	12,217,296	39,551,157
	1,145,794,222	1,212,862,761
Allowance for impairment losses	(229,491,924)	(284,141,061)
	P916,302,298	P928,721,700

Trade receivables are usually due within 30 to 90 days and are noninterest-bearing.

Advances to officers and employees are unsecured, non-interest bearing and subject to salary deduction or liquidation for a specified period of time of about one year. Certain officers also pay operating expenses on behalf of the Company which are payable upon demand (see Note 14 and 24).

Nontrade receivables comprise mainly of receivables arising from incidental income of the Company such as tolling, rentals, hatching, hauling and laboratory analysis charges. These are

settled within 30 to 90 days and are noninterest-bearing.

Other receivables comprise mainly of unsecured and noninterest-bearing short term deposits and claims from Philippine Social Security System.

Movements in the allowance for impairment losses account as at September 30, 2021 and December 31, 2020 are shown below:

	Trade	Others	Total
Balance as at January 1, 2021	₱161,126,222	₱123,014,839	₱284,141,061
Provision (see Note 21)	5,211,587	–	5,211,587
Accounts written-off	(59,860,724)	–	(59,860,724)
Balance as at September 30, 2021	₱106,477,085	₱123,014,839	₱229,491,924

	Trade	Others	Total
Balance as at January 1, 2020	₱150,777,196	₱122,690,708	₱ 273,467,904
Provision (Note 21)	10,349,026	324,131	10,673,157
Balance as at December 31, 2020	₱161,126,222	₱123,014,839	₱284,141,061

8. Inventories and Livestock

Inventories

This account consists of:

	Unaudited September 2021	Audited December 2020
Inventories:		
At net realizable value -		
Finished goods	₱201,106,325	₱109,898,787
At cost:		
Raw materials and feeds supplement	439,897,881	240,102,927
Supplies and animal health products	61,507,474	73,190,787
	702,511,680	423,192,501
Livestock:		
Day-old chicks	23,748,305	42,005,522
Hatching eggs	45,369,036	31,212,283
Finished goods	30,455,241	6,191,253
Broilers	(3,617,806)	326,945
	95,954,776	79,736,003
	₱798,466,456	₱502,928,504

Inventories are valued at lower of cost and NRV as at September 30, 2021 and December 31, 2020. The cost of finished goods carried at NRV, amounted to ₱202.0 million and ₱110.8 million as of September 30, 2021 and December 31, 2020, respectively. Inventories charged to cost of goods sold amounted to ₱5,490.3 million, and ₱4,426.9 million in September 30, 2021 and 2020, respectively (see Note 18).

Included under livestock are finished goods and raw materials which pertain to dressed chickens and eggs for hatching which are out of scope of PAS 41. They are carried at cost since their

respective NRV is higher than cost.

Livestock

The Company's biological assets pertain to its livestock consisting of day-old chicks and broilers.

	Unaudited September 2021	Audited December 2020
Day-old Chicks		
Opening balance	P42,005,522	P48,994,621
Increase due to production	795,410,894	880,495,092
Fair value adjustment due to production	(23,064,479)	(45,479,772)
Decrease due to sales, harvest and mortality	(519,538,050)	(902,811,243)
Fair value adjustment due to sales, harvest and mortality	(271,065,582)	60,806,824
	P23,748,305	P42,005,522

	Unaudited September 2021	Audited December 2020
Broilers		
Opening balance	P326,945	P2,305,960
Increase due to production	2,139,047,202	2,007,801,563
Fair value adjustment due to production	(4,039,504)	244,969,101
Decrease due to sales, harvest and mortality	(435,858,120)	(2,009,546,281)
Fair value adjustment due to sales, harvest and mortality	(1,703,094,329)	(245,203,398)
	(P3,617,806)	P326,945

Movements in the allowance for inventory obsolescence account as at September 30, 2021 and December 31, 2020 are shown below:

	Unaudited September 2021	Audited December 2020
Balance at beginning of year	P896,315	P4,039
Provision	—	892,276
	P896,315	P896,315

9. Other Current Assets

This account consists of:

	Unaudited September 2021	Audited December 2020
Advances to suppliers	P248,016,481	P140,877,487
CWT	42,259,473	77,860,449
Prepayments	33,996,892	22,018,102
Input VAT	3,339,423	3,091,532
	327,612,269	243,847,570
Allowance for impairment losses	(3,091,778)	(3,091,532)
	P 324,520,491	P240,756,038

Prepayments mainly pertain to insurance and bond premiums, among others, which are amortized within a year. The allowance for impairment losses pertain to input vat which is no longer recoverable by the Company.

CWT represents the amount withheld by the Company's customers in relation to its sale of goods and services. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Advances to suppliers pertain to advance payments on purchases of goods and services to be purchased in the Company's normal course of business. These goods and services are expected to be delivered within a year.

10. Receivable from Insurance

The Company has an outstanding claim for typhoon damages from Charter Ping An Insurance Corporation. Pursuant to the Insurance Code, the Company is entitled to interest on its claim at a rate twice the ceiling prescribed by the Monetary Board beginning March 12, 2010, 90 days from the date the Company has filed the claim. On August 17, 2016, the Company received ₱68.9 million as partial settlement. The Company continues to legally pursue the remaining outstanding balance of ₱141.7 million as at December 31, 2020. The court proceedings for the remaining claims were remanded to the Regional Trial Court of Malolos City in accordance with the resolution issued by the Court of Appeals on February 13, 2018. Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result in any significant adverse impact on the Company's financial condition and results of operations.

The composition of receivable from insurance as at September 30, 2021 and December 31, 2020 are as follows:

Cost	₱141,664,583
Allowance for insurance receivable	39,774,671
	₱101,889,912

No provisions for and write off of allowance for insurance receivable were recognized for the years ended September 30, 2021 and December 31, 2020.

11. Property, Plant and Equipment

Property, plant and equipment - at revalued amount

The composition and movements of this account are presented below:

	September 30, 2021					Total
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	
Cost						
Balance at beginning of year	₱439,712,887	₱569,729,900	₱167,127,586	₱29,939,642	₱82,558,444	₱1,289,068,460
Additions	—	7,470,325	1,635,400	688,341	8,192,669	17,986,735
Reclassification	—	(10,653,050)	760,892	(187,644)	(60,675)	(10,140,477)
Balance at end of year	₱439,712,887	₱ 566,547,175	₱169,523,878	₱ 30,440,339	₱ 90,690,438	₱1,296,914,718

September 30, 2021						
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Accumulated Depreciation, and Amortization						
Balance at beginning of year	P-	P246,977,446	P65,170,245	P12,605,328	P57,596,527	P382,349,546
Depreciation and amortization (see Notes 18 and 19)	-	41,557,225	5,703,949	2,048,197	11,506,495	60,815,867
Reclassification	-	(10,842,384)	(874,508)	(187,644)	(60,674)	(11,965,211)
Balance at end of year	P-	P277,692,287	P69,999,686	P14,465,881	P69,042,348	P431,200,202
Net carrying amount	P439,712,887	P288,854,888	P99,524,192	P15,974,458	P21,648,090	P865,714,516

December 31, 2020						
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	P386,767,894	P521,415,893	P210,211,827	P32,189,597	P64,486,178	P1,215,071,389
Additions	-	37,415,918	1,907,000	1,330,272	15,900,266	56,553,456
Revaluation gain	52,944,993	14,819,545	(46,872,240)	(2,913,336)	4,052,250	22,031,212
Reclassification	-	(3,921,456)	1,881,000	(666,891)	(1,799,350)	(4,506,697)
Disposals	-	-	-	-	(80,900)	(80,900)
Balance at end of year	P439,712,887	P569,729,900	P167,127,587	P29,939,642	P82,558,444	P1,289,068,460
Accumulated Depreciation, and Amortization						
Balance at beginning of year	P-	P207,564,305	P54,865,526	P13,521,636	P47,832,102	P323,783,569
Depreciation and amortization (see Notes 18 and 19)	-	46,944,675	10,054,254	3,238,253	11,964,485	72,201,667
Reclassification	-	(7,531,534)	250,465	(4,154,561)	(2,139,385)	(13,575,015)
Disposals	-	-	-	-	(60,675)	(60,675)
Balance at end of year	P-	P246,977,446	P65,170,245	P12,605,328	P57,596,527	P382,349,546
Net carrying amount	P439,712,887	P322,752,454	P101,957,342	P17,334,314	P24,961,917	P906,718,914

If all the property, plant and equipment were measured at cost model, the carrying amounts will be as follows:

