# COVER SHEET

2 1 1 3 4

S.E.C. Registration Number

V I T A R I C H   C O R P O R A T I O N

( Company's Full Name )

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

( Business Address: No. Street City / Town / Province )

| Atty. Mary Christine Dabu-Pepito | (+632) 8843-30-33 |
|---|---|
| Contact Person | Company Telephone Number |

**PRELIMINARY**
INFORMATION
STATEMENT

**Last Friday of June**

| 1 2 - 3 1 | 2 0 - I S | 0 6 |
|---|---|---|
| *Month* *Day* | Form Type | Month Day |
| Fiscal Year | | |

Secondary License Type. If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

| Total No. of Stockholders | Domestic | Foreign |
|---|---|---|

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To be accomplished by SEC Personnel concerned

File Number

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Cashier

S T A M P S

SEC COVER SHEET 20-IS

TO ALL STOCKHOLDERS:

Please be informed that the Annual General Meeting of the Stockholders of VITARICH CORPORATION (the "Corporation") will be held on Friday, 25 June 2021, 2:00 P.M., through Zoom video-conferencing to be conducted pursuant to SEC Memorandum Circular No. 6, series of 2020, as approved by the Board of Directors of the Corporation. The annual meeting shall be purely virtual in order to comply with social distancing requirements and the utmost need to prevent the spread of COVID19.

The Stockholders' Annual General Meeting shall have the following agenda:

1. Call to order;
2. Certification of Notice and the Existence of a Quorum;
3. Approval of the Minutes of the Previous Stockholders' Annual General meeting;
4. Report of the President on the Results of the 2020 Operations and the 2020 Audited Financial Statements;
5. Ratification of the Acts of Directors and Officers;
6. Election of Directors;
7. Appointment of External Auditor;
8. Appointment of Stock Transfer Agent;
9. Other matters; and
10. Adjournment.

Only stockholders of record as of 25 May 2021, which is the record date fixed by the Board, are entitled to notice of, and to vote at, this meeting.

Procedures on registration shall follow.

**ATTY. MARY CHRISTINE DABU-PEPITO**
Asst. Corporate Secretary/Compliance Officer/
Corporate Information Officer

Annex "A"

## EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL AND/OR RATIFICATION

1. **Call to Order**

The Chairman of the Board will formally commence the meeting at approximately 2:00 p.m. on Friday, 25 June 2021.

2. **Certification of Notice and Certification of Quorum**

The Corporate Secretary will certify that the notice of the annual meeting was published in a newspaper of general circulation and was posted on the PSE's EDGE system and the Corporation's website in compliance with SEC requirements, and that a quorum exists for the valid transaction of business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020 which provide for attendance using remote communication during stockholders' meetings, the Corporation has set up a system and process to allow stockholders to vote on the matters in the agenda. Only stockholders who have registered and present during the video-conferencing will be included in determining the existence of a quorum.

There will be an audio and visual recording of the meeting.

3. **Approval of the Minutes of the Annual Stockholders' Meeting held on 28 August 2020**

The minutes of the last annual stockholders' meeting held on 28 June 2019 can be viewed at the Corporation's website at https://vitarich.com/wp-content/uploads/2020/10/vcminutesagm28aug2020.pdf and may be found in page 23 of this Information Statement.

**4. Report of the President on the Results of the Operations for 2020 and the 2020 Audited Financial Statements of the Corporation**

The President and Chief Executive Officer, Mr. Ricardo Manuel M. Sarmiento, will report on the Corporation's 2020 performance and the outlook for this year. The audited financial statements for the year ended 31 December 2020 are included in the Annual Report posted on the PSE's EDGE system and the Corporation's website at https://vitarich.com/company-disclosure/sec-filings/.

**5. Ratification of the Acts of Directors and Officers**

The acts of the Board of Directors and its committees, officers and Management of the Corporation since 01 July 2020 up to 30 April 2021, as duly recorded in the corporate books, include the approval of all contracts and agreements, application for government permits and licenses, sale or lease of properties, and other transactions in the general conduct of business. The summary of the major resolutions approved and adopted by the Board and the Board Committees are discussed in the Definitive Information Statement.

6. **Election of Directors**

In accordance with the Corporation's Amended Articles of Incorporation, Revised Manual on Corporate Governance and By-Laws, the stockholders must elect the members of the Board of Directors of the Corporation comprised of nine (9) directors, including independent directors who shall comprise at least 20% of the members of the Board of Directors, who shall hold office for a term of one (1) year, or until their successors shall have been duly elected and qualified.

Following the announcement on the holding of the annual stockholders' meeting, the Nomination Committee accepted the nomination of any individual for election as directors. Thereafter, the Nominations Committee evaluated the initial list of nominees for the Board, including the nominees for independent directors, and determined that the nominees have all the qualifications and none of the disqualifications to serve in the Board of Directors. The Nominations Committee is yet to finalize the Final List of Candidates. Such Final List of Candidates and the qualifications of each nominee director shall be discussed in the Definitive Information Statement and their names are included in the ballot form to be provided by the Corporation.

7. **Appointment of the External Auditor**

The Audit Committee and the Board endorsed to the stockholders the re-appointment of Sycip Gorres Velayo & Co. as the external auditor of the Corporation for the ensuing year. The details of the external auditor are provided in the Definitive Information Statement.

8. **Appointment of the Stock Transfer Agent**

The Board endorsed to the stockholders the re-appointment of Stock Transfer Services, Inc. as the stock transfer agent for the ensuing year. The details of the stock transfer agent are provided in the Definitive Information Statement.

Annex “B”

**VITARICH CORPORATION**
**PROXY FORM**

The undersigned stockholder of **VITARICH CORPORATION** (the "Corporation") hereby nominates, constitutes, and appoints the following:

Name of proxyholder: ___________________________________________

or in his/her/its absence, the Chairman of the meeting, as his/her/its proxy, to represent and to vote all of his/her/its shares of stock in the Corporation registered in his/her/its name in the corporate books and records of the Corporation during the annual stockholders’ meeting of the Corporation scheduled on 25 June 2021 via video-conferencing, and on any postponement or adjournment thereof.

The proxy is authorized to attend the annual stockholders’ meeting via video-conferencing and is given the following instructions as regards the matters to be taken up during the said meeting:

______The proxy is given the right to exercise his/her discretion in accomplishing the ballot form to be issued by the Corporation and in voting for the items in the agenda.

______The proxy shall vote strictly as follows:

| Matter | For | Against | Abstain |
|---|---|---|---|
| Approval of the minutes of the last annual stockholders’ meeting | | | |
| Report of the President on the results of the 2020 operations and the 2020 audited financial statements | | | |
| Ratification of the acts of directors and officers | | | |
| Appointment of SGV& Company as external auditor | | | |
| Appointment of Stock Transfer Services, Inc. as stock transfer agent | | | |

For the election of directors (The following is only an initial list of nominees; final list to be released in the Definitive Information Statement):

| | |
|---|---|
| Number of shares owned | |
| Number of votes (no. of shares owned times nine (9) seats) | |

| Nominee | Number of votes, or if you want to distribute your votes equally among the nominees, please place an “x” * |
|---|---|
| Jose Vicente C. Bengzon, III | |
| Ricardo Manuel M. Sarmiento | |
| Stephanie Nicole S. Garcia | |
| Benjamin I. Sarmiento, Jr. | |
| Lorenzo Vito M. Sarmiento | |
| Juan Arturo Iluminado De Castro | |

| | |
|---|---|
| Manuel D. Escueta (Independent Director) | |
| Vicente J.A. Sarza (Independent Director) | |
| Total* | |

** By placing (x) beside the name of the nominee, we shall consider the total number of votes that you are entitled to cast to have been distributed equally to the number of directors that you voted for.*

IN WITNESS WHEREOF, this proxy has been executed by the undersigned.

Signature: ________________________________

Name: ________________________________

Date: ________________________________

Annex “C”

**VITARICH CORPORATION**
**BALLOT FORM**

| | |
|---|---|
| Name of stockholder | |
| Name of proxyholder | |
| Signature | |

**Please check:**

| Matter | For | Against | Abstain |
|---|---|---|---|
| Approval of the minutes of the last annual stockholders’ meeting | | | |
| Report of the President on the results of the operations for 2020 and the 2020 audited financial statements | | | |
| Ratification of the acts of directors and officers | | | |
| Appointment of SGV& Company as external auditor | | | |
| Appointment of Stock Transfer Services, Inc. as stock transfer agent | | | |

**For the election of directors:** (*Note: Initial List only; Final list to be indicated in the Definitive Information Statement)*

| | |
|---|---|
| Number of shares owned | |
| Number of votes (no. of shares owned times nine (9) seats) | |

| Nominee | Number of votes, or if you want to distribute your votes equally among the nominees, please place an “x” * |
|---|---|
| Jose Vicente C. Bengzon, III | |
| Ricardo Manuel M. Sarmiento | |
| Stephanie Nicole S. Garcia | |
| Benjamin I. Sarmiento, Jr. | |
| Lorenzo Vito M. Sarmiento | |
| Juan Arturo Iluminado De Castro | |
| Manuel D. Escueta (Independent Director) | |
| Vicente J.A. Sarza (Independent Director) | |
| Total* | |

** By placing (x) beside the name of the nominee, we shall consider the total number of votes that you are entitled to cast to have been distributed equally to the number of directors that you voted for.*

**SECURITIES AND EXCHANGE COMMISSION**

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [✔] Preliminary Information Statement
   [] Definitive Information Statement

2. Name of Registrant as specified in its charter: VITARICH CORPORATION

3. Bulacan, Philippines
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: 21134

5. BIR Tax Identification Code: 000-234-398-000

6. Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan 3019
   Address of principal office Postal Code

7. Registrant's telephone number, including area code (+632) 8843-3033

8. Date, time and place of the meeting of security holders

   Date: Friday, June 25, 2021
   Time: 2:00 p.m.
   Place: Zoom Video-conferencing.

9. Approximate date on which the Information Statement is first to be sent or given to security holders: 31 May 2021, subject to approval of the SEC.

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants)

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---|---|
| Common Stock | 3,054,334,014 shares |

11. Are any or all of registrant's securities listed on a Stock Exchange?
    Yes ✔ No _

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Philippine Stock Exchange

**WE ARE NOT SOLICITING A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY**

**PART I.**

## A. GENERAL INFORMATION

### Item 1. Date, time, and place of meeting of security holders.

(a) The Annual Meeting of the Stockholders of VITARICH CORPORATION (the "Corporation" or "Vitarich") will be held on Friday, 25 June 2021 at 2:00 P.M. via Zoom video-conferencing in order to prevent the spread of COVID-19 and to ensure the safety of all the stockholders.

(b) Pursuant to the Notice dated 16 March 2021 of the SEC, this Information Statement and the accompanying Proxy Form and other necessary materials shall be sent or given to security holders through posting of the electronic copies of the said documents at the Corporation's website and PSE EDGE System not later than 31 May 2021 as well as publication of the notice of the annual meeting containing the information on the availability of the electronic copies of the documents on the Corporation's website and the PSE EDGE system not later than twenty one (21) days prior to the scheduled meeting or not later than Thursday, 03 June 2021.

### Item 2. Dissenter's Right of Appraisal

There is no matter to be taken up during the annual stockholders' meeting that may give rise to the exercise by any dissenting stockholder of the right of appraisal. For the guidance and information of the stockholders, any stockholder of the Corporation may exercise his/her right of appraisal in any of the instances enumerated under Section 80 of the Revised Corporation Code of the Philippines ("RCCP") and in the manner provided for under Section 81 of the RCCP. Sections 80 and 81 of the RCCP provide as follows:

> "SECTION 80. Instances of Appraisal Right. — Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances:
>
> 1. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
>
> 2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code;
>
> 3. In case of merger or consolidation; and
>
> 4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation."
>
> "SECTION 81. How Right is Exercised. — The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the

date on which the vote was taken: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the date the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation."

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director, officer, or nominee for director or officer of the Corporation or associate of said director, officer or nominee for director or officer of the Corporation has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the corporate actions to be acted upon at the annual meeting of the stockholders. None of the directors of the Corporation has informed or signified his/her intention to oppose any of the corporate actions to be acted upon at the annual meeting of the stockholders.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4: Voting Securities and Principal Holders Thereof**

(a) Number of Shares Outstanding: The Corporation's capital stock is composed of common shares, which are voting shares. The number of shares outstanding is 3,054,334,014 with each share entitled to one (1) vote. The Corporation's Filipino-Foreign equity ownership as of 30 April 2021 is as follows:

| | No. Of Shares | % Ownership |
|---|---|---|
| Shares owned by Filipino | 2,933,729,572 | 96% |
| Shares owned by Foreigners | 120,604,442 | 4% |
| Total | 3,054,334,014 | 100.00% |

(b) Record Date: The record date, with respect to this solicitation, is on 25 May 2021. Only stockholders of record as at the close of business on 25 May 2021 are entitled to notice and vote at the meeting.