September 30, 2021								
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost as at year end	P19,702,490	P491,882,251	P185,742,186	P29,384,479	P81,339,950	P51,158,960	P65,330,030	P924,540,346
Accumulated depreciation and impairment	-	(251,549,399)	(77,495,115)	(14,129,979)	(62,537,366)	(41,951,846)	-	(447,663,705)
Net carrying amount	P19,702,490	P240,332,852	P108,247,071	P15,254,500	P18,802,584	P9,207,114	P65,330,030	P476,876,641

December 31, 2020								
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost as at year end	P19,702,490	P484,411,926	P184,106,786	P28,696,138	P73,147,281	P51,158,960	P17,510,838	P858,734,419
Accumulated depreciation and impairment	-	(209,992,174)	(71,791,166)	(12,081,782)	(51,030,871)	(38,955,653)	-	(383,851,646)
Net carrying amount	P19,702,490	P274,419,752	P112,315,620	P16,614,356	P22,116,410	P12,203,307	P17,510,838	P474,882,773

The fair value of property, plant and equipment was appraised in 2020 and 2018. The reconciliation of revaluation reserve is as follows:

	Revaluation Reserve	Deferred Tax Liability (see Note 23)	Net (see Note 25)
Balance as at January 1, 2021	P463,832,056	(P139,149,616)	P324,682,440
Revaluation increase on property, plant and equipment	—	—	—
Balance as at September 30, 2021	P463,832,056	(P139,149,616)	P324,682,440
Balance as at January 1, 2020	P447,177,383	(P134,153,215)	P313,024,168
Revaluation increase on property, plant and equipment	22,031,214	(6,609,363)	15,421,851
Transfer to retained earnings of revaluation reserve on property, plant and equipment realized through depreciation	(5,376,541)	1,612,962	(3,763,579)
Balance as at December 31, 2020	P463,832,056	(P139,149,616)	P324,682,440

In 2016, property, plant, and equipment with a net book value of P37.5 million that were subject to lease arrangements were reclassified to investment properties (see Note 12). The net carrying amount of P37.5 million becomes part of the cost of these investment properties. Related revaluation reserve of P17.7 million and deferred tax liabilities of P5.3 million of these reclassified properties as at December 31, 2016 will be reversed only after the properties are disposed of (see Note 12).

The Company's property, plant and equipment (except transportation equipment and construction in progress) was appraised in 2020 and 2018.

Fair Value Measurement

The Company's property, plant and equipment (except for transportation equipment and construction in progress) were appraised by an independent firm of appraisers. The latest appraisal report is at December 31, 2020. The fair value measurement for property, plant and equipment has been categorized as level 3 (significant unobservable inputs).

Description of valuation techniques used and key inputs to valuation on property, plant and equipment follows:

	Valuation Technique	Significant Unobservable Inputs	Range	
			2020	2019
Land	Sales Comparison Approach	Price per square meter	P1,000-P4,800	P1,493-P1,857
		Value adjustments	0%-25%	35%-48%

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

	Valuation Technique	Significant Unobservable Inputs	Remaining economic life
Machinery and Equipment	Cost Reproduction Approach	Replacement cost less accrued depreciation	3 - 5 years remaining economic life
Buildings	Cost Reproduction Approach	Replacement cost less accrued depreciation	7 - 25 years remaining economic life
Land Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining economic life
Office Furniture, Fixtures and Equipment	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining economic life
Leasehold Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining economic life

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element.

Value adjustments: adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size, architectural features and etc.

Market approach

Sales comparison approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

Replacement cost less accumulated depreciation

Replacement cost approach is a method under the cost approach that indicates the value by calculating the current replacement cost of an asset less deductions for physical deterioration and all relevant forms of obsolescence. Depreciation is estimated as evidence by the observed condition and present and prospective serviceability in comparison with new units of like kind.

Property, plant and equipment - at cost

The composition and movements of this account are presented below:

	September 30, 2021		
	Transportation Equipment	Construction in Progress	Total
Cost			
Balance at beginning of year	P51,158,960	P17,510,838	P68,669,798
Additions	—	47,819,192	47,819,192
Reclassification	—	(1,824,735)	(1,824,735)
Disposals	(2,998,000)	—	(2,998,000)
Balance at end of year	P48,160,960	P63,505,295	P111,666,255
Accumulated Depreciation, and Amortization			
Balance at beginning of year	P38,955,653	—	P38,955,653
Depreciation and amortization (see Notes 18 and 19)	1,171,458	—	1,171,458
Disposals	(2,998,000)	—	(2,998,000)
Balance at end of year	P37,129,111	—	37,129,111
Net carrying amount	P11,031,849	P63,505,295	P74,537,144

	December 31, 2020		
	Transportation Equipment	Construction in Progress	Total
Cost			
Balance at beginning of year	₱57,894,027	₱14,787,329	₱72,681,356
Additions	1,054,340	12,796,052	13,850,392
Reclassification	(2,234,513)	(10,072,543)	(12,307,056)
Disposals	(5,554,894)	—	(5,554,894)
Balance at end of year	₱51,158,960	₱17,510,838	₱68,669,798
Accumulated Depreciation, and Amortization			
Balance at beginning of year	39,095,330	—	39,095,330
Depreciation and amortization (see Notes 18 and 19)	7,692,669	—	7,692,669
Reclassifications	(2,277,452)	—	(2,277,452)
Disposals	(5,554,894)	—	(5,554,894)
Balance at end of year	38,955,653	—	38,955,653
Net carrying amount	₱12,203,307	₱17,510,838	₱29,714,145

Construction in progress represents cost incurred in the construction of the Company's offices, cabling installation, piping, bagging system installation, and other developments. Costs primarily include raw materials procurement, general construction works and installation costs.

As at September 30, 2021 and December 31, 2020, there are no significant contractual commitments entered into by the Company.

Depreciation and amortization expense follow:

	Unaudited September 2021	Unaudited September 2020
Property, plant and equipment:		
At revalued amount	₱60,815,867	₱54,090,085
At cost	1,171,458	5,823,539
Right-of-use asset (see Note 13)	12,817,802	59,914,855
Computer software (see Note 13)	2,758,577	2,758,577
	₱77,563,704	₱122,587,056

12. Investment Properties

Investment properties comprise of the Company's hatchery buildings, dressing and rendering plants that are held to earn rentals and parcels of land which are either for lease or foreclosed by the Company to settle customers' liabilities. These foreclosed parcels of land are being held for capital appreciation only.

Movements in this account are summarized below:

September 30, 2021			
	Land	Building	Total
Balance at beginning of year	₱554,272,573	₱377,103,407	₱931,375,980
Additions	–	24,346,946	24,346,946
Disposals	–	(11,627,654)	(11,627,654)
Balance at end of year	₱554,272,573	₱389,822,699	₱944,095,272

December 31, 2020			
	Land	Building	Total
Balance at beginning of year	₱545,128,167	₱257,138,422	₱802,266,589
Gain on fair value changes	3,992,855	60,377	4,053,232
Additions	5,398,766	119,904,608	125,303,374
Disposals	(247,215)	–	(247,215)
Balance at end of year	₱554,272,573	₱377,103,407	₱931,375,980

The composition of investment properties as at September 30, 2021 and December 31, 2020 are as follows:

	Unaudited September 2021	Audited December 2020
Cost	₱569,647,024	₱556,927,732
Cumulative gain on fair value changes	374,448,248	374,448,248
	₱944,095,272	₱931,375,980

In 2020, the Company acquired additional properties pertaining to dressing plant and Iloilo hatchery amounting to ₱114.5 million and ₱5.4 million, respectively. In 2021, the Company acquired additional properties pertaining to dressing plant amounting to ₱24.3 million.

Rental income earned from Bulacan plants amounted to ₱8.5 million and ₱9.1 million as of the periods ended September 30, 2021 and 2020, respectively (see Note 20).

Fair Value Measurement

Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal report is at December 31, 2020. The Company recognized fair value gain of ₱4.1 million and ₱158.3 million in 2020 and 2019, respectively. The fair value measurement for investment properties has been categorized as Level 3 (significant unobservable inputs).

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

Description of valuation techniques used and key inputs to valuation on investment properties follows:

Valuation Technique		Significant Unobservable Inputs	Range	
			2020	2019
Land	Sales Comparison Approach	Price per square meter	₱200-12,000	₱130-₱6,800
		Value adjustments	5%-21%	2%-50%

	Valuation Technique	Significant Unobservable Inputs	Remaining economic life
Buildings	Cost Reproduction Approach	Replacement cost less accrued depreciation	7 - 33 years remaining economic life
	Valuation Technique	Significant Unobservable Inputs	
Bulacan Dressing Plant	Income Approach	Market lease income growth rate and discount rate	

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element.

Value adjustments: adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size, architectural features and etc.

Discount rate: This was arrived at by summing up the risk-free rate and management /liquidity rate. Management/Liquidity Rate refers to the estimated premium to compensate for the burden of management and the ease with which an investment can be sold.

Market approach

Sales comparison approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

Replacement cost less accumulated depreciation

Replacement cost approach is a method under the cost approach that indicates the value by calculating the current replacement cost of an asset less deductions for physical deterioration and all relevant forms of obsolescence. Depreciation is estimated as evidence by the observed condition and present and prospective serviceability in comparison with new units of like kind.

Income approach

Income approach is a form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon.

13. Right-of-use Assets and Other Noncurrent Assets

Right-of-use Assets

Movements in right-of-use assets are as follows:

	September 30, 2021		
	Right-of-use asset Building	Right-of-use asset Transportation equipment	Total
Cost			
Balance at beginning of year	₱12,065,912	₱71,138,213	₱83,204,125
Addition	—	8,739,616	8,739,616
Reclassification	—	254,756	254,756
Balance at end of year	12,065,912	80,132,585	92,198,497

Accumulated Amortization			
Balance at beginning of year	5,550,319	45,102,446	50,652,765
Depreciation	2,171,864	10,645,938	12,817,802
Balance at end of year	7,722,183	55,748,384	63,470,567
Net carrying value	P4,343,729	P24,384,200	P28,727,929

	December 31, 2020			
	Right-of-use asset Building	Right-of-use asset Transportation equipment	Right-of-use asset Machineries	Total
Cost				
Balance at beginning of year	P21,455,220	P73,847,259	P174,905,773	P270,208,252
Pre-termination of lease contract (see Note 27)	(9,389,308)	—	(174,905,773)	(184,295,081)
Disposals	—	(2,709,046)	—	(2,709,046)
Balance at end of year	12,065,912	71,138,213	—	83,204,125
Accumulated Amortization				
Balance at beginning of year	6,426,192	32,390,718	43,726,443	82,543,353
Depreciation	7,226,572	14,379,852	57,431,924	79,038,348
Pre-termination of lease contract (see Note 27)	(8,102,445)	—	(101,158,367)	(109,260,812)
Disposals	—	(1,668,123)	—	(1,668,123)
Balance at end of year	5,550,319	45,102,447	—	50,652,766
Net carrying value	P6,515,593	P26,035,766	P—	P32,551,359

Other Noncurrent Assets

This account consists of:

	Unaudited September 2021	Audited December 2020
Project development costs	P31,368,396	P31,368,396
Security deposits	11,983,652	9,729,018
Computer software	8,607,360	6,349,023
	51,959,408	47,446,437
Allowance for impairment losses	(31,368,396)	(31,368,396)
	P20,591,013	P16,078,041

Project development costs represent expenses incurred on the Company's aqua feeds and aqua culture projects. Based on management's evaluation, these costs may no longer be recoverable. Accordingly, the project development cost amounting to P31.4 million was provided with full valuation allowance as at September 30, 2021 and December 31, 2020.

Security deposits represent rental and other deposits paid by the Company and will be returned at the end of the lease term.

Movements in computer software are as follows:

	Unaudited September 2021	Audited December 2020
Cost		
Balance at beginning of year	P26,354,542	P23,867,955
Additions	5,016,914	2,486,587
Balance at end of year	31,371,456	26,354,542
Accumulated Depreciation and Amortization		
Balance at beginning of year	20,005,519	16,327,417
Depreciation and amortization	2,758,577	3,678,102
Balance at end of year	22,764,096	20,005,519
Net carrying amount	P8,607,360	P6,349,023

Computer software is amortized over the economic life of 3 years with an average remaining useful life of 2 to 3 years.

14. Trade and Other Payables

This account consists of:

	Unaudited September 2021	Audited December 2020
Trade payables		
Third parties	P1,285,246,898	P1,202,401,796
Related parties (see Note 24)	28,891,166	41,918,534
Accrued expenses		
Selling and administrative	118,536,702	79,318,075
Outside services	90,656,092	77,195,148
Others	63,692,956	35,663,921
Nontrade	56,024,745	145,102,863
Customers' deposits	17,322,091	P27,670,921
Statutory liabilities	15,257,364	19,887,934
	P1,675,628,014	P1,629,159,192

Trade payables primarily consist of liabilities arising from purchases of raw materials in the normal course of business. These are noninterest-bearing and are generally on a 90-day credit term.

Accrued expenses mainly pertain to salaries and wages, freight and handling, outside services, rebates, taxes and licenses, commission, plant and office supplies. Accrued expenses are normally settled within one year.

Nontrade payables are liabilities arising from purchases of goods, other than raw materials, and various services giving rise to expenses such as trucking fees, utilities, security services and inspection fees, among others. These are settled within one year.

Customers' deposits are amounts received from animal and aqua feeds' customers. These serve as collateral for any unpaid balances.

Other payables consist of social security premiums payable and other statutory liabilities. These are normally settled within a month.

15. Loans Payable

This account consists of the following:

	Unaudited September 2021	Audited December 2020
Current portion	P292,799,581	P156,844,958
Noncurrent portion	104,502,827	123,118,899
	P397,302,408	P279,963,857

In September 2021 and December 2020, the Company obtained unsecured Peso-denominated short-term and long-term loans from local banks to finance working capital requirements. Long-term loans of the Company are payable within six years. The Company's loans bear interest rate at 6.00% to 6.50% for short-term and 6.25% for long-term.

Long term loans

a. P86.9 million promissory note

On October 31, 2018, Vitarich Corporation ("the Company") entered into an aggregate of P86.9 million, eight-year loan with Chinabank Savings ("CBS") payable in 32 quarterly installments and 96 monthly interest payments with an interest rate of 7.875% per annum, repriced annually. Debt issue cost related to the promissory note pertaining to documentary stamp tax of P 0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

b. P86.9 million promissory note

On December 6, 2018, Vitarich Corporation ("the Company") entered into an aggregate of P86.9 million, eight-year loan with Chinabank Savings ("CBS") payable in 32 quarterly installments and 94 monthly installments with an interest rate of 8.125% per annum, repriced annually. Debt issue cost related to the promissory note pertaining to documentary stamp tax of P0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

In 2020, the Company also obtained short-term loan amounting to P87.4 million from one of its stockholders bearing an interest rate of 3% per annum (see Note 24).

The Company's long-term and short-term loans are not subject to any debt covenants.

In addition, long term loan amounting to P200 million from China Bank Savings, Inc. on August 24, 2018 was secured by Real Estate Mortgage of the properties situated in Davao City (a. industrial lot with improvements covered by TCT No. T-153204, and b. one-unit Buhler Feedmill machinery and equipment).

Total availment of loans payable amounted to P325.8 million and P457.5 million in September 30, 2021 and December 31, 2020, respectively. Total payments of loans payable amounted to P208.4 million and P709.9 million in September 30, 2021 and December 31, 2020, respectively.

Interest expense on loans payable amounted to P15.8 million and P9.6 million in September 2021 and September 2020, respectively.

Future repayment of the principal follows:

	Unaudited September 2021	Unaudited December 2020
Within one year	₱292,799,581	₱156,844,958
After one year but not more than five years	104,502,827	98,297,470
Beyond five years	–	24,821,429
	₱397,302,408	₱279,963,857

16. Cash Bond Deposits

Cash bond deposits amounting to ₱45.3 million and ₱40.1 million as at September 30, 2021 and December 31, 2020, respectively, substantially consist of surety bond deposits obtained from contract growers, contract breeders, customers and salesmen. These will be refunded upon termination of the contract.

The carrying amounts of the cash bond deposits are at nominal values because the timing of the refund or settlement of the deposits could not be reasonably estimated.