(c) Cumulative Voting Rights: At the election of directors, each stockholder may vote the shares registered in his/her name, either in person or by proxy, for as many persons as there are directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his/her shares shall equal, or he/she may distribute them on the same principles among as many candidates as he/she shall see fit: provided that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her multiplied by the whole number of directors to be elected.

(d) (i) Security Ownership of Certain Record and Beneficial Owners: Owners of record of more than 5% of the Corporation's voting securities as of 31 March 2021 are as follows:

| Title of Class | Name, Address of Record Owner & Relationship with Issuer | Name of Beneficial Owner & Relationship W/ Record Owner | Citizenship | No. Of Shares | Percent of Class |
|---|---|---|---|---|---|
| Common Shares | PCD NOMINEE CORPORATION (Filipino)<br>37/F The Enterprise Center, Ayala Avenue Corner Makati Avenue, Makati City<br><br>Beneficial owner of more than 5% of the outstanding shares. | Various beneficial owners | Filipino | 2,909,608,907 | 95.26% |
| | KORMASINC, INC.<br>7th Floor, LTA Bldg., 118 Perea St., Legazpi Village, Makati City | Various beneficial owners | Filipino Corporation | 1,479,302,604 | 48.43% |
| | CHOCOHOLIC HOLDINGS, INC.<br>Vitarich Corporation Compound, Marilao<br>San Jose Road, Brgy. Sta. Rosa I, Marilao, Bulacan | Various beneficial owners | Filipino Corporation | 704,290,000 | 23.06% |

The Corporation has no information yet on who will vote the shares of Kormasinc, Inc. and Chocoholic Holdings, Inc. since the registration procedures and submission of requirements are yet to be released.

(ii) Security of Ownership of Management: The number of common shares beneficially owned by directors and executive officers as of 30 April 2021 are as follows:

| TITLE OF CLASS | NAME OF BENEFICIAL OWNER | AMOUNT & NATURE OF BENEFICIAL OWNERSHIP | CITIZENSHIP | PERCENT OF CLASS |
|---|---|---|---|---|
| Common | Jose Vicente C. Bengzon III | 10,000 | Filipino | 0.00% |
| Common | Rogelio M. Sarmiento* | 6,386,320 | Filipino | 0.21% |

| | | | | |
|---|---|---|---|---|
| Common | Benjamin I. Sarmiento Jr. | 199 | Filipino | 0.00% |
| Common | Ricardo Manuel M. Sarmiento | 55,240,990 | Filipino | 1.81% |
| Common | Stephanie Nicole S. Garcia | 104,359 | Filipino | 0.00% |
| Common | Lorenzo Vito M. Sarmiento III | 500 | Filipino | 0.00% |
| Common | Jose M. Sarmiento | 1,305,320 | Filipino | 0.04% |
| Common | Levi F. Diestro** | 300 | Filipino | 0.00% |
| Common | Vicente J.A. Sarza | 1 | Filipino | 0.00% |
| Common | Manuel D. Escueta | 1 | Filipino | 0.00% |
| Common | Juan Arturo Iluminado C. de Castro | 11,421,034 | Filipino | 0.37% |
| Common | Aison Benedict C. Velasco | 0 | Filipino | 0.00% |
| Common | Reynaldo D. Ortega | 1,219,974 | Filipino | 0.04% |
| Common | Mary Christine Dabu-Pepito | 0 | Filipino | 0.00% |
| Common | Alicia G. Danque | 0 | Filipino | 0.00% |
| Common | Emmanuel S. Manalang | 0 | Filipino | 0.00% |
| Common | Eugene B. Bayta Jr. | 0 | Filipino | 0.00% |
| Common | Glenmark R. Seducon | 0 | Filipino | 0.00% |

*Resigned as director effective 29 April 2021.
**Resigned as independent director effective 01 May 2021

(iii) Voting Trust Holders of 5%or more: The Corporation is not aware of any person holding more than 5% of the common shares of the Corporation under a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the Corporation and the Securities and Exchange Commission, as required under the RCCP.

(e) Change in Control of the Corporation: As of 31 December 2020, Kormasinc, Inc.'s ownership interest decreased from 71.90% to 48.28%. As indicated above, as of 31 March 2021, its ownership interest is 48.83%. Other than the decrease in ownership interest of Kormasinc, Inc., there are no arrangements that will affect or change the ownership of the Corporation.

**Item 5. Directors and Executive Officers**

The following were elected as directors of the Corporation at the annual meeting of the stockholders of the Corporation on 28 August 2020 to hold office until the next succeeding annual meeting of the stockholders and until the respective successors have been elected and qualified:

Regular Directors:

1. Jose Vicente C. Bengzon, III
2. Rogelio M. Sarmiento
3. Ricardo Manuel M. Sarmiento
4. Stephanie Nicole S. Garcia
5. Benjamin I. Sarmiento, Jr.
6. Lorenzo Vito M. Sarmiento, III
7. Jose M. Sarmiento
8. Juan Arturo Iluminado C. De Castro

Independent Directors:

1. Vicente Julian A. Sarza
2. Manuel D. Escueta
3. Levi F. Diestro

Their respective profile, background and credentials may be seen in pages 19 to 22 of the Corporation's SEC Form 17-A attached to and made an integral part of this Information Statement. The respective profile, background and credentials of the directors being nominated for re-election during the annual stockholders' meeting on 25 June 2021 may be seen below.

Officers are elected by the newly elected members of the Board of Directors at the first meeting. The Board also elects during its first meeting the chairman and members of the Audit, Risk Oversight and Related Party Transactions as well as the Nominations, Remunerations and Corporate Governance committees. The following officers were elected during the Organizational Meeting of the Board of Directors held on 28 August 2020, and, unless removed by the Board of Directors, shall hold office until their successors are appointed. If any vacancy shall occur among the officers of the Corporation, such vacancy shall be filled by the Board of Directors:

| | |
|---|---|
| Ricardo Manuel M. Sarmiento | - Chief Executive Officer/President |
| Stephanie Nicole S. Garcia | - EVP, Corporate Management Services Director and Treasurer |
| Atty. Aison Benedict C. Velasco | - Corporate Secretary |
| Atty. Mary Christine Dabu-Pepito | - Asst. Corporate Secretary/Compliance Officer/ Corporate Information Officer |
| Reynaldo D. Ortega | - Senior Vice President and General Manager, Feeds, Poultry, and Food Division |
| Eugene B. Bayta Jr. | - Vice President, National Poultry Processing Manager |
| Alicia G. Danque | - Vice President & Supply Chain Director/ Alternate Corporate Information Officer |
| Glenmark R. Seducon | - Chief Audit Executive |
| Emmanuel S. Manalang | - Vice President & Nutrition and Research & Development Manager |

Their respective profile, background and credentials may be seen in pages 23 to 24 of the Corporation's SEC Form 17-A attached to and made an integral part of this Information Statement. The respective profile, background and credentials of the officers being nominated for re-election during the annual stockholders' meeting on 25 June 2021 may be seen below.

Pursuant to Article VI of its Amended Articles of Incorporation, the Corporation shall have nine (9) directors. The initial list of nominees for the members of the Board of Directors and Officers for the ensuing year as of the date of this report are the following:

1. Mr. Jose Vicente C. Bengzon III;
2. Mr. Ricardo Manuel M. Sarmiento;
3. Ms. Stephanie Nicole S. Garcia;
4. Mr. Benjamin I. Sarmiento Jr.;
5. Mr. Lorenzo Vito M. Sarmiento, III;
6. Atty. Juan Arturo Iluminado C. de Castro;
7. Mr. Vicente Julian A. Sarza (Independent Director);
8. Mr. Manuel D. Escueta (Independent Director)

As stated above, the Final List of Nominees shall be disclosed in the Definitive Information Statement. The independent directors were pre-screened by the Nominations, Remunerations and Corporate Governance Committee of the Corporation under the guidelines and procedures laid down in the RCCP as well as the Corporation's Amended By-Laws, Amended Manual on Corporate Governance, and existing circulars and regulations of the SEC. They possess all the qualifications and none of the disqualifications of being an independent director, pursuant to SRC Rule 38 of the Rules Implementing the Securities Regulations Code. Their respective Certifications are attached to and made an integral part of this Information Statement.

Officers:

| | |
|---|---|
| Ricardo Manuel M. Sarmiento | - Chief Executive Officer/President |
| Stephanie Nicole S. Garcia | - EVP, Corporate Management Services Director and Treasurer |
| Atty. Aison Benedict C. Velasco | - Corporate Secretary |
| Atty. Mary Christine Dabu-Pepito | - Asst. Corporate Secretary/Compliance Officer/ Corporate Information Officer |
| Reynaldo D. Ortega | - Senior Vice President and General Manager, Feeds, Poultry, and Food Division |
| Eugene B. Bayta Jr. | - Vice President, National Poultry Processing Manager |
| Alicia G. Danque | - Vice President & Supply Chain Director/ Alternate Corporate Information Officer |
| Glenmark R. Seducon | - Chief Audit Executive |
| Emmanuel S. Manalang | - Vice President & Nutrition and Research & Development Manager |

All nominees for directors and officers are Filipino citizens and are currently serving as the Corporation's directors and/or officers. The following is a brief profile of each nominee for directors and/or officers:

**Directors:**

**Jose Vicente C. Bengzon III, Filipino, 63 years old**
**Director/Chairman of the Board**
Mr. Bengzon has been Vitarich Corporation's Director and Chairman of the Board since 2012. He is also serving as: (a) Director & Chairman of Risk Management Committee of Rizal Microbank since 2010; (b) Vice Chairman & Chairman of Executive Committee of Commtrend

Construction Corp. since 2014; (c) Director and Treasurer of Inception Technology Philippines Corp. since 2019; and (d) Senior Adviser to the Board, Malayan Bank since 2018. His business experience during the last five (5) years include his service as: (a) Independent Director of Bermaz Auto Phil's Inc. (2017); and (b) Director & Chairman of Audit Committee of Century Peak Mining Corp. (2016 – 2018). He is a Certified Public Accountant and a graduate of De La Salle University having obtained his Bachelor of Science in Commerce and Bachelor of Arts degrees major in Economics in 1980 therefrom. He earned his Master of Business Administration at the J. L. Kellogg School of Management at Northwestern University in 1988.

**Ricardo Manuel M. Sarmiento, Filipino, 44 years old**
**Director/President & Chief Executive Officer**
Mr. Ricardo Manuel M. Sarmiento joined Vitarich in 2005. He is presently the President and Chief Executive Officer of Vitarich Corporation, and as such, he leads the over-all operations of Vitarich. He holds a degree in Bachelor of Science in Tourism from the University of the Philippines in Diliman, Quezon City. He is a member of the Upsilon Sigma Phi and Rotary Club of Manila. Mr. Sarmiento joined Vitarich in July 2005.

**Stephanie Nicole M. Sarmiento-Garcia, Filipino, 41 years old**
**Director/Executive Vice-President, Corporate Service Management Director and Treasurer**
Ms. Garcia joined Vitarich in 2003. At present, she is serving as the Corporation's EVP, Corporate Management Director and Treasurer of the Company. As such, she is in charge of the funds, assets, securities, receipts and disbursements of the Corporation. She oversees efficient operations, allocates funds and negotiates contracts and prices as well. She is also serving as President of Philippine Association of Feed Millers, Inc. ("PAFMI") since February 2020. She holds a degree in International Hospitality Management from Glion Institute of Higher Education (formerly known as Glion Hotels School), a private, university-level Swiss hotel management school in Switzerland.

**Benjamin I. Sarmiento Jr., Filipino, 51 years old**
**Director**
Mr. Benjamin Sarmiento has been a Director of Vitarich since 1998. He is the Chief Executive Officer of Sarmiento Pacific Holdings and Equities (formerly Pacific Equities, Inc.) from 1989 up to the present. He is also a Director of the following companies: M3 Ventures, International Inc. from 1991 up to the present, and Ultra-Seer, Inc., Hillsdale Marketing Inc., Specialized Products & Services, Inc., Escotek, Inc. and Diversified Industrial Technology, Inc. from 2002 up to the present. He is the Chief Executive Officer of Sarmiento Pacific Agribusiness. He is a graduate of the University of San Francisco with a degree of Bachelor of Arts in Economics.

**Lorenzo Vito M. Sarmiento III, Filipino, 46 years old**
**Director**
He has been a Director of the Corporation since 29 June 2012. He is the President of Davito Holdings Corporation and Lockbox Storage Inc. He is Co-founder and Chief Operating Officer of Advanced Environmental Soil Solutions, Inc. He was President of Medityre, President of Speed Space Systems, Chairman of Emphasys Process Corporation, Investor and co-founder at South Super Sports, Team Manager under contract with the Philippine Football Federation, Creative Director of Speed HKG. He graduated in 1999 from the University of San Francisco, San Francisco CA USA, with a degree in Bachelor of Science in Business Administration with emphasis in Marketing and International Business. He took up special courses in International Studies at the Richmond College in London, England and Network Engineering at Herald College, San Francisco CA USA.

**Dr. Juan Arturo Iluminado C. de Castro, Filipino, 40 years old**
**Director**
Dr. Juan Arturo Iluminado C. de Castro (or "Johnny") was first elected as Director of Vitarich on 26 November 2014. He is a practicing lawyer with a Bachelor of Laws degree from the University of the Philippines (UP) College of Law, and is the first Filipino to obtain both a Doctorate in the Science of Law (J.S.D.) and a Master of Laws (LL.M.) degree at the University of California (UC) Berkeley School of Law (Boalt Hall) in the United States of America (USA) in 2011. He authored the book on Philippine Energy Law (2012), which provides guidance for investing in the country's electric power industry. Dr. De Castro has extensive experience in corporate rehabilitation or Chapter 11 Bankruptcy in the Philippines as managing partner of the De Castro & Cagampang-De Castro Law Firm, a boutique law firm in Makati. Their law practice includes civil and criminal litigation before various courts, appellate practice, real estate transactions, and cases before the Sandiganbayan, among others. He is currently also an Assistant Professorial Lecturer at the De La Salle University College of Law.

**Manuel D. Escueta, Filipino, 70 years old**
**Independent Director**
Mr. Escueta was elected as an Independent Director of the Corporation on 24 January 2014. He was elected as Independent Director of Union Bank of the Philippines in April 2021. His business experience for the last 5 years include his service as: (a) Trustee of Center for Family Advancement (January 2016 to present); (b) Independent Director of Pascual Laboratories, Inc. (March 2016 to present); (c) Vice-Chairman of the Board of Trustees of Southridge PAREF School for Boys (1997 to present); and (d) President of the EduChild Foundation (November 2004 to August 2019). He is a graduate of University of the Philippines in Diliman, Quezon City, with a degree in Business Administration Major in Marketing (1972).

**Vicente Julian A Sarza, Filipino, 68 years old**
**Independent Director**
Mr. Sarza was first elected as Independent Director of the Corporation in 2016. He has more than 25 years extensive experience in banking and finance, his stints spanning corporate, middle market, and consumer banking. He is, at present, a Senior Advisor of Mabuhay Capital (since January 2021), a Consultant at Radiowealth Finance Corp. (since January 2021), and Chaiman/Preisdent of Central Negros Power Reliability Corp. (October 2016-present). Mr. Sarza spent more than 25 years in banking, his stints spanning corporate, middle market, and consumer banking. Mr. Sarza holds a degree in A.B. Economics from the Ateneo De Manila University.

**Officers:**

**Atty. Aison Benedict C. Velasco, Filipino, 43 years old**
**Corporate Secretary**
Atty. Velasco was appointed as Corporate Secretary of the Corporation last 26 April 2019. He is presently a Partner of the Angara Abello Concepcion Regala & Cruz Law Office (ACCRALAW), the firm he joined in 2003. He obtained his bachelor's degree from the Ateneo de Manila University in 1999 and his Juris Doctor law degree from the same university in 2003 graduating with Second Honors. Presently, he acts as corporate secretary of several companies, including AB Mauri Philippines, Inc., ELC Beauty, Inc., Smartmatic Philippines, Inc., UBS Securities Philippines, Inc., UBS Investments Philippines, Inc., Grey Philippines, Inc., Shin Clark Power Holdings, Inc. and other local companies.

**Atty. Mary Christine C. Dabu-Pepito, Filipino, 35 years old**

**Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer**

Atty. Dabu-Pepito was first appointed as the Corporation's Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer on 21 March 2016. She is, at present, a Partner of Dabu & Associates Law Office. She obtained her Bachelor of Arts (Cum Laude) at the University of the Philippines – Diliman and her Bachelor of Laws degree at the San Beda College-Manila in 2011 and was admitted to the Bar on 28 March 2012. She is an alumna of the 5th Cohort of the Applied Sustainability Management in Asia Pacific (ASMAP 5) held on October 2019. Organized by the Center for Social Responsibility of the University of Asia and the Pacific, ASMAP is an executive training program for linking sustainability and business performance. Her areas of practice include civil, family, criminal, commercial, administrative, employment and labor law litigation as well as corporate and commercial services. She also acts as corporate secretary of several corporate clients of the firm.

**Dr. Reynaldo D. Ortega, Filipino, 51 years old**

**Senior Vice President and General Manager Poultry, Food and Feed Sales Division**

Dr. Ortega is a Doctor of Veterinary Science and Medicine and obtained his degree in Central Luzon state University in 1992. He was graduates of Bachelor of Science in Animal Husbandry in the same University 1n 1990. He took up is Master Degree at University of Asia and the Pacific on Agribusiness Executive Program in 2018. He started as Production Supervisor in Purefoods Corporation in Sto. Tomas, Batangas and was later assigned as Veterinary Supervisor at Purefood's JMT office in Ortigas, Pasig. He joined Vitarich Corporation in 1994 as Extension Veterinarian and, since then, handled various positions as Veterinary Services Group Head, Contract Growing Operations Head, Technical Head, Poultry and Livestock Division Head, until his appointment as Senior Vice President and General Manager-Poultry and Foods Division in March 2018. His training includes Poultry Tunnel Ventilation System, Poultry Management in Cage System, Immunology and Virology, and Artificial Insemination in Broiler Breeder. He attended various symposiums about Poultry production, processing and marketing in USA, Europe and Asia.

**Engr. Eugenio B. Bayta Jr., Filipino, 57 years old**

**Vice President and National Poultry Processing Manager**

Engr. Eugene Bayta joined Vitarich Corporation in November of 2018 as the Vice President, National Poultry Processing Manager. He earned his Bachelor's degree in Agricultural Engineering at the University of the Philippines at Los Banos in 1985 and passed the Board in 1987, placing 4th among the passers. He has 33 years of experience in the poultry industry having worked for RFM Corporation, Swift Foods, Inc. and Poultrymax Omnis, Inc. He has extensive experience in the whole Broiler Integration Operation from Broiler Breeding all the way down to Poultry Processing Operations. Effective 1 September 2020, he was appointed to Barbatos Ventures Corporation as its General Manager.

**Alicia G. Danque, Filipino, 47 years old**

**Vice President & Supply Chain Director, Alternate Corporate Information Officer**

Mrs. Alicia Gregorio - Danque was appointed as Vice President & Supply Chain Director effective 01 January 2020 to provide over-all directions in feed operations and supply chain. Hired in 1995, Ms. Danque was Corporate Planning Manager for 16 years. She was born in Bulacan, where she currently resides. She is a graduate of BS Industrial Engineering at Mapua University and took up postgraduate courses in Philippine Women's University and University of Asia and the Pacific.

**Emmanuel S. Manalang, Filipino, 56 years old**
**Vice President & Nutrition and Research & Development Manager**
Dr. Emmanuel S. Manalang was appointed as Vice President & Nutrition and Research & Development Manager on August 1, 2019. He is a graduate of Veterinary Medicine from the University of the Philippines in 1985. He started his career in Animal Nutrition working for ER Squibb and Sons Philippines as a Vitamin Mineral Specialist. He has developed his skills by enriching his experience working with Ciba Geigy Philippines, Ajinomoto, Amino Acid Department as a Technical Manager. He has been an Animal Nutritionist/Nutrition consultant for many commercial feed mills and farm operations nationwide since 1989. Dr. Manalang has a vast experience in the field of Swine and Poultry Nutrition, Aqua Nutrition and Pet Nutrition. He is also engaged in exotic bird breeding and management.

**Glenmark R. Seducon, Filipino, 30 years old**
**Chief Audit Executive**
Mr. Glenmark Seducon was first appointed as Chief Audit Executive on 23 August 2019. Prior to joining the Company, he was a former Audit Associate Manager in Reyes Tacandong & Co. (a member firm of RSM International) with over 5 years of experience in handling audit of both private and publicly-listed companies in the field of manufacturing, hotel and restaurants, real estate, foundations, port operations, retails, not-for-profit corporations, service organizations and BPO. A Certified Public Accountant, Mr. Seducon graduated from Far Eastern University – Manila and received his Bachelor of Science in Accountancy as Magna Cum Laude.

Significant Employees: Other than the directors and officers, no other persons are expected to make significant contributions to the business of the Corporation.

Family Relationships Among the Nominees: Mr. Ricardo Manuel M. Sarmiento and Ms. Stephanie Nicole S. Garcia are siblings. Mr. Benjamin I. Sarmiento Jr. and Mr. Lorenzo Vito M. Sarmiento III are the cousins of Mr. Ricardo Manuel M. Sarmiento and Stephanie Nicole S. Garcia.

Involvement in Certain Legal Proceedings: To the knowledge of the Corporation, none of the members of the Board of Directors, officers and nominees for Board of Directors and officers of the Corporation are involved in any criminal or bankruptcy proceedings or subject of any order or judgment of any court or quasi-judicial agency, whether local or foreign effecting his involvement in business, securities, commodities or banking activities, for the past five (5) years up to the latest filing date.

**Item 6. Compensation of Directors and Executive Officers**

The members of the Board of Directors are entitled to a per diem of P10,000.00 for regular meetings whereas the members of the Audit, Risk Oversight, Related Party Transactions, as well as the Nominations, Remunerations, and Corporate Governance Committees are entitled to a per diem of P5,000.00 for every meeting participation.

Arrangements with Directors & Officers: The Corporation does not extend or grant warrants or options to its executive officers and directors. Thus, the Corporation has no obligation to disclose information pertaining to warrants and options.

The market value of the shares of stock, if any, received by the Corporation's executives and officers approximate the compensation that they should have received had the payment been made in other form of consideration at the grant date.

Executive Compensation: The compensation includes the following:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Short-term employee benefits | **41,524,264** | 38,616,323 | 40,928,845 |
| Retirement benefits | **2,984,183** | 3,909,370 | 1,736,520 |
| Others | **2,303,769** | 2,201,141 | 2,445,457 |
| | **46,812,216** | 44,726,834 | 45,110,822 |

The aggregate compensation including other remuneration during the last two fiscal years, as well as those estimated to be paid in the ensuing fiscal year to the Corporation's Chief Executive Officer and Officers is as follows: (in millions of Pesos)

| **NAME & PRINCIPAL POSITION** | **YEAR** | **SALARY** | **Bonus & Others** |
|---|---|---|---|
| 1. RICARDO MANUEL M. SARMIENTO – CEO/President | 2020 | | |
| 2. STEPHANIE NICOLE S. GARCIA- EVP, Corporate Management Services Director/Treasurer | 2020 | | |
| 3. REYNALDO D. ORTEGA – SVP & GM Poultry, Food and Feed Sales Division | 2020 | | |
| 4. EUGENE B. BAYTA JR. -VP, National Poultry Processing Head | 2020 | | |
| 5. ALICIA G. DANQUE – VP & Supply Chain Director, Alternate Corporate Information Officer | 2020 | | |
| TO T A L (Estimated) | 2021 | 22.14 | - |
| | 2020 | 20.28 | - |
| | 2019 | 13.96 | - |
| ALL OTHER OFFICERS & DIRECTORS AS A COMPANY UNNAMED (Estimated) | 2021 | 2.31 | - |
| | 2020 | 2.02 | - |
| | 2019 | 1.65 | - |

The following are the five highest compensated officers of the Company:

1. **Ricardo Manuel M. Sarmiento** – CEO/President
2. **Stephanie Nicole S. Garcia** – EVP, Corporate Management Services Director/Treasurer
3. **Reynaldo D. Ortega** – SVP & GM Poultry, Food and Feed Sales Division
4. **Eugene B. Bayta Jr.** – VP, National Poultry Processing Head
5. **Alicia G. Danque** – VP & Supply Chain Director

Certain Relationship and Related 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 are 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 69.20% to 71.90% (see Notes 1 and 25, Consolidated AFS for 2020).

As at 31 March 2021, Kormasinc Inc. ownership interest increased from 48.28% to 48.43%.

*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 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, , Consolidated AFS for 2020).