17. Revenue

	Unaudited September 2021	Unaudited September 2020
Sales:		
Feeds	₱3,510,519,134	₱3,219,125,481
Foods	3,102,892,896	2,229,515,398
Farms	544,459,072	348,380,649
Sales discount, returns and allowances	(118,549,801)	(104,858,181)
	7,039,321,301	5,692,163,347
Changes in fair values of biological assets	271,001,245	–
	₱7,310,322,546	₱5,692,163,347

The changes in fair values of biological assets are recognized under:

	Unaudited September 2021	Unaudited September 2020
Cost of sales	₱295,096,772	₱–
Livestock (see Note 8)	(24,095,527)	–
	₱271,001,245	₱–

18. Cost of Goods Sold

This account consists of:

	Unaudited September 2021	Unaudited September 2020
Inventories used	₱5,490,317,842	₱4,426,853,707
Outside services	539,601,623	633,483,871
Changes in fair values of biological assets (see Note 17)	295,096,772	–
Contractual services	188,064,290	32,124,427
Depreciation (see Notes 11 and 13)	47,314,445	96,691,217

	Unaudited September 2021	Unaudited September 2020
Salaries and employee benefits (see Note 19)	28,961,571	56,742,423
Communication, light and water	22,445,907	23,954,280
Repairs and maintenance	6,528,037	15,567,671
Others	–	4,783,546
	P6,618,330,488	P5,290,201,142

19. Operating Expenses

Operating expenses in the interim consolidated statements of comprehensive income are classified as follows:

	Unaudited September 2021	Unaudited September 2020
Administrative expenses	P278,190,296	P198,244,654
Selling and distribution expenses	172,512,472	189,838,362
	P450,702,768	P388,083,016

The details of operating expenses by nature are shown below:

	Unaudited September 2021	Unaudited September 2020
Salaries and employee benefits (see Note 24)	P142,284,837	P120,736,899
Transportation, travel and freight and handling	129,873,541	128,311,145
Depreciation and amortization (see Notes 11 and 13)	30,249,259	25,895,839
Professional fees	21,297,673	16,398,879
Advertising and promotions	21,084,197	11,609,136
Commissions	15,657,905	11,263,273
Contractual services	15,547,243	14,925,679
Taxes and licenses	12,035,325	9,661,763
Rentals	6,696,760	8,955,930
Communications, light and water	6,099,124	6,046,237
Supplies	4,117,311	2,012,636
Representation and entertainment	3,575,973	3,777,357
Repairs and maintenance	3,481,113	6,129,749
Insurance	3,347,420	2,472,538
Others	35,355,087	19,885,956
	P450,702,768	P388,083,016

Other expenses include, among others, association dues, contributions, training and seminar costs and inspections fees.

Employee Benefits

Breakdown of employee benefits is presented below:

	Unaudited September 2021	Unaudited September 2020
Salaries and wages	P162,713,416	P169,482,708
Retirement benefits (see Note 22)	2,580,650	3,300,000
Other short-term benefits	5,952,342	4,696,614
	P171,246,408	P177,479,322

Salaries and employee benefits is allocated as follows:

	Unaudited September 2021	Unaudited September 2020
Cost of goods sold (see Note 18)	P28,961,571	P56,742,423
Operating expenses:		
Administrative expenses	102,790,857	64,407,276
Selling and distribution expenses	39,493,980	56,329,623
	142,284,837	120,736,899
	P171,246,408	P177,479,322

Depreciation and Amortization

Depreciation and amortization is allocated as follows (see Notes 11 and 13):

	Unaudited September 2021	Unaudited September 2020
Cost of goods sold (see Note 18)	P47,314,445	P96,691,217
Operating expenses:		
Administrative expenses	12,823,360	15,536,039
Selling and distribution expenses	17,425,899	10,359,800
	30,249,259	25,895,839
	P77,563,704	P122,587,056

20. Other Operating Income

This account consists of:

	Unaudited September 2021	Unaudited September 2020
Miscellaneous sales (scrap materials, etc.)	P10,409,010	P11,521,160
Tolling services	2,150,315	13,089,871
Rentals (see Notes 24 and 27)	8,467,472	9,067,660
	P 21,026,797	P33,678,691

21. Other Income (Charges)

	Unaudited September 2021	Unaudited September 2020
Interest expense (see Notes 15, 24 and 27)	(P15,781,401)	(P30,151,825)
Impairment losses on:		
Receivables (see Note 7)	(5,211,587)	(7,651,341)
Foreign exchange gain/(loss)	(3,490,355)	5,187,615
Interest income (see Note 6)	611,234	128,557
Loss on sale of fixed asset	(470,988)	—
Others - net	(10,627,456)	(3,589,788)
	(P34,970,553)	(P36,076,782)

22. Net retirement liability

The Company maintains a partially funded, noncontributory post-employment defined benefit plan covering all of its regular full-time employees. The defined benefit plan is being administered by a trustee bank which is responsible for the administration of the plan assets and for the definition of the investment strategy. The Company's retirement benefits are based on years of service and one and one-fourth month's salary for every year of continuous service.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

Actuarial valuations are made periodically to update the retirement liability and the amount of contributions. The latest actuarial valuation of the plan is as at December 31, 2020.

Breakdown of retirement expense recognized in the interim consolidated statements of comprehensive income is as follows:

	Unaudited September 2021	Unaudited September 2020
Current service costs	₱9,321,592	₱3,300,000
Interest expense	5,215,260	—
Interest income	(209,289)	—
	₱14,327,563	₱3,300,000

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

	Unaudited September 2021	Audited December 2020
Present value of the obligation	₱133,915,135	₱136,150,631
Fair value of plan assets	(3,944,702)	(3,944,702)
	₱129,970,433	₱132,205,929

Movements in the present value of retirement liability are as follows:

	Unaudited September 2021	Audited December 2020
Balance at beginning of year	₱136,150,631	₱95,342,964
Remeasurement loss (gain) recognized in OCI	—	28,310,195
Current service costs	800,000	9,321,592
Interest expense	—	5,215,260
Benefits paid	(3,035,496)	(2,039,380)
Balance at end of year	₱133,915,135	₱136,150,631

Movements in the fair value of plan assets are presented below:

	Unaudited September 2021	Audited December 2020
Balance at beginning of year	₱3,944,702	₱3,826,125
Interest income	—	209,289
Remeasurement loss	—	(90,712)
	₱3,944,702	₱3,944,702

Actual returns on plan assets amounted to ₱118,577 and ₱259,548 in 2020 and 2019, respectively.

The categories of plan assets of the Company are as follows:

	2021	2020
Cash and cash equivalents	₱1,631,262	₱1,631,262
Equity instruments	501,924	501,924
Debt instruments	1,801,697	1,801,697
Others	9,819	9,819
	₱3,944,702	₱3,944,702

There are no expected future contributions in the plan in 2021.

The schedule below presents a projection of benefit payments expected to be paid out of the retirement fund.

	2021	2020
Less than one year	₱8,067,134	₱8,067,134
Between one and five years	41,849,209	41,849,209
Over five years	74,331,793	74,331,793
	₱124,248,136	₱124,248,136

For the determination of retirement liability, the following actuarial assumptions were used:

	2021	2020
Discount rate	3.81%	3.81%
Expected rate of salary increase	5%	5%
Average remaining working life of an employee retiring at the age of 60:		
Male	39	39
Female	34	34

The weighted average duration of the present value of defined benefit obligation is 9.8 and 9.5 years in 2020 and 2019, respectively.

A quantitative sensitivity analysis for changes in assumptions as at December 31, 2020 and December 31, 2019 are shown below (amounts in thousands):

		Impact on Defined Benefit Obligation	
	Change in Assumptions	2020	2019
Discount rate	+100 bps	(₱12,335)	(₱12,335)
	-100 bps	14,346	14,346
Salary rate	+100 bps	14,026	14,026
	-100 bps	(12,314)	(12,314)

23. Provision for (Benefit from) Income Tax

The components of provision for (benefit from) income tax as reported in the interim consolidated statements of comprehensive income are as follows:

	Unaudited September 2021	Unaudited September 2020
Reported in the Consolidated Profit or Loss		
RCIT at 25% / 30%	P58,750,328	P–
MCIT at 1% / 2%	–	8,708,975
Deferred income tax expense (benefit)	(11,868,725)	(832,688)
	P46,881,603	P7,876,287

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense (benefit) reported in the interim consolidated statements of comprehensive income is as follows:

	Unaudited September 2021	Unaudited September 2020
Income tax expense at statutory tax rate	P56,836,383	P3,444,329
Change in unrecognized deferred tax assets	(6,146,121)	4,454,662
Tax effects of:		
Nondeductible expenses	38,202	15,863
Depreciation on investment property at cost	(3,694,053)	–
Income already subjected to final tax	(152,808)	(38,567)
	P 46,881,603	P7,876,287