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 and 14 , Consolidated AFS for 2020).

| | | **2020** | | 2019 | |
|---|---|---|---|---|---|
| **Related Parties** | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| **Trade and other receivables** | | | | | |
| Entities under common control | Sales | **₱1,072,194,796** | | ₱843,138,904 | |
| | Collections | **(1,105,153,625)** | **₱195,651,548** | (640,264,819) | ₱228,610,377 |
| **Trade and other payables** | | | | | |
| Entities under common control | Purchases | **₱1,429,424,720** | | ₱1,591,869,921 | |
| | Payments | **(1,481,354,755)** | **₱41,918,534** | (1,501,864,550) | ₱93,848,569 |
| **Operating lease** | | | | | |
| Entities under common control | Rental income | **₱11,895,676** | | ₱11,237,321 | |
| | Collection | **(11,895,676)** | **₱–** | (11,237,321) | ₱– |

The Corporation also avails of interest-bearing advances from a shareholder which are payable within a year. On 28 September 2020 to 27 November 2020, the Corporation was granted a series of advances (term: 90 day; interest rate: 3% per annum) amounting to ₱87.4 million from one of the Corporation's stockholders.

| Related Party | Nature of Transactions | **2020** Amount of Transactions | **2020** Outstanding Balances | 2019 Amount of Transactions | 2019 Outstanding Balances |
|---|---|---|---|---|---|
| Stockholder | Advances for working capital | **(₱89,905,000)** | | (₱85,726,435) | |
| | Interest | **407,532** | **₱76,633,329** | 13,378,992 | ₱– |

*Advances to Officers and Employees*

The Corporation grants unsecured, noninterest-bearing advances to its officers which are normally collected within one year through salary deduction (see Note 7, 2020 Consolidated AFS). Certain officers also pay operating expenses on behalf of the Corporation which are payable upon demand (see Note 14, 2020 Consolidated AFS). Shown below are the movements in the accounts.

| | Nature of Transactions | **2020** Amount of Transactions | **2020** Outstanding Balances | 2019 Amount of Transactions | 2019 Outstanding Balances |
|---|---|---|---|---|---|
| Advances to officers and employees | Net transactions | **(₱137,572)** | **₱536,026** | **₱126,867** | **₱673,599** |

Compensation of Key Management Personnel: The compensation includes the following:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Short-term employee benefits | **41,524,264** | 38,616,323 | 40,928,845 |
| Retirement benefits | **2,984,183** | 3,909,370 | 1,736,520 |
| Others | **2,303,769** | 2,201,141 | 2,445,457 |
| | **46,812,216** | 44,726,834 | 45,110,822 |

## Item 7. Independent Public Accountants

One of the agenda for the stockholders' annual general meeting on 25 June 2021 is the re-appointment of the accounting firm of SyCip Gorres Velayo & Co., who was also the independent public accountant engaged by the Corporation for the audit of its financial statements for the calendar year 2020. The audit of the financial statements of the Corporation was handled and certified by the engagement partner, Ms. Christine G. Vallejo. The firm has complied with the Revised SRC Rule 68, paragraph 3 (b) (iv) re: seven (7) years rotation requirement for the external auditor. The engagement of SyCip Gorres Velayo & Co. and the engagement partner is approved by the Board of Directors and the stockholders of the Company.

External Audit Fees and Services: The work of SyCip Gorres Velayo & Co. consisted of an audit of the financial statements of the Company to enable them to express an opinion on the fair presentation, in all material respects, of the Company's statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows in accordance with Philippine Financial Reporting Standards. For the year 2020, audit fees amounted to 3.5 million, exclusive of VAT and out of pocket expenses. No other services were obtained from the external auditor.

The Audit, Risk Oversight, and Related Party Transactions Committee has confirmed the terms of engagement and the scope of services of the external auditor as endorsed by the Management of the Company. The said committee's approval policies and procedure for external auditors are:

1. Statutory audit of company's annual financial statements
    a. The Audit, Risk Oversight, and Related Party Committee ensures that the services of the external auditor conform with the provision of the company's manual of corporate governance specifically articles 2.3.4.1; 2.3.4.3 and 2.3.4.4
    b. The Audit, Risk Oversight, and Related Party Committee makes an assessment of the quality of prior year audit work services, scope, and deliverables and makes a determination of the reasonableness of the audit fee based on the proposed audit plan for the current year.
2. For services other than annual F/S audit:
    a. The Audit, Risk Oversight, and Related Party Committee evaluates the necessity of the proposed services presented by Management taking into consideration the following:

        i. The effectiveness of company's internal control and risk management arrangement, systems and procedures, and management degree of compliance.
        ii. The effect and impact of new tax and accounting regulations and standards.
        iii. Cost benefit of the proposed undertaking
    b. The Audit, Risk Oversight, and Related Party Committee approves and ensures that other services provided by the external auditor shall not be in conflict with the functions of the external auditor for the annual audit of its financial statements.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure: There was no event in the past fifteen (15) years where the previous and current external auditors had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure. There were no disagreements with the external auditor of the Company on any matter of accounting and financial disclosure.

**Item 8. Compensation Plan**

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation other than those received pursuant to existing labor laws and company policies may be paid or distributed.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

No action is to be taken with respect to the authorization or issuance of securities, whether the same be for exchange for outstanding securities of the Corporation or not.

**Item 10. Modification or Exchange of Securities**

No action is to be taken with respect to the modification of any class of securities of the registrant or the issuance of authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

**Item 11. Financial and other Information**

While no action is to be taken with respect to any matter specified in Items 9 or 10 above, the information required under item 11 (a) of SEC Form 20-IS are contained in the Corporation's SEC Form 17-A regarding its 2020 Annual Report and 2020 Audited Financial Statements accompanying this Information Sheet.

**Item 12. Mergers, Consolidation, Acquisitions and Similar Matters**

No action is to be taken with respect to any transaction involving the merger, consolidation, acquisition of the Corporation with another person/entity, by another person/entity. Neither is there any action to be taken with respect to any transaction involving the sale or transfer of all or any substantial part of the assets of the Corporation. Neither is there any action to be taken as regards liquidation or dissolution proceedings as the Corporation's business operations continue to be on-going.

**Item 13. Acquisition or Disposition of Property**

There is no item in the agenda for this year's annual meeting regarding acquisition or disposition of property.

**Item 14. Restatement of Accounts**

No action is to be taken with respect to the restatement of any asset, capital or surplus account since the restatement of 2019 receivables amounted to only 8% of the total assets of the Corporation, and, therefore, not material to require the action of the stockholders (Please see Notes 7 and 9 of the 2020 Consolidated Audited Financial Statements of the Corporation).

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

The following are included in the Agenda of the Annual Meeting of Stockholders of the Corporation scheduled on 25 June 2021 for the approval of the stockholders:

1. Call to order;
2. Certification of notice to the stockholders and the presence of a quorum to do business;
3. Approval of the minutes of the previous annual meeting; *(See Minutes as quoted below)*
4. Report of the President on the Results of the 2020 Operations and the 2020 Audited Financial Statements; *(As will be presented and reported during the meeting; See also attached SEC Form 17-A regarding the 2020 Annual Report, 2020 Consolidated AFS, 2020 Parent AFS and SEC Form 17-Q regarding the Corporation's 1st Quarter Report)*
5. Ratification of the acts of the Board of Directors and officers; *(See list below)*
6. Election of directors; *(See Item 5)*
7. Appointment of the external auditor; *(See Item 7)*
8. Appointment of the stock and transfer agent; *(See Item 18)*
9. Other matters; and
10. Adjournment

Approval of the Minutes of the Previous Annual Meeting: The Minutes of the Annual Meeting of Stockholders of the Corporation held on 28 August 2020, which will be submitted for the approval of the stockholders during the meeting on 25 June 2021, is as follows:

"**I. CALL TO ORDER**

The Chairman of the Board, Mr. Jose Vicente C. Bengzon III, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Aison Benedict C. Velasco, recorded the minutes of the proceedings.

Before proceeding to the agenda for the stockholders' annual general meeting for 2020, the Chairman introduced the members of the Board of Directors, the Corporate Secretary and Assistant Corporate Secretary.

Thereafter, the Corporate Secretary read and enumerated the ground rules and voting procedures for the meeting as set forth in the Information Statement.

**II. CERTIFICATION OF NOTICE TO STOCKHOLDERS AND EXISTENCE OF A QUORUM**

The Corporate Secretary certified that the stockholders of record as of 28 July 2020 were duly notified of the annual general meeting in accordance with law and the By-laws of the Corporation. The notice of this meeting was submitted to the SEC and was published in the newspapers and posted on the PSE's EDGE system as well as on the Corporation's website.

He further certified that a quorum existed for the transaction of business considering that out of a total of 3,054,334,014 issued and outstanding shares, the stockholders holding 2,259,744,302 shares or 73.98% were present in person or by proxy.

**III. APPROVAL OF THE MINUTES OF THE ANNUAL GENERAL MEETING OF THE STOCKHOLDERS HELD ON 28 JUNE 2019**

Upon motion duly made and seconded, and based on the ballot forms received by the Corporation and tabulated by the stock transfer agent, the stockholders representing 73.98% of the outstanding capital stock of the Corporation unanimously voted to dispense with the reading of the minutes of the annual general meeting of the stockholders of the Corporation held on 28 June 2019 and to approve the said minutes as presented.

**IV. REPORT BY THE PRESIDENT/CEO**

Mr. Ricardo Manuel M. Sarmiento, President and Chief Executive Officer, reported on the results of the operations of the Corporation for the year 2019.

He reported that consolidated gross sales increased by 2%, from P8.3B in 2018 to P8.4B in 2019. Favorable chicken prices and the strategies adopted by the Corporation generated a net income at P128.8M or 98% increase versus P65.2M in 2018.

<u>Business in 2018</u>

President Sarmiento reported that from the Corporation's exit from corporate rehabilitation in 2016 and after rebuilding its foundations in 2017, the Corporation had expanded and increased its shareholders' value in 2018 by changing its par value and restructuring its equity to allow for possible declaration of dividends. The Corporation rationalized its products by foregoing gamefowl and aquafeeds to focus on poultry feeds, breeders, and livestock and some swine business. The Corporation also had Project Punla, which aimed to improve its over-all efficiencies with the help of an internationally well-known partner. The Corporation also continued to implement its digital transformation programs.

<u>What Went Well in 2019</u>

For the first half of 2019, oversupply of chickens due to importation depressed gross sales by 18% versus 2018. Through strategy and resilience, coupled with better chicken prices, Vitarich was able to recover by the second half of the year. Food sales increased to P4.032B, which was higher by 5% versus 2018.

Vitarich's feed business segment sales reached P3.941B, which was 2% higher than 2018. The Corporation's focus on poultry shielded it from the adverse effects of the African Swine Flu ("ASF").

Furthermore, the Corporation decreased its expenses by rationalizing its warehouses in Luzon, Visayas and Mindanao. On the other hand, it increased its own manufacturing capacity by acquiring the new 10 Ton Per Hour that the business partner set up in its Davao Plant. The feed mill plants in Davao and Iloilo are certified as ISO 22000:2005 compliant. Vitarich has also expanded its feed mill operations in Northern Mindanao towards the end of 2019.

President Sarmiento also reported that Lifetime Profitable Partnerships sustained Vitarich's business growth in 2019. It tapped business partners in areas where it lacks infrastructure. In addition, Vitarich launched its Project S.I.B.O.L. ("System Improvement and Business Opportunity Leaders") in order to drive continuous improvement across all departments. He explained that Project SIBOL is the offshoot of Project Punla, and it aims to help the Corporation to identify and avail of invaluable opportunities.

Vitarich continued its digital transformation programs through Office 365 and Video Conferencing that allowed the Corporation to enhance efficiency by cutting costs and reducing the need for transportation.

Vitarich also re-framed and launched its core values as follows: Leadership with Integrity, Excellence, and Care for Others. President Sarmiento explained that these core values are not new as they have been practiced for 70 years to date.

Plans for 2020 Onwards

President Sarmiento also reported on the Corporation's various plans and strategies for the new normal to ensure survival and thrive despite the pandemic. He also shared the strategies to make Vitarich a world class organization.

President Sarmiento concluded his report by expressing gratitude to Vitarich's shareholders, Board of Directors, suppliers, business partners and employees for the Corporation's 70 years of existence and continuous sustainable growth.

There being no questions and upon motion duly made and seconded, and based on the ballot forms received by the Corporation and tabulated by the stock transfer agent, the stockholders representing 73.98% of the outstanding capital stock of the Corporation unanimously voted to approve and note President Sarmiento's report.