The CREATE Act signed into law by President Rodrigo Duterte on March 26, 2021 reduced the regular corporate income tax (RCIT) from 30% to 25% effective July 1, 2020 and also reduced the minimum corporate income tax (MCIT) from 2% to 1% effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. In accordance with PFRSC clarifications, current and deferred taxes as of and for the year ended December 31, 2020 continue to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Based on the provisions of Revenue Regulations (RR) No. 05-21 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5% resulting in lower provision for current income tax for the year ended September 30, 2021 amounting to P58,750,328 or a reduction of P2,907,416. The reduction of income tax was reflected in the Company's 2020 annual income tax return but for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

The components of the recognized net deferred tax assets and liabilities as at September 30, 2021 and December 31, 2020 are as follows:

	Unaudited September 2021	Audited December 2020
<i>Deferred tax assets:</i>		
Allowance for impairment loss on:		
Trade and other receivables	₱78,594,680	₱86,420,270
Product development costs	9,410,519	9,410,519
Property, plant and equipment	5,392,850	5,392,850
Inventory	268,895	268,895
Retirement liability	39,721,095	39,075,932
Excess of right-of-use asset over lease liability	(777,902)	(2,775,761)
	132,610,137	137,792,705
<hr/>		
	September 2021	December 2020
<i>Deferred tax liabilities:</i>		
Revaluation reserve on property, plant and equipment	(₱137,895,280)	(₱139,149,616)
Changes in fair value of investment properties	(71,838,070)	(71,838,070)
Changes in fair value of biological assets	199,039	(9,451,797)
Gain on pre-termination of contract	(1,027,362)	(1,027,362)
	(210,561,673)	(221,466,845)
Net deferred tax liabilities	(₱77,951,536)	(₱83,674,140)

Details of MCIT, which can be claimed as deduction from future RCIT due within three years from the year the MCIT was incurred, is shown below.

Year Incurred	Beginning Balance	Incurred	Applied	Ending Balance	Valid Until
2020	₱6,146,121	₱–	(₱6,146,121)	₱–	2023
2018	3,346,948	–	(₱3,346,948)	₱–	2021
2016	11,630,895	–	(11,630,895)	–	2019
	₱21,123,964	₱–	(₱21,123,964)	₱–	

The amount of MCIT and other deductible temporary differences as at September 30, 2021 and December 31, 2020 which the related deferred tax assets have not been recognized are shown below.

	Unaudited		Audited	
	September 2021		December 2020	
	Amount	Tax Effect	Amount	Tax Effect
MCIT	P6,146,121	P6,146,121	P6,146,121	P6,146,121
Retirement liability	3,992,203	1,197,661	3,992,203	1,197,661
	P10,138,324	P7,343,782	P10,138,324	P7,343,782

24. Related Party Transactions

The Company engages, in the normal course of business, in various transactions with its related parties which include stockholders, entities under common control, key management and others, as described below. Unless otherwise indicated, settlement of related party transactions is made thru cash.

Payable to a Stockholder

Settlement of Restructured Debt. Payable to a stockholder resulted mainly from the acquisition by Kormasinc of the Company's restructured debt from creditors. Of the restructured debt of P3.2 billion acquired by Kormasinc (including interest of P200.0 million), P2.4 billion was converted to equity in 2013.

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of P407.1 million to Kormasinc at P1.52 a share. Consequently, Kormasinc's ownership interest increased from 69.2% to 71.90% (see Notes 1 and 25).

Due to and from related parties

Advances to and from Related Parties. The Company grants unsecured advances to its related parties for working capital requirements. These are payable on demand, hence, are classified under current assets in the interim consolidated statements of financial position.

Trade Payable. The Company buys raw materials, hogs, and breeder flocks from related parties and sells animal feeds, raw materials, feed supplements and dressed chicken to related parties. These are noninterest-bearing and are generally on a 90-day credit term. (see Note 14).

Operating leases – Company as lessor. The Company is a lessor to related party leases covering the lease of a dressing plant, ice plant and rendering plant in Bulacan (i.e., dressing and rendering), which has a remaining lease term of around 3 years.

Summarized below are the outstanding accounts arising from these transactions (see Notes 7, 14 and 20):

and 20%.

		Unaudited September 2021		Audited December 2020	
		Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Related Parties					
Trade and other receivables					
Entities under common control	Sales	₱1,116,753,313		₱1,072,194,796	
	Collections	(1,139,920,126)	₱172,484,734	(1,105,153,625)	₱195,651,548
Trade and other payables					
Entities under common control	Purchases	₱1,297,745,975		₱1,429,424,720	
	Payments	(1,310,773,343)	₱28,891,166	(1,481,354,755)	₱41,918,534
Operating lease					
Entities under common control	Rental income	₱8,467,472		₱11,895,676	
	Collection	(5,395,325)	₱3,072,148	(11,895,676)	₱-

The Company also avails of interest-bearing advances from a shareholder which are payable within a year. On September 28, 2020 to November 27, 2020, the Company was granted a series of advances (term: 90 day; interest rate: 3% per annum) amounting to P89.9 million from one of the Company's stockholders.

		Unaudited September 2021		Audited December 2020	
Related Party	Nature of Transactions	Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Stockholder	Advances for working capital	P-		₱89,905,000	
	Interest	71,630,204	₱5,003,125	407,532	₱76,633,329

Advances to Officers and Employees

The Company grants unsecured, noninterest-bearing advances to its officers which are normally collected within one year through salary deduction (see Note 7). Certain officers also pay operating expenses on behalf of the Company which are payable upon demand (see Note 14). Shown below are the movements in the accounts.

	Nature of Transactions	Unaudited September 2021		Audited December 2020	
		Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Advances to officers and employees	Net transactions	P2,221,601	P14,222,049	(P126,867)	P12,000,448

25. Equity

Capital Stock

As of September 30, 2021, the Company has authorized capital stock of 3.5 billion shares at P0.38 par value equivalent to P1.3 billion. Details of authorized and issued and outstanding shares are as follows:

	Unaudited September 2021	Audited December 2020
Authorized	3,500,000,000	3,500,000,000
Issued and outstanding	3,054,334,014	3,054,334,014

The following summarizes the information on the Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	No. of Shares Issued
December 22, 2017	3,500,000,000	267,836,113
October 16, 2013	3,500,000,000	2,286,497,901
February 9, 1989	200,000,000	200,000,000
August 11, 1986	200,000,000	200,000,000
December 5, 1982	33,000,000	33,000,000

Date of SEC Approval	Authorized Shares	No. of Shares Issued
December 5, 1977	45,000,000	45,000,000
October 31, 1974	7,000,000	7,000,000
May 2, 1973	10,000,000	10,000,000
October 2, 1972	5,000,000	5,000,000

On December 22, 2017, the SEC approved the debt-to-equity conversion of the remaining payable of P407.1 million to Kormasinc at P1.52 a share. Consequently, Kormasinc's ownership interest increased from 69.2% to 71.90% (see Notes 1 and 25).

As of December 31, 2020, Kormasinc's ownership interest decreased by 71.90% to 48.28%.

As of September 30, 2021, Kormasinc's ownership interest is at 48.47%.

The following summarizes the information on the Company's issued and outstanding shares as at September 30, 2021:

	Number of shares issued and outstanding	Percentage of shares
Issued and outstanding	3,054,334,014	100.00%
Listed shares:		
Owned by related parties	2,186,198,604	71.58%
Owned by public	791,596,032	25.91%
Owned by directors and officers	76,539,378	2.51%
Total	3,054,334,014	

Of the total shares owned by the public, 120.4 million and 121.7 million shares are foreign owned as at September 30, 2021 and December 31, 2020.

The total number of shareholders of the Company is 4,126 and 4,131 as at September 30, 2021 and December 31, 2020.

Other Comprehensive Income

The components and movements of other comprehensive income not to be reclassified to profit or loss are presented below:

	Revaluation Reserve (see Note 11)	Accumulated Actuarial Gains (Loss) (see Note 22)	Total
Balance as at January 1, 2021	P324,682,440	(P5,734,207)	P318,948,233
Balance as at September 30, 2021	P324,682,440	(P5,734,207)	P318,948,233
Balance at January 1, 2020	P313,024,168	P14,146,428	P327,170,596
Revaluation increase on property, plant and equipment, net of deferred income tax	15,421,851	—	15,421,851
Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax	(3,763,579)	—	(3,763,579)
Actuarial loss, net of tax	—	(19,880,635)	(19,880,635)
Balance as at December 31, 2020	P324,682,440	(P5,734,207)	P318,948,233

As of September 30, 2021, there are no available amounts for dividend declaration based on Parent Company balances.

26. Earnings Per Share

Basic and diluted earnings per share were computed as follows:

	Unaudited September 2021	Unaudited September 2020
Net income for the period	P180,463,931	P3,604,811
Divided by the weighted average number of outstanding shares	3,054,334,014	3,054,334,014
Earnings per share - basic and diluted	P0.059	P0.001

Diluted earnings per share is equal to the basic earnings per share because the Company does not have potential dilutive shares.

27. Significant Agreements

Company as Lessor

The Company is a party under cancellable leases covering certain hatcheries and plants (i.e., dressing and rendering), which have remaining lease terms of between two to three years. All leases include a clause to enable upward revision of rental charges on an annual basis based on prevailing market conditions.

Total rent income from these operating leases amounted to P8.5 million, and P9.1 million for the nine months period ended September 30, 2021 and 2020, respectively, and are shown as part of "Other operating income" account in the interim consolidated statements of comprehensive income (see Note 20).

Future minimum rentals receivable under non-cancellable operating leases as at September 30, 2021 and December 31, 2020 are as follows:

	Unaudited September 2021	Audited December 2020
Within one year	P13,252,794	P9,806,597
After one year but not more than five years	11,436,100	14,644,000
	P24,688,894	P24,450,597

Company as Lessee – Short-term or lease of low value assets

The Company leases its warehouses under operating lease agreements. The terms of the lease range from one to two years and renewable upon mutual agreement by the parties. Security deposits amounted to P12.0 million and P9.7 million as at September 30, 2021 and December 31, 2020, respectively.

Rent expense amounted to P6.7 million, P9.0 million for nine months period ended September 30, 2021 and 2020, respectively (see Note 19). Future minimum lease payments under the lease agreements follow:

	Unaudited September 2021	Audited December 2020
Within one year	P4,320,113	P9,708,177
More than one year but not more than five years	–	90,000
	P4,320,113	P9,798,177

Company as Lessee – Finance lease agreement

The Company entered into finance lease arrangements for the acquisition of Company vehicles. The arrangements bear annual interest rate ranging from 2% to 4% and are payable in 60 equal monthly installments.

As at September 30, 2021 and December 31, 2020, the details of the finance lease liabilities follow:

	Unaudited September 2021	Audited December 2020
Current	P13,788,754	P15,557,762
Noncurrent	14,265,743	12,933,963
	P28,054,497	P28,491,725

Lease Liabilities

The following are the amounts recognized in the interim consolidated statement of comprehensive income:

	Unaudited September 2021	Audited December 2020
Depreciation expense of right-of-use assets included in other noncurrent assets	P12,817,802	P79,038,348
Interest expense on lease liabilities	2,381,040	11,098,247
Expenses relating to short-term leases (see Note 19)	3,228,807	21,106,429
Total amount recognized in the interim consolidated statement of comprehensive income	P18,427,649	P111,243,024

The rollforward analysis of lease liabilities follows:

	Unaudited September 2021	Audited December 2020
As at January 1, as previously reported	P35,637,457	P193,935,562
At January 1, as restated	35,637,457	193,935,562
Additions	10,157,126	–
Interest expense	2,381,040	11,098,247
Payments	(15,150,058)	(90,937,541)
Pre-termination of lease contract	–	(78,458,811)
Ending balance	P33,025,565	P35,637,457

As at September 30, 2021 and December 31, 2020, the details of the lease liabilities follow:

	Unaudited September 2021	Audited December 2020
Current	P15,238,937	P18,497,266
Noncurrent	17,786,628	17,140,191
	P33,025,565	P35,637,457

Future minimum lease payments under these lease agreements as of September 30, 2021 and December 31, 2020 are as follows:

	Unaudited September 2021	Audited December 2020
Within one year	P15,650,076	P18,908,405
More than one year but not more than five years	17,988,716	17,342,279
	P33,638,792	P36,250,684

Tolling Agreements

The Company has entered into various toll arrangements, mainly for the manufacture of feeds, hatching of eggs and dressing of poultry livestock. The Company's payment is fixed per unit of output.

Prior to January 1, 2019, in accordance with IFRIC 4, *Determining whether an Arrangement contains a Lease*, these agreements are evaluated whether they convey a right to use an asset in return for a payment or series of payments and will therefore be accounted for as a lease. The Company considered whether the agreements contained the following elements of a lease: (a) identification of a specific asset and (b) ability to control physically the use of the underlying asset, either through operations or access, while obtaining or controlling more than an insignificant amount of the output of the asset.

In 2018, based on management's assessment, certain agreements were accounted under IFRIC-4 which were subsequently terminated in 2019.

Total payments for this type of arrangements amounted to ₱358.3 million and ₱265.3 million for the nine months ended September 30, 2021 and September 30, 2020, respectively, and is recorded as part of "Cost of goods sold" account under "Outside services" in the interim consolidated statements of comprehensive income.

As a result of adoption of PFRS 16, the Company evaluated whether there are tolling agreements which qualify as lease agreements to be accounted for under the standard. Based on its evaluation, certain tolling agreements qualify as lease and resulted to the recognition of net right-of-use asset and lease liability amounting to ₱131.2 million and ₱131.9 million, respectively as of December 31, 2019.

Usufruct Agreement

In 2018, the Company entered into a usufruct agreement with Barbatos Ventures, Inc. (BVI) authorizing the latter to the right of usufruct over the Company's Davao Dressing Plant for a period of five (5) years beginning January 2018 in consideration for the capital investment by BVI for the additional dressing line and improvements amounting to approximately ₱68.0 million.

In 2020, the Company entered into a settlement agreement with Barbatos Ventures, Inc. (BVI) reverting back to Vitarich the full ownership, possession and enjoyment of the Davao properties, including all the improvements, particularly additional dressing line and improvement. Considering the abrupt termination of the MoA for Usufruct, which benefitted BVI only for less than Twenty- two months (instead of sixty months), Vitarich agrees to pay the amount of Eleven Million Six Hundred Twenty-Eight Thousand Four Hundred Ninety pesos and fifty-one centavos (Php11,628,490.51) in final and full settlement of all claims and obligations that may arise under the Moa for Usufruct.

28. Note to Interim Consolidated Statements of Cash Flows

The changes in the Company's liabilities arising from financing activities are as follows:

	January 1, 2021	Proceeds/ Additions	Payments	Interest expense	September 30, 2021
Loans payable	₱279,963,857	₱325,765,319	(₱218,808,362)	₱10,381,594	₱397,302,408
Accrued interest payable	1,451,680	—	—	3,018,767	4,470,447
Lease liabilities	35,637,458	10,157,126	(15,150,058)	2,381,040	33,025,565
Total liabilities from financing activities	₱317,052,995	₱335,922,445	(₱233,958,420)	₱15,781,401	₱434,798,420

	January 1, 2020	Proceeds/ Additions	Payments	Interest Expense	Pre-termination of lease contract	December 31, 2020
Loans payable	P532,335,177	P457,507,642	(P709,878,962)	P–	P–	P279,963,857
Accrued interest payable	2,325,176	–	(24,229,831)	23,356,335	–	1,451,680
Lease liabilities	193,935,562	–	(90,937,541)	11,098,247	(78,458,811)	35,637,457
Total liabilities from financing activities	P728,595,915	P457,507,642	(P825,046,334)	P34,454,582	(P78,458,811)	P317,052,994

The Company's noncash transactions consist of the addition to lease liabilities and right-of-use assets amounting to P33.0 million and pre-termination of lease contracts amounting to P78.5 million for the period ended September 30, 2021 and December 31 2020, respectively.

29. Contingencies

There are outstanding warranty and legal claims against the Company. The Company has accrued liability on those items where the Court has definitely ruled against the Company and where the amount can be reliably estimated. The Company and its legal counsel believe that the other pending claims will be settled favorably and will not result to a material loss or impairment, if any.