## V. CONFIRMATION AND RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS AND OFFICERS SINCE THE LAST ANNUAL GENERAL MEETING

Upon motion duly made and seconded, and based on the ballot forms received by the Corporation and tabulated by the stock transfer agent, the stockholders representing 73.98% of the outstanding capital stock of the Corporation unanimously voted to approve, confirm, and ratify all acts, contracts or deeds performed, entered into or executed by the Board of Directors and officers of the Corporation from the last annual general meeting up to this day.

**VI. ELECTION OF DIRECTORS**

The Chairman informed the body of the mandatory requirement of electing independent directors. As a public company, the Corporation is required to have at least three (3) independent directors. Pursuant to SEC Regulations and the Amended Manual on Corporate Governance, a Nomination Committee was created to screen the qualifications and prepare a final list of all candidates for independent and regular directors. Such final list was made available to all stockholders through the distribution of the Definitive Information Statement, which stated that the candidates nominated by the Nomination Committee for independent directors of the Corporation are:

1. Mr. Manuel D. Escueta;
2. Mr. Vicente JA Sarza; and
3. Mr. Levi F. Diestro.

Pursuant to SEC regulations, only the said nominees whose names appear on the said final list of candidates shall be eligible for election as independent directors of the Corporation.

Aside from the three (3) independent directors, the following were nominated as members of the Board of Directors of the Corporation for the ensuing year:

1. Mr. Jose Vicente C. Bengzon III;
2. Mr. Rogelio M. Sarmiento;
3. Mr. Ricardo Manuel M. Sarmiento;
4. Ms. Stephanie Nicole S. Garcia;
5. Mr. Benjamin I. Sarmiento, Jr.;
6. Mr. Jose M. Sarmiento;
7. Mr. Lorenzo Vito M. Sarmiento III; and
8. Dr. Juan Arturo Iluminado C. De Castro

Upon motion duly made and seconded, the Corporate Secretary announced that the results of the elections were tabulated by the stock transfer agent. He also announced that base on the certification submitted to him by the stock transfer agent, the following individuals have received the following number of votes for his/her election as director:

1. Mr. Jose Vicente C. Bengzon III – 2,259,738,302 votes;
2. Mr. Rogelio M. Sarmiento – 2,259,738,302 votes;
3. Mr. Ricardo Manuel M. Sarmiento – 2,259,738,302 votes;
4. Ms. Stephanie Nicole S. Garcia – 2,259,738,302 votes;
5. Mr. Benjamin I. Sarmiento, Jr. – 2,259,738,302 votes;
6. Mr. Jose M. Sarmiento – 2,259,738,302 votes;
7. Mr. Lorenzo Vito M. Sarmiento III – 2,259,738,302 votes;
8. Dr. Juan Arturo Iluminado C. de Castro – 2,259,738,302 votes;
9. Mr. Levi F. Diestro (Independent Director) – 2,259,738,302 votes;
10. Mr. Manuel D. Escueta (Independent Director) – 2,259,738,302 votes; and
11. Mr. Vicente J A Sarza (Independent Director) – 2,259,738,302 votes.

Thereafter, the following were declared elected as members of the Board of Directors of the Corporation to serve as such until their successors are duly elected and qualified:

1. Mr. Jose Vicente C. Bengzon III;
2. Mr. Rogelio M. Sarmiento;
3. Mr. Ricardo Manuel M. Sarmiento;

4. Ms. Stephanie Nicole S. Garcia;
5. Mr. Benjamin I. Sarmiento, Jr.;
6. Mr. Jose M. Sarmiento;
7. Mr. Lorenzo Vito M. Sarmiento III;
8. Dr. Juan Arturo Iluminado C. de Castro;
9. Mr. Levi F. Diestro (Independent Director);
10. Mr. Manuel D. Escueta (Independent Director); and
11. Mr. Vicente J A Sarza (Independent Director).

**VII. AMENDMENT OF THE ARTICLES OF INCORPORATION**

The Chairman explained that the Corporation intends to amend Article Sixth of the Amended Articles of Incorporation to reduce the number of directors from eleven (11) members to nine (9) members.

Upon motion duly made and seconded, and based on the ballot forms received by the Corporation and tabulated by the stock transfer agent, the stockholders representing 73.98% of the outstanding capital stock of the Corporation unanimously voted to approve the said amendment.

**VIII. APPOINTMENT OF THE EXTERNAL AUDITOR**

Upon motion duly made and seconded, and based on the ballot forms received by the Corporation and tabulated by the stock transfer agent, the stockholders representing 73.98% of the outstanding capital stock of the Corporation unanimously voted to appoint SYCIP GORRES VELAYO AND CO. as the Corporation's external auditor for the ensuing year, as recommended by the Audit, Risk Oversight, and Related Party Transactions Committee and approved by the Board of Directors.

**IX. APPOINTMENT OF THE STOCK AND TRANSFER AGENT**

Upon motion duly made and seconded, and based on the ballot forms received by the Corporation and tabulated by the stock transfer agent, the stockholders representing 73.98% of the outstanding capital stock of the Corporation unanimously voted to appoint STOCK TRANSFER SERVICES, INC. as the Corporation's stock transfer agent for the ensuing year and to serve as such until its successor shall have been appointed and qualified.

**X. ADJOURNMENT**

There being no other matters to discuss, and upon motion duly made and seconded, the meeting was adjourned at 2:50 o'clock in the afternoon."

Ratification of Acts and Resolutions of the Board of Directors and Officers of the Corporation: The following acts and resolutions of the Board of Directors and/or Officers from 01 July 2020 to 30 April 2021 are submitted for the ratification of the stockholders during the annual general meeting on 25 June 2021:

| Date of Action | Description |
|---|---|
| July 17, 2020 | RESOLUTION NO. 2020-27<br><br>"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation be as it is hereby authorized to decrease the number of its directors from 11 to 9;<br><br>"RESOLVED ALSO, that Article VI of its Amended Articles of Incorporation be as it is hereby amended as follows to reflect such decrease: |

<table>
<tr><td></td><td>"SIXTH: That the number of the Directors shall be nine (9) to serve until their successors are elected and qualified as provided by the By-Laws: xxx"</td></tr>
<tr><td>August 28, 2020</td><td>RESOLUTION NO. 2020-28<br><br>"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation be as it is hereby authorized to close the following accounts with Metropolitan Bank and Trust Company:<br><br>1. Current Account No. 149-7-149-51740-1 (Abangan Sur, Marilao, Bulacan branch);<br>2. Current Account No. 149-7-149500-797 (Abangan Sur, Marilao, Bulacan branch);<br>3. Savings Account No. 375-3-375-50079-6 (Iloilo branch).<br><br>"RESOLVED FURTHERMORE, that the Corporation authorize as it hereby authorizes any two (2) of the following officers, to sign, execute and deliver any and all documents necessary to implement the foregoing authority, provided that at least one of the signatories is a principal signatory:<br><br><table><tr><th>NAME</th><th>POSITION</th><th>SPECIMEN SIGNATURE</th></tr><tr><td>Principal:</td><td></td><td></td></tr><tr><td>Mr. Ricardo Manuel M. Sarmiento</td><td>President/CEO</td><td>________________</td></tr><tr><td>Ms. Stephanie Nicole S. Garcia</td><td>EVP Corporate Management Services/Treasurer</td><td>________________</td></tr><tr><td>Secondary:</td><td></td><td></td></tr><tr><td>Mr. Reynaldo D. Ortega</td><td>Senior Vice President/General Manager – Poultry, Food and Feed Sales Division</td><td>________________</td></tr><tr><td>Ms. Alicia G. Danque</td><td>Vice President & Supply Chain Director/Alternate Corporate Information Officer</td><td>________________"</td></tr></table></td></tr>
<tr><td></td><td>RESOLUTION NO. 2020-29<br><br>"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation authorize as it hereby authorizes any two (2) of the following officers, provided that at least one of the signatories is a principal signatory:<br><br><table><tr><th>NAME</th><th>POSITION</th><th>SPECIMEN SIGNATURE</th></tr><tr><td>Principal:</td><td></td><td></td></tr><tr><td>Mr. Ricardo Manuel M. Sarmiento</td><td>President/CEO</td><td>________________</td></tr><tr><td>Ms. Stephanie Nicole S. Garcia</td><td>EVP Corporate Management Services/Treasurer</td><td>________________</td></tr><tr><td>Secondary:</td><td></td><td></td></tr></table></td></tr>
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| | | |
|---|---|---|
| Mr. Reynaldo D. Ortega | Senior Vice President/General Manager – Poultry, Food, and Feeds Sales Division | ______________________ |
| Ms. Alicia G. Danque | Vice President & Supply Chain Director/Alternate Corporate Information Officer | ______________________” |

to do any and all of the following acts with respect to the Corporation's Savings Account Nos. 149-3-14950079-1 and 149-3-1495170-6 with Metropolitan Bank and Trust Company – Abangan Sur, Marilao, Bulacan branch:

1. To sign, execute, and/or deliver any and all documents, papers, instruments, forms, agreements, or contracts in connection with or as may be required by, appropriate, necessary and/or incidental to:

    a. the opening, closing, operation, and/or management of any and all account/s of the Corporation with or investment of any funds of the Corporation through Metrobank;
    b. the availment by the Corporation of any and all services/facilities of Metrobank, and the operation and/or management of the said services/facilities; and
    c. the Corporation's application for and enrollment in electronic banking channels and to give any all instructions pertaining thereto, including the appointment of its system administrator who would then appoint the Corporation's users, responsible for the operation, maintenance, use and/or management of the said electronic banking/delivery channels.

2. To withdraw or transfer the funds/monies of the Corporation by checks, receipts, drafts, bills of exchange, withdrawal slips, orders for payment or otherwise.

3. To sign, endorse, draw, accept, make, execute, and/or deliver, for negotiation, payment, deposit or collection, checks, receipts, drafts, bills of exchange, orders for payment, to initiate credit-related transactions such as letter of credit, promissory notes, request for financing subject to availability of credit lines with Metrobank at the time of availment and/or other similar instruments in connection with the said account(s)/funds; and

4. To close the account(s), receive the balance(s) thereof and sign any and all documents which Metrobank may require in connection therewith;

"**RESOLVED, FURTHERMORE,** that Metrobank, its directors, officers, employees, agents or authorized representatives are each entitled and authorized to rely on these instructions as valid, binding, and effective upon the Corporation and that Metrobank shall not be liable for any act done or suffered by them in reliance of the above instructions, it being understood that any and all risks and costs arising from the above instructions shall be for the Corporation's sole and exclusive account; and

"**RESOLVED, FINALLY,** that all things/acts done and documents executed and entered into by the aforementioned signatories pursuant to and in accordance with the foregoing authorities are hereby affirmed, confirmed, and ratified. Likewise, all things/acts done and documents executed and entered into on behalf of the Corporation prior to this resolution are hereby affirmed, confirmed and ratified."

RESOLUTION NO. 2020-30

"**RESOLVED AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its HR Manager, Ms. Lilibeth R. Carao, or its Credit and Collection Manager, Mr. Marlowe C. Mediante, to do any or all of the following acts for and in behalf of the Corporation:

1. Institute and cause the filing of civil or criminal cases against Manuel Fidelino Francisco, Angelito Cornejos De Gala, and co-conspirators;
2. Sign and file the Complaint-Affidavit, Petition, Complaint, Comment,

Memorandum, Position Paper, Affidavit, Motion, Petition for Review, Petition for Certiorari, Prohibition, or Mandamus and all other documents and pleadings as may be necessary;

3. Verify the Complaint, Petition, Petition for Review, Petition for Certiorari, Prohibition or Mandamus, Memorandum, Position Paper, Affidavit, Motion and all other pleadings, and to sign, execute and file the Verification, and attest that:

a. the allegations in the pleading are true and correct based on his/her personal knowledge, or based on authentic documents;
b. the pleading is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation; and
c. the factual allegations therein have evidentiary support after a reasonable opportunity for discovery.

4. Sign, execute and file the Certification against Forum Shopping;
5. Serve the summons in any of the following cases:

a. Failure of service of summons by the sheriff, his or her deputy or other proper court officer, in which case, the summons shall be served by either Mr. Mediante or Ms. Carao, together with the sheriff, his or her deputy or other proper court officer;
b. The summons is to be served outside the judicial region of the court where case is pending;
c. The summons is returned without being served on any or all of the defendants;

d. Other cases allowed or authorized by the court or the Rules of Court, as amended.