30. Fair Value Information

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the interim consolidated statements of financial position are shown below:

	September 2021 (Unaudited)		December 2020 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets at Amortized Cost				
Cash in banks	P129,423,835	P129,423,835	P174,925,147	P174,925,147
Trade and other receivables*	902,080,249	902,080,249	814,879,952	814,879,952
Security deposits	11,983,652	11,983,652	9,729,018	9,729,018
Receivable from insurance	101,889,912	101,889,912	101,889,912	101,889,912
	P1,145,377,648	P1,145,377,648	P1,101,424,029	P1,101,424,029
Financial Liabilities at Amortized Cost				
Trade and other payables**	P1,660,370,650	P1,660,370,650	P1,609,271,258	P1,609,271,258
Loans payable	397,302,408	397,302,408	279,963,857	279,963,857
Lease liabilities	33,025,565	33,025,565	35,637,457	35,637,457
Cash bond deposits	45,279,666	45,279,666	40,097,279	40,097,279
	P2,135,978,289	P2,135,978,289	P1,964,969,851	P1,964,969,851

*Excluding advances to officers and employees amounting to P14.2 million and P12 million as at September 30, 2021 and December 31, 2020, respectively,

**Excluding statutory liabilities amounting to P15.2 million and P19.8 million as at September 30, 2021 and December 31, 2020, respectively.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Long-term Debt. The estimated fair value is based on the discounted value of the future cash flows using the prevailing interest rate. As at September 30, 2021, the fair value of long-term debt approximates its carrying value.

Cash Bond Deposits. Cash bond deposits are presented at nominal values because the timing of the refund or settlement of the deposits could not be reasonably estimated.

The carrying values of the following financial assets and financial liabilities approximate their values as at September 30, 2021 and December 31, 2020.

Cash in banks, trade and other receivables, security deposits, and trade and other payables.
As at September 30, 2021 and December 31, 2020, the carrying amounts of these financial instruments approximate their fair values due to the short-term nature of these accounts.

As at September 30, 2021 and December 31, 2020, the Company's financial assets, liabilities, biological assets, property, plant and equipment and investment properties are categorized under Level 3 in the fair value hierarchy. There has been no transfer from Level 3 to other levels in September 30, 2021 and December 31, 2020.

31. Financial Risk Management Objectives and Policies

The Company is exposed to a variety of financial risks which result from its operating, financing and investing activities. The Company's overall risk management program focuses on the unpredictability of the markets and seeks to minimize potential adverse effects on the Company's performance.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks, which the Company is exposed to, are described below and in the succeeding pages.

Foreign Currency Risk

To a certain extent, the Company has an exposure to foreign currency risks as some of its raw materials purchases are sourced outside the Philippines and are therefore denominated in foreign currencies. However, the Company has not yet experienced significant losses due to the effect of foreign currency fluctuations because purchases denominated in foreign currency are kept at a minimum.

Interest Rate Risk

As at September 30, 2021 and December 31, 2020, the Company has no significant floating rate financial assets or liabilities. The Company's operating cash flows are substantially independent of changes in market interest rates.

The Company has no borrowings that carry variable interest rates, which released the Company from any cash flow interest rate risk.

Credit Risk

Generally, the maximum credit risk exposure of the financial assets is the carrying amount of the financial assets as shown in the interim consolidated statements of financial position (or in the detailed analysis provided in the notes to the interim consolidated financial statements) as summarized below.

	Unaudited September 2021	Audited December 2020
Cash in banks	₱129,423,835	₱174,925,147
Trade and other receivables	902,080,249	928,721,700
Security deposits	11,983,652	9,729,018
Receivable from insurance	101,889,912	101,889,912
	₱1,145,377,648	₱1,215,265,777

The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. When available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's trade and other receivables are not exposed to a concentration of credit risk as the Company deals with a number of customers. The trade and other receivables are actively monitored and assessed, and when necessary, an adequate level of provision is maintained. In addition, to minimize credit risk, the Company requires collateral, generally land and real estate, from its customers.

The Company's management considers that trade and other receivables that are not impaired nor past due for each reporting periods are of good credit quality.

The tables below show the credit quality of the Company's financial assets:

September 30, 2021						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Total			
Cash in banks	P129,423,835	P-	P129,423,835	P-	P-	P129,423,835
Trade and other receivables	485,592,640	-	485,592,640	430,709,658	229,491,924	1,145,794,22
Security deposits	11,983,652	-	11,983,652	-	-	11,983,652
Receivable from insurance	101,889,912	-	101,889,912	-	39,774,671	141,664,583
	P728,890,039	P-	P728,890,039	P430,709,658	269,266,595	P1,428,866,292

December 31, 2020						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Total			
Cash in banks	P174,925,147	P-	P174,925,147	P-	P-	P174,925,147
Trade and other receivables	587,826,450	-	587,826,450	340,895,250	284,141,061	1,212,862,761
Security deposits	9,729,018	-	9,729,018	-	-	9,729,018
Receivable from insurance	101,889,912	-	101,889,912	-	39,774,671	141,664,583
	P874,370,527	P-	P874,370,527	P340,895,250	323,915,732	P1,539,181,509

The Company's basis in grading its neither past due nor impaired financial assets is as follows:

High grade: ratings given to counterparties with strong to very strong capacity to meet its obligations.

Standard grade: ratings given to counterparties with average capacity to meet its obligations

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at September 30, 2021	Trade Receivables (in millions)							Accounts with full provision	Total
	Days past due								
	Current	<30 days	30-60 days	61-90 days	91-120 days	More than 120 days	Total		
Expected credit loss rate	0.00%	0.01%	0.04%	0.07%	0.10%	5.43%			
Estimated total gross carrying amount at default	P619.4	P56.9	P9.4	P10.5	P4.3	P13.0	P713.5	P229.5	P943
Expected credit loss	P0.00	P0.01	P0.00	P0.01	P0.00	P0.71	P0.73	P229.5	P230.23
As at December 31, 2020	Trade Receivables (in millions)							Accounts with full provision	Total
	Days past due								
	Current	<30 days	30-60 days	61-90 days	91-120 days	More than 120 days	Total		
Expected credit loss rate	0.00%	0.01%	0.04%	0.07%	0.10%	5.43%			
Estimated total gross carrying amount at default	P620.4	P114.0	P12.2	P6.6	P2.3	P7.4	P762.9	P160.6	P923.5
Expected credit loss	P0.01	P0.01	P0.00	P0.00	P0.00	P0.4	P0.4	P160.6	P161.0

Cash Deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Liquidity Risk

The Company manages its liquidity profile to be able to service debt as this falls due by maintaining sufficient cash from operations. The Company maintains cash to meet its liquidity requirements for up to 30-day periods.

As at September 30, 2021 the Company's financial liabilities have contractual maturities which are presented below:

	Current		Noncurrent	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables*	P1,660,370,650	P-	P-	P-
Loans payable	75,055,520	242,565,490	79,681,398	-
Lease liabilities	21,457,735	11,567,830	-	-
Cash bond deposits	4,575,452	946,725	39,757,489	-
Future interest on long term debt	5,204,355	8,832,744	15,526,193	-
	P1,766,663,712	P263,912,789	P134,965,080	P-

*Excluding statutory liabilities amounting to P15.3 million as at September 30, 2021.

As at December 31, 2020 the Company's financial liabilities have contractual maturities which are presented below:

	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables*	P1,609,271,258	P-	P-	P-
Loans payable	144,434,244	12,410,714	98,297,470	24,821,429
Lease liabilities	9,454,203	9,454,202	17,342,279	-
Cash bond deposits	-	3,546,607	36,550,672	-
Future interest on long term debt	5,799,413	5,357,690	25,575,391	-
	P1,768,959,118	P30,769,213	P177,765,812	P24,821,429

*Excluding statutory liabilities amounting to P19.8 million as at December 31, 2020.

Price Risk

The Company is exposed to commodity price risk as the raw materials of its main products are subject to price swings. The Company's management actively seeks means to minimize exposure to such risk.

32. Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and significantly improve its operations.

On December 22, 2017, the SEC approved the Company's debt to equity conversion improving debt to equity ratio from 2.29 in 2016 to 1.26 in 2017. Moreover, the Company's stockholders approved a Quasi-reorganization plan to eliminate Company deficit and generate retained earnings to provide returns to its stockholders and maximize shareholder value.

Company liabilities and equity are shown below.