6. To represent Vitarich Corporation in all stages of trial, including appeal, pre-trial, mediation, and judicial dispute resolution proceedings, with power to do the following:

a. Enter into amicable settlement of the case and sign compromise agreement;
b. Submit to alternative modes of dispute resolution;
c. Enter into stipulations and admissions of facts and of documents;
d. Agree on simplification of issues;
e. Limit the number of witnesses;
f. Enter into plea-bargaining arrangement;
g. Dismiss or withdraw case or execute an Affidavit of Desistance upon full settlement;
h. Testify as witness;
i. Do any act necessary or authorized under the rules;

"**RESOLVED ALSO,** that the Corporation authorize as it hereby authorizes Ms. Carao or Mr. Mediante to appoint any of the Corporation's officers, employees, or lawyers as substitute to do any or all of the foregoing acts for and in behalf of the Corporation;

"**RESOLVED, FINALLY,** that the Corporation authorize as it hereby authorizes Ms. Carao or Mr. Mediante to appoint and engage a lawyer for and in behalf of the Corporation to represent the Corporation in all stages of the case, as well as to do any of the foregoing acts for and in behalf of the Corporation."

RESOLUTION NO. 2020-31

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the following persons have been duly elected on 28 August 2020 as officers of the Corporation for the coming year and until their successors are duly elected and qualified:

Board of Directors

| | |
|---|---|
| Chairman | Jose Vicente C. Bengzon, III |

Management

| | |
|---|---|
| President/CEO | Ricardo Manuel M. |
| Sarmiento EVP, Corporate Management Services | |
| Director/Treasurer | Stephanie Nicole S. Garcia |

| | |
|---|---|
| | Senior Vice President and General Manager Poultry and Foods Division — Reynaldo D. Ortega<br><br>Vice President, National Poultry Processing Manager — Eugene B. Bayta, Jr.<br><br>Vice President, Nutrition and R&D Manager — Emmanuel S. Manalang<br><br>Vice President & Supply Chain Director/ Alternate Corporate Information Officer — Alicia G. Danque<br><br>Corporate Secretary — Atty. Aison Benedict C. Velasco<br><br>Assistant Corporate Sec./Corporate Information/Compliance Officer — Atty. Mary Christine Dabu-Pepito<br><br>Chief Audit Executive — Glenmark R. Seducon” |
| | RESOLUTION NO. 2020-32<br><br>“**RESOLVED AS IT IS HEREBY RESOLVED**, that the following persons have been duly elected on 28 August 2020 as members of the Audit, Risk Oversight, and Related Party Transactions Committee, and Nominations, Remunerations, and Corporate Governance Committee, respectively, for the coming year and until their successors are duly elected and qualified:<br><br>**Audit, Risk Oversight, and Related Party Transactions Committee**: Chairman: Mr.<br><br>Vicente J.A. Sarza<br>Members: Mr. Manuel D. Escueta Mr. Levi F. Diestro<br>Mr. Jose Vicente C. Bengzon, III<br>Mr. Benjamin I. Sarmiento, Jr.<br>Mr. Lorenzo Vito M. Sarmiento, III<br>Atty. Juan Arturo Iluminado C. De Castro<br><br>**Nominations, Remunerations, and Corporate Governance Committee**: Chairman:<br><br>Mr. Manuel D. Escueta<br>Members: Mr. Vicente JA Sarza<br>Mr. Levi F. Diestro<br>Mr. Jose Vicente C. Bengzon, III<br>Mr. Ricardo Manuel M. Sarmiento<br>Ms. Stephanie Nicole S. Garcia<br>Mr. Benjamin I. Sarmiento, Jr.” |
| September 18, 2020 | RESOLUTION NO. 2020-33<br><br>“**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Rhuel S. Diego relative to the sale of the Corporation’s vehicle, more particularly described as follows:<br><br>Make & Type : Subaru Forester 2.0 XT CVT BMC Plate No. : HW8376<br>Motor No. : B881918<br>Chassis No. : Jf1sjgl85gg307067” |
| | RESOLUTION NO. 2020-34 |

"**RESOLVED AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its HR Manager, Ms. Lilibeth R. Carao, or its Credit and Collection Manager, Mr. Marlowe C. Mediante, to represent the Corporation in filing adverse claim for all the Torrens Title within the possession of the Corporation;

"**RESOLVED ALSO,** that Mr. Mediante or Ms. Carao be as any one (1) of them is hereby authorized to do any or all of the following acts for and in behalf of the Corporation:

1. Institute and cause the filing of civil or criminal cases, as may be necessary, to protect the Corporation against the sale of the properties covered by said Torrens Title in fraud of the Corporation;
2. Sign and file the Complaint-Affidavit, Petition, Complaint, Comment, Memorandum, Position Paper, Affidavit, Motion, Petition for Review, Petition for Certiorari, Prohibition, or Mandamus and all other documents and pleadings as may be necessary;

Verify the Complaint, Petition, Petition for Review, Petition for Certiorari, Prohibition or Mandamus, Memorandum, Position Paper, Affidavit, Motion and all other pleadings, and to sign, execute and file the Verification, and attest that:

a. the allegations in the pleading are true and correct based on his/her personal knowledge, or based on authentic documents;
b. the pleading is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation; and
c. the factual allegations therein have evidentiary support after a reasonable opportunity for discovery.

3. Sign, execute and file the Certification against Forum Shopping;
4. Serve the summons in any of the following cases:

a. Failure of service of summons by the sheriff, his or her deputy or other proper court officer, in which case, the summons shall be served by either Mr. Mediante or Ms. Carao, together with the sheriff, his or her deputy or other proper court officer;
b. The summons is to be served outside the judicial region of the court where case is pending;
c. The summons is returned without being served on any or all of the defendants;
d. Other cases allowed or authorized by the court or the Rules of Court, as amended.

5. To represent Vitarich Corporation in all stages of trial, including appeal, pre-trial, mediation, and judicial dispute resolution proceedings, with power to do the following:

a. Enter into amicable settlement of the case and sign compromise agreement;
b. Submit to alternative modes of dispute resolution;
c. Enter into stipulations and admissions of facts and of documents;
d. Agree on simplification of issues;
e. Limit the number of witnesses;
f. Enter into plea-bargaining arrangement;
g. Dismiss or withdraw case or execute an Affidavit of Desistance upon full settlement;
h. Testify as witness;
i. Do any act necessary or authorized under the rules;

"**RESOLVED, FINALLY,** that the Corporation authorize as it hereby authorizes Ms. Carao or Mr. Mediante to appoint and engage a lawyer for and in behalf of the Corporation to represent the Corporation in all stages of the case, as well as to do any of the foregoing acts for and in behalf of the Corporation."

RESOLUTION NO. 2020-35

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation be as it is hereby authorized to terminate the services of Atty. Rey D. Cartojano, one of the retained counsel in Mindanao;

"**RESOLVED, ALSO** that the Corporation authorize as it hereby authorizes Mr. Marlowe Mediante or Mr. Ralph Adrian Aruj to sign, execute, and deliver the necessary documents relative thereto."

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|---|---|
| October 16, 2020 | RESOLUTION NO. 2020-36<br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation be as it is hereby authorized to use the computer generated BIR Withholding Tax Certificate such as the BIR Form 2307 in its payments to its suppliers;<br><br>**"RESOLVED, FURTHER,** that the Corporation authorize as it hereby authorizes its Comptroller, Ms. Marian A. Dionisio, to execute, sign, and deliver any and all computer generated withholding tax certificate."<br><br>Atty. Velasco explained that the resolution was requested in relation to the Corporation's arrastre and wharfage payments on its importations at the International Container Terminal Services, Inc.'s (ICTSI) facilities. The Comptroller, Ms. Marian A. Dionisio, further explained the nature and purpose of the requested resolution. |
| | RESOLUTION NO. 2020-37<br><br>**"RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation be as it is hereby authorized to open and maintain peso/dollar/acceptable third currencies savings/current/time deposit account(s) with Union Bank of the Philippines (the "bank") and to make deposits, placements and/or investments or trusts and to avail of cash management facilities and other products/services of the bank as may be appropriate for the Corporation to effectively manage its collections and disbursements therein, and, in connection therewith, to authorize any two (2) of the foregoing officers, provided that at least one (1) of them is a principal signatory:<br><br>NAME / POSITION / SPECIMEN SIGNATURE<br><br>*Principal:*<br><br>Mr. Ricardo Manuel M. Sarmiento — President/CEO — ______________<br><br>Ms. Stephanie Nicole S. Garcia — EVP Corporate Management Services/Treasurer — ______________<br><br>*Secondary:*<br><br>Mr. Reynaldo D. Ortega — Senior Vice President/General Manager – Poultry, Food, and Feeds Sales Division — ______________<br><br>Ms. Alicia G. Danque — Vice President & Supply Chain Director/Alternate Corporate Information Officer — ______________"<br><br>to sign, execute and deliver any and all documents relative thereto; to sign for and in behalf of the Corporation any and all the checks, drafts, bills of exchange, withdrawal slips, orders of payment and similar instruments drawn against said account(s); to endorse checks, drafts, notes and other instruments for negotiation or payment or for deposit and collection or withdrawal from said account(s);<br><br>**"RESOLVED ALSO,** that the Corporation be as it is hereby authorized to borrow, apply for, negotiate and/or secure a loan and/or other credit accommodations and facilities from the bank as well as temporary excesses or permanent increases thereon as may be approved by the bank from time to time; to obtain additional loans, or credit facilities and accommodations for such amounts as may be determined by the authorized signatories herein and approved by the bank; discount and/or negotiate drafts, commercial papers, receivables of the corporation of whatever nature; purchase, exchange, sell, or otherwise deal in or with stocks, bonds, or other securities, bills, and checks, including without limitation third party checks drawn in favor of the corporations and/or checks otherwise indorsed by the Corporation as second endorser thereof which the Corporation agrees to be bound to the bank in third persons, affiliates, or subsidiaries of the corporation for such amount/s as the authorized officers mentioned herein may deem to be in the best interest of and in furtherance of the business of the Corporation, as well as to mortgage, pledge, assign or otherwise encumber in favor of the bank any or all assets or properties of the Corporation, whether |

real or personal, tangible or intangible, as security for said loans or credit accommodations and facilities which may be required by the bank and under such terms and conditions as may be agreed upon with the bank; and for this purpose, to authorize any two (2) of the following officers, provided that at least one (1) of them is a principal signatory:

| NAME | POSITION | SPECIMEN SIGNATURE |
|---|---|---|
| *Principal:* | | |
| Mr. Ricardo Manuel M. Sarmiento | President/CEO | |
| Ms. Stephanie Nicole S. Garcia | EVP Corporate Management Services/Treasurer | |
| *Secondary:* | | |
| Mr. Reynaldo D. Ortega | Senior Vice President/General Manager – Poultry, Food, and Feeds Sales Division | |
| Ms. Alicia G. Danque | Vice President & Supply Chain Director/Alternate Corporate Information Officer | |

to negotiate and agree to such terms and conditions of said loan(s) or credit accommodation(s) as may be required by the bank, and to effect renewals or amendments thereof or supplements thereto, whether such renewals, amendments, or supplements are in the nature of new or separate transactions, and to sign, execute and deliver for and in behalf of the Corporation all documents, papers and deeds which may be required by the bank in connection with said loans or credit accommodations and security arrangements, and to enter into any settlement with the bank in all matters affecting the transactions made in accordance with the authorities granted herein;

"RESOLVED LIKEWISE, that the Corporation be as it is hereby authorized to agree and undertake to reimburse UnionBank for any and all amounts of money that may have been credited by the bank to the Corporation's accounts in the event that any of the checks purchased by the bank under this resolution were dishonored by the drawee banks thereof;

"RESOLVED, FINALLY, that the foregoing authorities shall remain in full force and effect and binding on the Corporation unless otherwise revoked, amended, or modified in writing and notice to this effect is received by the bank from the Corporation."

RESOLUTION NO. 2020-38

"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Mr. Danilo Eslier relative to the sale of the Corporation's vehicle, more particularly described as follows:

Make & Type : 1994 Mitsubishi L200 D.CAB Pick Up Plate No. : LCM 424
Motor No. : 4D56A-B7324
Chassis No. : K14JUNSL06029"

RESOLUTION NO. 2020-39

"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Mr. Roldan De Guzman relative to the sale of the Corporation's vehicle, more particularly described as follows:

Make & Type : 2011 Honda City Sedan Plate

No. : TRO 318
Motor No. : L15A72406582
Chassis No. : PADGM2650AV106564"

November 12, 2020

RESOLUTION NO. 2020-40

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation authorize as it hereby authorizes the following officers as the Corporation's authorized signatories for the Home Development Mutual Fund or Pag-Ibig Fund:

Ms. Lilibeth R. Carao – HR Manager
Ms. Alicia G. Danque - Vice President & Supply Chain Director/Alternate Corporate Information Officer

"**RESOLVED, FURTHER**, that any previous Board resolution on the authorized signatories of the Corporation with respect to the Pag-ibig Fund are hereby deemed amended or superseded accordingly."