	Unaudited September 2021	Audited December 2020
Total liabilities	₱2,359,157,622	₱2,200,737,854
Total equity	1,847,765,437	1,667,301,506

33. New and Amended Standards and Interpretations

New Pronouncements Effective for December 31, 2020 year-end

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the interim consolidated financial statements of the Company.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its interim consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

The adoption of this accounting standard will not have an impact to the Company's financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

VITARICH CORPORATION AND SUBSIDIARIES**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2021**

	Amount
Retained earnings as at beginning of year	₱180,913,080
Adjustments in previous year's reconciliation	
Deferred tax assets as of January 1, 2021	(137,792,705)
Cumulative gain on fair value changes of investment properties	(374,448,248)
Cumulative gain on fair value changes of bio-assets	(23,299,373)
Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning	(354,627,246)
Add net income actually earned/realized during the year	
Net income for the nine months period closed to retained earnings	180,463,931
Gain on fair value changes of bio assets	(24,095,527)
Movement in deferred tax assets	5,182,568
	161,550,971
Deficit as adjusted to available for dividend declaration as of September, 2021	(₱193,076,275)

VITARICH CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Below is a schedule showing financial soundness indicators for the period ended:

RATIO	FORMULA	Unaudited September 2021	Unaudited September 2020	Audited December 2020
Current Ratio				
	Current assets	2,171,367,273	2,119,814,597	1,849,711,009
	Divided by current liabilities	1,983,666,532	1,964,041,936	1,804,501,416
	Current ratio	1.09	1.08	1.03
Debt-to-equity Ratio				
	Total liabilities	2,359,157,622	2,391,288,014	2,200,737,854
	Divided by total equity	1,847,765,437	1,666,076,625	1,667,301,506
	Debt-to-equity ratio	1.28	1.44	1.32
Asset-to-equity Ratio				
	Total assets	4,206,923,059	4,057,364,639	3,868,039,360
	Divided by total equity	1,847,765,437	1,666,076,625	1,667,301,506
	Asset-to-equity ratio	2.28	2.44	2.32
Solvency Ratio				
	Net income before depreciation and amortization	258,027,634	126,191,867	171,899,262
	Divided by total liabilities	2,359,157,622	2,391,288,014	2,200,737,854
	Solvency ratio	0.11	0.05	0.08
Interest rate coverage Ratio				
	Pretax income before interest	243,126,935	41,632,923	59,881,965
	Divided by interest expense	15,781,401	30,151,825	34,454,582
	Interest rate coverage ratio	15.41	1.38	1.74
Profitability Ratio				
	Net income	180,463,931	3,604,811	9,288,476
	Divided by total equity	1,847,765,437	1,666,076,625	1,667,301,506
	Profitability ratio	10%	0%	1%

RATIO	FORMULA	Unaudited September 2021	Unaudited September 2020	Audited December 2020
Gross Profit Margin				
	Gross Profit	691,992,058	401,962,205	571,799,551
	Divided by Net Sales Revenue	7,039,321,301	5,692,163,347	7,682,430,958
	Gross Profit Margin	10%	7%	7%
Net Profit Margin				
	Net Income	180,463,931	3,604,811	9,288,476
	Divided by Net Sales Revenue	7,039,321,301	5,692,163,347	7,682,430,958
	Net Profit Margin	2.6%	0.1%	0.1%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)				
	Net Income	180,463,931	3,604,811	9,288,476
	Add: Interest Expense	15,781,401	30,151,825	34,454,582
	Add: Taxes	46,881,603	7,876,287	16,138,907
	Add: Depreciation & amortization	77,563,704	122,587,056	162,610,786
	EBITDA	320,690,638	164,219,979	222,492,751
EBITDA Margin				
	EBITDA	320,690,638	164,219,979	222,492,751
	Net Sales Revenue	7,039,321,301	5,692,163,347	7,682,430,958
	EBITDA Margin	5%	3%	3%
Price Earnings Ratio (Last twelve months)				
	Market Value per share	0.77	0.77	0.91
	Divided by Earnings per share	0.06	0.08	0.003
	Price earnings ratio	12.83	9.63	303.33
Return on Average Equity (Last twelve months)				
	Net income	186,147,596	238,026,710	9,288,476
	Divided by average total equity	1,757,533,473	1,664,274,220	1,664,886,662
	Return on Average Equity	0.11	0.14	0.01

RATIO	FORMULA	Unaudited September 2021	Unaudited September 2020	Audited December 2020
Quick Ratio				
	Quick assets	1,048,380,326	1,421,913,000	1,106,026,467
	Divided by current liabilities	1,983,666,532	1,964,041,936	1,804,501,416
	Quick ratio	0.53	0.72	0.61
Debt to EBITDA				
	Total liabilities	2,359,157,622	2,391,288,014	2,200,737,854
	Divided by EBITDA	320,690,638	164,219,979	222,492,751
	Debt-to-EBITDA	7.36	14.56	9.89
Receivable Days Turnover				
	Average accounts receivable	677,040,335	812,063,802	790,996,631
	Multiply by Number of Days	271	271	365
	Divided by Net sales	7,039,321,301	5,692,163,347	7,682,430,958
	Receivable Days Turnover	26	21	38
Inventory Days Turnover				
	Average inventory	650,697,480	591,366,625	534,833,277
	Multiply by Number of Days	271	271	365
	Divided by Cost of goods sold	6,323,233,716	5,290,201,142	7,125,724,162
	Inventory Days Turnover	28	31	27
Accounts Payable Days				
	Divided by Average accounts payable	1,279,229,198	1,240,352,512	1,236,483,700
	Multiply by Number of Days	271	271	365
	Credit Purchases	7,624,628,676	5,339,457,951	7,061,914,617
	Accounts Payable Days	46	63	64
Cash Conversion Cycle				
	Days inventory outstanding	28	31	27
	Days sales outstanding	26	21	38
	Days payable outstanding	46	63	64
	Accounts Payable Days	9	(12)	1

VITARICH CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY
PAR. 6 PART II OF
REVISED SRC RULE 68
Unaudited
September 30, 2021

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VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
September 30, 2021
(In Thousands)

<u>Name and Designation of Debtor</u>	Balance at beginning of Year	Additions	Deductions		Ending Balance		Balance as at September 30, 2021
			Collected	Written Off	Current	Noncurrent	
Advances to Officers and Employees:							
Rey D. Ortega, Senior Vice-President and General Manager	175	—	47	—	128	—	128
Peter Andrew Dompur, Sales Manager	184	—	154	—	30	—	30
Adriano Barrameda, Sales Manager	136	—	29	—	107	—	107
Oliver Lupiba, Sales Manager	398	—	—	—	398	—	398
Cruz, Aaron, Sales Manager	201	—	28	—	173	—	173
Others*	10,907	3,701	1,222	—	13,386	—	13,386
	₱12,001	₱3,701	₱1,480	₱—	₱14,222	₱—	₱14,222

*Represent advances to officers and employees with balances less than ₱100,000.

Note: All of the above receivables are current.

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE
CONSOLIDATION
OF FINANCIAL STATEMENTS
September 30, 2021
(In Thousands)

<u>Related Party</u>	Balance at beginning of year	Additions	Deductions			Ending Balance		Balance as at September 30, 2021
			Collections	Write Off	Amounts written off	Current	Noncurrent	
Amounts Due from Related Parties								
Gromax, Inc.	₱41,598	₱—	₱—	₱—	₱—	₱41,598	₱—	₱41,598

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS – OTHER ASSETS
September 30, 2021
(In Thousands)

<u>Description</u>	Beginning balance	Additions	Charged to cost and expense	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Computer software	P26,355	P5,016	P22,764	P–	P–	P8,607

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
September 30, 2021
(In Thousands)

Title of the Issuer	Agent/Lender	Outstanding Balance	Current Portion	Noncurrent Portion	Interest Rate	Number of Periodic Installments	Interest Payment	Final Maturity
Fixed	Chinabank Savings	P64,662	P12,411	P52,251	6.25%	28 quarterly payments	Monthly	October 30, 2026
Fixed	Chinabank Savings	64,661	12,410	52,251	6.25%	28 quarterly payments	Monthly	November 30, 2026
		P129,323	P24,821	P104,502				

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES

September 30, 2021

(In Thousands)

<u>Related Parties</u>	Balance at beginning of year	Additions	Deductions			Ending Balance		Balance as at September 30, 2021
			Collections (Payments)	Discounting	Write Off	Current	Noncurrent	
Trade and other receivables								
Entities under common control	₱195,652	₱801,981	(₱825,148)	₱—	₱—	₱—	₱—	₱172,485
Trade and other payables								
Entities under common control	₱41,919	₱955,188	(₱968,216)	₱—	₱—	₱—	₱—	₱28,891
Stockholders	₱76,633	₱—	(₱71,630)	₱—	₱—	₱—	₱—	₱5,003

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER
September 30, 2021
(In Thousands)

					Number of shares held by	
<u>Title of Issue</u>	Number of shares authorized	Number of shares issued and outstanding as shown under the statement of financial position caption	Number of shares reserved for options, warrants, conversion & other rights	Related parties	Directors, officers and employees	Public
Common stock – P0.38 par value per share						
Authorized - 3,500,000,000 shares	3,500,000	3,054,334	—	2,186,199	76,539	791,596

VITARICH CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP
September 30, 2021