November 20, 2020

RESOLUTION NO. 2020-41

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Mr. Artemio Lagarto relative to the sale of the Corporation's vehicle, more particularly described as follows:

Make & Type : 2001 Ford Ranger D/C Plate
No. : GMK 471
Motor No. : WLAT-21854
Chassis No. : PE2ZT3R111BF00016"

RESOLUTION NO. 2020-42

"**WHEREAS**, there is a need to designate a valid official e-mail address and a valid official cellular phone number, as well as a valid alternate e-mail address and valid alternate cellular phone number, and submit the same to the Securities and Exchange Commission pursuant to SEC Memorandum Circular No. 28, series of 2020;

"**RESOLVED**, that the Corporation designates the following e-mail addresses and mobile numbers of the following persons-in-control as the official and alternate e-mail addresses and mobile numbers of the Corporation:

| | Email Address and Mobile Number | Person-In-Control |
|---|---|---|
| Official E-Mail Address | mcdpepito@gmail.com<br>agdanque@vitarich.com | Atty. Mary Christine Dabu- Pepito<br>Ms. Alicia G. Danque |
| Official Mobile Number | 0925-5121013<br>0918-8482800 | Atty. Mary Christine Dabu-Pepito<br>Ms. Alicia G. Danque |
| Alternate E-Mail Address | acvelasco@accralaw.com<br>emmsuatengco@vitarich.com<br>jfrombaoa@vitarich.com | Atty. Aison B. C. Velasco Ms. Emma Suatengco Ms. Jhonessa Rombaoa |
| Alternate Mobile Number | 0920-9752272<br>0949-8815602<br>0918-8482056 | Atty. Aison B. C. Velasco<br>Ms. Emma Suatengco<br>Ms. Jhonessa Rombaoa |

"**RESOLVED, FURTHER,** that any one (1) of the persons-in-control of the official and alternate e-mail addresses and mobile numbers of the Corporation is hereby authorized, for and in behalf of the Corporation, to sign and submit to the SEC the official and alternate e-mail addresses and mobile numbers of the Corporation, and to notify the SEC regarding any changes thereto;

"**RESOLVED, FINALLY**, that the Corporation authorizes the SEC to send notices, letter-replies, orders, decisions, and/or other documents emanating from the SEC through the foregoing e-mail addresses and mobile numbers for the purpose of complying with the notice requirement of administrative due process."

RESOLUTION NO. 2020-43

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation authorize as it hereby authorizes its Warehouse and Distribution Manager, Mr. Alvin C. Aquino, to process and file an insurance claim with Prudential Guarantee and Assurance Inc. for the damaged goods of the Corporation stored at the warehouses leased by the Corporation from Hi-Grade Feeds Corporation Group and Sahara Feeds Corporation;

"**RESOLVED, LIKEWISE,** that the Corporation authorize as it hereby authorizes Mr. Aquino to represent the Corporation in the afore-mentioned insurance claim, and to sign, execute, and delivery any and all documents needed to implement the foregoing authority."

RESOLUTION NO. 2020-44

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation designate as it hereby designates Ms. Mishara Sarming of the Marketing Department or Ms. Faith Marie A. Donadillo, the Corporate Services Officer, as the authorized representatives of the Corporation with respect to the Corporation's transactions with the Intellectual Property Office of the Philippines ("IPOPHIL");

"**RESOLVED, FURTHER,** that the Corporation authorize as it hereby authorizes Ms. Sarming or Ms. Donadillo to sign, execute, and deliver any and all documents to implement the foregoing authority, as well as to process its registration, and to secure and claim its certificate of registration with the IPOPHIL."

RESOLUTION NO. 2020-45

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation authorize as it hereby authorizes its President and Chief Executive Officer, Mr. Ricardo Manuel M. Sarmiento, to sign, execute and deliver any and all contracts and documents relative to the financial leasing from Orix Metro Leasing & Finance Corp. of the Corporation's new production and disaster recovery servers."

December 17, 2020

RESOLUTION NO. 2020-46

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation authorize as it hereby authorizes the following employees to: (a) process the renewal of the Corporation's business permits and/or licenses for the year 2021 and/or the closure of the Corporation's business operations with all government offices and agencies in their assigned areas; (b) sign, execute, and deliver any and all documents necessary or required for said renewal of business permits and/or licenses; (c) process the necessary payments for the application, renewal, or processing said business permits and/or licenses; and (d) secure and claim the said business permits and/or licenses:

| Area | Name | Designation |
|---|---|---|
| Luzon | Faith Marie Donadillo | Corporate Services Officer |
| Naga | Rhona Sioco | Junior Analyst (Accounting) |
| Bacolod | Rolly Casa | Credit & Collection Head |
| Cebu | Erwin Tragico | Credit & Collection Head |
| Iloilo | Ernesto Denila | Credit & Collection Personnel |
| | Julie Ann Leida | Credit & Collection Personnel |
| Davao | Ralph Adrian Aruj | Credit & Collection Head |
| CDO | Dolly Jiz | Cashier" |

RESOLUTION NO. 2020-47

"**RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes the closure/retirement of its business operations in the warehouse it leased from Sahara Feeds Corporation situated in Valenzuela City, Metro Manila;

"**RESOLVED ALSO**, that the Corporation authorize as it hereby authorizes its Corporate

Services Officer, Ms. Faith Marie Donadillo, to process the retirement of business operations in the said warehouse and to sign, execute, deliver the affidavit of business closure/retirement of business, as well as any and all documents relative thereto, and to and secure or claim the closure/retirement permit."

RESOLUTION NO. 2020-48

"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation authorize as it hereby authorizes the closure/retirement of its business operations in the office space it leased from Krisdale Realty, Inc. situated in Krisdale Commercial Center, A.C. Cortes Mandaue City, Cebu;

"RESOLVED ALSO, that the Corporation authorize as it hereby authorizes its Credit and Collection Head, Mr. Erwin Tragico, to process the retirement of business operations in the said office space and to sign, execute, deliver the affidavit of business closure/retirement of business, as well as any and all documents relative thereto, and to and secure or claim the closure/retirement permit."

RESOLUTION NO. 2020-49

"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation be as it is hereby authorized to close its Metropolitan Bank and Trust Company – Cebu Mandaue Branch Savings Account No. 036-3-004-23387-5;

"RESOLVED FURTHERMORE, that the Corporation authorize as it hereby authorizes any two (2) of the following officers, to sign, execute and deliver any and all documents necessary to implement the foregoing authority, provided that at least one of the signatories is a principal signatory:

| NAME | POSITION | SPECIMEN SIGNATURE |
|---|---|---|
| *Principal:* | | |
| Mr. Ricardo Manuel M. Sarmiento | President/CEO | ______________________ |
| Ms. Stephanie Nicole S. Garcia | EVP Corporate Management Services/Treasurer | ______________________ |
| *Secondary:* | | |
| Mr. Reynaldo D. Ortega | Senior Vice President/General Manager – Poultry, Food, and Feed Sales Division | ______________________ |
| Ms. Alicia G. Danque | Vice President & Supply Chain Director/Alternate Corporate Information Officer | ______________________" |

RESOLUTION NO. 2020-50

"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation be as it is hereby authorized to close its BDO Unibank Inc. – Iloilo branch Savings Account No. 000-830023046;

"RESOLVED FURTHERMORE, that the Corporation authorize as it hereby authorizes any two (2) of the following officers, to sign, execute and deliver any and all documents necessary to implement the foregoing authority, provided that at least one of the signatories is a principal signatory:

| NAME | POSITION | SPECIMEN SIGNATURE |
|---|---|---|
| *Principal:* | | |
| Mr. Ricardo Manuel M. Sarmiento | President/CEO | ______________________ |

| | | |
|---|---|---|
| Ms. Stephanie Nicole S. Garcia | EVP Corporate Management Services/Treasurer | ______________________________ |
| *Secondary:* | | |
| Mr. Reynaldo D. Ortega | Senior Vice President/General Manager – Poultry, Food, and Feed Sales Division | ______________________________ |
| Ms. Alicia G. Danque | Vice President & Supply Chain Director/Alternate Corporate Information Officer | ______________________________" |

RESOLUTION NO. 2020-51

"**RESOLVED AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its HR Manager, Ms. Lilibeth R. Carao, or its Credit and Collection Manager, Mr. Marlowe C. Mediante, to do any or all of the following acts for and in behalf of the Corporation:

1. Institute and cause the filing of civil or criminal cases against Danilo A. Javate, Jr. and/or Toribio G. Kagaoan, Jr.;
2. Sign and file the Complaint-Affidavit, Petition, Complaint, Comment, Memorandum, Position Paper, Affidavit, Motion, Petition for Review, Petition for Certiorari, Prohibition, or Mandamus and all other documents and pleadings as may be necessary;
3. Verify the Complaint, Petition, Petition for Review, Petition for Certiorari, Prohibition or Mandamus, Memorandum, Position Paper, Affidavit, Motion and all other pleadings, and to sign, execute and file the Verification, and attest that:

   a. the allegations in the pleading are true and correct based on his/her personal knowledge, or based on authentic documents;
   b. the pleading is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation; and
   c. the factual allegations therein have evidentiary support after a reasonable opportunity for discovery.

4. Sign, execute and file the Certification against Forum Shopping;
5. Serve the summons in any of the following cases:

   a. Failure of service of summons by the sheriff, his or her deputy or other proper court officer, in which case, the summons shall be served by either Mr. Mediante or Ms. Carao, together with the sheriff, his or her deputy or other proper court officer;
   b. The summons is to be served outside the judicial region of the court where case is pending;
   c. The summons is returned without being served on any or all of the defendants;
   d. Other cases allowed or authorized by the court or the Rules of Court, as amended.

6. To represent Vitarich Corporation in all stages of trial, including appeal, pre-trial, mediation, and judicial dispute resolution proceedings, with power to do the following:

   a. Enter into amicable settlement of the case and sign compromise agreement;
   b. Submit to alternative modes of dispute resolution;
   c. Enter into stipulations and admissions of facts and of documents;
   d. Agree on simplification of issues;
   e. Limit the number of witnesses;
   f. Enter into plea-bargaining arrangement;
   g. Dismiss or withdraw case or execute an Affidavit of Desistance upon full settlement;
   h. Testify as witness;
   i. Do any act necessary or authorized under the rules;

| | |
|---|---|
| | 7. To engage the services of a lawyer to represent the Corporation in all stages of the case;<br><br>"**RESOLVED FINALLY,** that the Corporation authorize as it hereby authorizes Ms. Carao or Mr. Mediante to appoint any of the Corporation's lawyers as substitute to do any or all of the foregoing acts for and in behalf of the Corporation." |
| January 19, 2021 | <u>RESOLUTION NO. 2021-01</u><br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation authorize as it hereby authorizes its Comptroller, Ms. Marian A. Dionisio, to issue an *Affidavit of No Income* certifying that the Corporation does not receive rental income on its dressing plant located in Quarry, Tugbok District, Davao City;<br><br>"**RESOLVED ALSO,** that the Corporation ratify as it hereby ratifies the authority of Ms. Dionisio to issue the *Affidavit of No Income* dated 09 November 2020." |
| February 16, 2021 | <u>RESOLUTION NO. 2021-02</u><br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation approve as it hereby approves the sale of its parcel of land located at San Jose Del Monte City, Bulacan consisting of one hundred seventy one (171 sq. m.) square meters and covered by Transfer Certificate of Title No. T-36488(M) to Sps. Federico T. Termulo, Jr. and Ellynie V. Termulo;<br><br>"**RESOLVED, ALSO**, that the Corporation authorize as it hereby authorizes its President and Chief Executive Officer, Mr. Ricardo Manuel M. Sarmiento, to sign, execute, and deliver the Deed of Absolute Sale and other documents necessary to implement the foregoing." |
| | <u>RESOLUTION NO. 2021-03</u><br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation approve as it hereby approves the grant of a right of way to Manila Electric Company for the sole purposes of extension of electrical facilities to PSP Aqua Resources, Inc. under Application No. X20083396651 and for all activities for and services to be rendered to PSP Aqua Resources, Inc.;<br><br>"**RESOLVED, ALSO**, that the Corporation authorize as it hereby authorizes its President and Chief Executive Officer, Mr. Ricardo Manuel M. Sarmiento, to sign, execute, and deliver the Grant of Right of Way and other documents necessary to implement the foregoing." |
| | RESOLUTION NO. 2021-04<br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Mr. Rommel Aguilar relative to the sale of the Corporation's vehicle, more particularly described as follows:<br><br>Make & Type : 2004 Nissan Frontier Plate<br>No. : FHM 376<br>Motor No. : QD32-160611<br>Chassis No. : CVRLFFD22-B22700" |
| | **RESOLUTION NO. 2021-05**<br><br>"**RESOLVED AS IT IS HEREBY RESOLVED**, that the Corporation amend as it hereby amends Resolution No. 2020-19 approved on 08 June 2020 to read as follows:<br><br>"**RESOLVED AS IT IS HEREBY RESOLVED**, that the Corporation authorize as it hereby authorizes any one (1) of the following officers to sign, execute, and deliver the necessary documents for the processing of loans and benefits claims of the employees of the Corporation in Cebu with the Social Security System, Philippine Health Insurance Corporation, and Home Development Mutual Fund:<br><br>1. Erwin Tragico – Credit and Collection Officer; |

| | |
|---|---|
| | 2. Rosalyn Lobo – Market Development Specialist; or<br>3. <u>Hanneley P. Mangubat – Junior Analyst</u>." |
| | RESOLUTION NO. 2021-06<br><br>"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation commend as it hereby commends the COVID-19 Crisis Management Team for its excellent management, response and implementation of the minimum public health standards as well as the Corporation's COVID-19 prevention and management plan." |
| March 19, 2021 | RESOLUTION NO. 2021-07<br><br>"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation authorize as it hereby authorizes Atty. Arturo M. De Castro or Atty. Juan Arturo Iluminado C. De Castro or any other lawyer of the De Castro & Cagampang-De Castro Law Firm to appear for and in behalf of the Corporation in the case against Ferdinand Francis Coquilla in Civil Case No. R-DVO-19-00566-CV titled *"Ferdinand Francis M. Coquilla v. Vitarich Corporation"*, and to do any one (1) of the following:<br><br>a. To represent the Corporation in all stages of the proceedings, including pre-trial, mediation, judicial dispute resolution and appeal, in the above-mentioned case;<br>b. To Enter into amicable settlement of the case and sign compromise agreement;<br>c. Submit to alternative modes of dispute resolution;<br>d. Enter into stipulations and admissions of facts and of documents;<br>e. Agree on simplification of issues;<br>f. Limit the number of witnesses;<br>g. Enter into plea-bargaining arrangement;<br>h. Dismiss or withdraw case or execute an Affidavit of Desistance upon full settlement;<br>i. Do any act necessary or authorized under the rules." |
| | RESOLUTION NO. 2021-08<br><br>"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation be as it is hereby authorized to enroll in the Online Submission Tool ("OST") of the Securities and Exchange Commission ("sec") and submit the reportorial requirements through the OST;<br><br>"RESOLVED ALSO, that any one (1) of the following officers be as any one (1) of them be designated to represent the corporation and act for it in the submission of reportorial requirements with the SEC through Online Submission Tool:<br><br>Name — Designation<br><br>Atty. Mary Christine C. Dabu-Pepito — Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer<br>Ms. Alicia G. Danque — Vice President & Supply Chain Director/Alternate Corporate Information Officer<br>Atty. Aison Benedict C. Velasco — Corporate Secretary<br>Ms. Emma Suatengco — Corporate Planning Officer" |
| | RESOLUTION NO. 2021-09<br><br>"WHEREAS, the Corporation is the owner of a 2016 Isuzu Dmax, more particularly described as follows:<br><br>Make & Type : 2016 Isuzu Dmax 4x2 LT MT<br>Plate No. : LDP3431<br>Motor No. : 4JK1PG9878<br>Chassis No. : PABTFR86DG2001959"<br><br>"WHEREAS, on 27 August 2020, the above-described motor vehicle, while being driven by the |

Corporation's sales personnel, Mr. Jose Soriano, suffered damage due to an accident that happened in Opol, Misamis Oriental;

"**WHEREAS,** as a consequence, an insurance claim was instituted in the amount of Five Hundred Thirty Six Thousand Three Hundred Seventeen and 81/100 Pesos (Php536,317.81) against its insurance with Standard Insurance Co., Inc.;

"**WHEREAS,** said claim has ben approved and there is a need to appoint an authorized signatory and representative for the purpose of processing, releasing and receiving the proceeds of its claim;

"**RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver any and all documents and instruments as may reasonably be necessary to facilitate the implementation of the foregoing transactions, as well as the sale of the unit described herein to Standard, such as but not limited to Release of Claim, and Deed of Sale;

"**RESOLVED FURTHER**, that Ms. Garcia may receive the proceeds of the insurance claim in the name of the Corporation from Standard Insurance Co., Inc. and perform such other acts and sign the required documents to carry out the intent of this resolution;

"**RESOLVED FINALLY**, that all previous resolutions not consistent herewith are deemed revoked, cancelled and made void."

RESOLUTION NO. 2021-10

"**RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Pioneer Insurance and Surety Corporation relative to the total loss claim of the Corporation regarding its vehicle, more particularly described as follows:

Make & Type : 2010 Chevrolet Cruze Sedan
Plate No. : NQM 234
Motor No. : F18D4051945KA
Chassis No. : KL1JA6951AK642550"

RESOLUTION NO. 2021-11

"**RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Mr. Roland Escalon relative to the sale of the Corporation's vehicle, more particularly described as follows:

Make & Type : 2006 ISUZU CROSSWIND WAGON
Plate No. : ZDZ686
Motor No. : 4JA1-M02792
Chassis No. : PABTBR54F62036510"

RESOLUTION NO. 2021-12

"**RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Ms. Rina L. Tudoc relative to the sale of the Corporation's vehicle, more particularly described as follows:

Make & Type : 2013 Toyota Avanza 1.3E A/T
Plate No. : MGH516
Motor No. : MB46969
Chassis No. : MHKM1BF2FBK002522"

RESOLUTION NO. 2021-13

"**RESOLVED AS IT IS HEREBY RESOLVED**, that the Corporation authorize as it hereby authorizes Mr. Edilberto A. Manuel and/or Mr. Ralph Adrian Aruj to represent the Corporation before the Davao City Water District with power to do any of the following:

a. to process the Corporation's request for the transfer of its water meter from outside of its office compound to inside the Corporation's office compound;

b. to process the Corporation's leaked water adjustments;

c. to sign, execute, and deliver any and all documents relative to the foregoing."

RESOLUTION NO. 2021-14

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation be as it is hereby authorized, to apply for and obtain a fleet line facility up to the amount of Fifty Million Pesos (Php50,000,000.00) from Asia United Bank;

"**RESOLVED, FURTHER**, that the Corporation authorize, as it hereby authorizes, any two (2) of the following officers, provided that at least one (1) of the signatories is a principal signatory, be as they are hereby authorized to sign, execute and deliver all purchase orders/agreements and/or loan documents, promissory notes, chattel mortgage and other collateral documents, including renewals, extensions or terminations of the loan contracts, increase or decrease of interests, and with authority to issue, sign, negotiate or endorse checks or bills of exchange and other orders for the payment of money in connection with the purchase on credit of the subject Motor Vehicles, and all other documents required by the Car Dealer or the bank/financial institution to whom the promissory note/s and mortgage agreements may be assigned by the Car Dealer for financing purposes, inclusive of the authority to conform to any assignment thereof by the Car Dealer:

| | Position | Specimen Signature |
|---|---|---|
| *Principal* | | |
| MR. RICARDO MANUEL M. SARMIENTO | CEO/President | _______________ |
| MS. STEPHANIE NICOLE S. GARCIA | EVP Corporate Management Services Director/Treasurer | _______________ |
| *Secondary* | | |
| MR. REYNALDO D. ORTEGA | Senior Vice President/General Manager, Poultry, Food and Feeds Sales Division | _______________ |
| MS. ALICIA G. DANQUE | Vice President & Supply Chain Director/Alternate Corporate Information Officer | ______________" |

RESOLUTION NO. 2021-15

"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation be as it is hereby authorized, to apply for and obtain a loan/credit facility up to the amount of Four Hundred Fifty Million Pesos (Php450,000,000.00) from Asia United Bank;

"**RESOLVED, FURTHER**, that the Corporation authorize, as it hereby authorizes, any two (2) of the following officers, provided that at least one (1) of the signatories is a principal signatory, be as they are hereby authorized to sign, execute and deliver all purchase orders/agreements and/or loan documents, promissory notes, mortgage and other collateral documents, including renewals, extensions or terminations of the loan contracts, increase or decrease of interests, and with authority to issue, sign, negotiate or endorse checks or bills of exchange and other orders for the payment of money in connection with the loan, and all other documents necessary to implement the foregoing authority:

| | Position | Specimen Signature |
|---|---|---|
| *Principal* | | |
| MR. RICARDO MANUEL M. SARMIENTO | CEO/President | _______________ |
| MS. STEPHANIE NICOLE S. GARCIA | EVP Corporate Management Services Director/Treasurer | _______________ |
| *Secondary* | | |
| MR. REYNALDO D. ORTEGA | Senior Vice President/General Manager, Poultry, Food and Feeds Sales Division | _______________ |
| MS. ALICIA G. DANQUE | Vice President & Supply Chain Director/Alternate Corporate Information Officer | ______________" |

| | |
|---|---|
| | RESOLUTION NO. 2021-16<br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation be as it is hereby authorized, to apply for and obtain a fleet line facility up to the amount of Thirty Million Pesos (Php30,000,000.00) from China Bank Savings;<br><br>"**RESOLVED, FURTHER**, that the Corporation authorize, as it hereby authorizes, any two (2) of the following officers, provided that at least one (1) of the signatories is a principal signatory, be as they are hereby authorized to sign, execute and deliver all purchase orders/agreements and/or loan documents, promissory notes, chattel mortgage and other collateral documents, including renewals, extensions or terminations of the loan contracts, increase or decrease of interests, and with authority to issue, sign, negotiate or endorse checks or bills of exchange and other orders for the payment of money in connection with the purchase on credit of the subject Motor Vehicles, and all other documents required by the Car Dealer or the bank/financial institution to whom the promissory note/s and mortgage agreements may be assigned by the Car Dealer for financing purposes, inclusive of the authority to conform to any assignment thereof by the Car Dealer:<br><br>Position — Specimen Signature<br>*Principal*<br><br>MR. RICARDO MANUEL M. SARMIENTO — CEO/President — ______________<br><br>MS. STEPHANIE NICOLE S. GARCIA — EVP Corporate Management Services Director/Treasurer — ______________<br>*Secondary*<br><br>MR. REYNALDO D. ORTEGA — Senior Vice President/General Manager, Poultry, Food and Feeds Sales Division — ______________<br>MS. ALICIA G. DANQUE — Vice President & Supply Chain Director/Alternate Corporate Information Officer — _____________" |
| | RESOLUTION NO. 2021-17<br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation be as it is hereby authorized, to apply for and obtain a loan/credit facility up to the amount of One Hundred Fifty Million Pesos (Php150,000,000.00) from China Bank Savings;<br><br>"**RESOLVED, FURTHER**, that the Corporation authorize, as it hereby authorizes, any two (2) of the following officers, provided that at least one (1) of the signatories is a principal signatory, be as they are hereby authorized to sign, execute and deliver all purchase orders/agreements and/or loan documents, promissory notes, mortgage and other collateral documents, including renewals, extensions or terminations of the loan contracts, increase or decrease of interests, and with authority to issue, sign, negotiate or endorse checks or bills of exchange and other orders for the payment of money in connection with the loan, and all other documents necessary to implement the foregoing authority:<br><br>Position — Specimen Signature<br>*Principal*<br><br>MR. RICARDO MANUEL M. SARMIENTO — CEO/President — ______________<br><br>MS. STEPHANIE NICOLE S. GARCIA — EVP Corporate Management Services Director/Treasurer — ______________<br>*Secondary*<br><br>MR. REYNALDO D. ORTEGA — Senior Vice President/General Manager, Poultry, Food and Feeds Sales Division — ______________<br>MS. ALICIA G. DANQUE — Vice President & Supply Chain Director/Alternate Corporate Information Officer — _____________" |
| April 12, 2020 | RESOLUTION NO. 2021-18<br><br>"**RESOLVED AS IT IS HEREBY RESOLVED,** that the Corporation approve as it hereby approves, |

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|---|---|
| | the 2020 Consolidated Audited Financial Statements of Vitarich Corporation and Subsidiary ("AFS") as presented;<br><br>"**RESOLVED FURTHER**, that the Corporation approve as it hereby approves, the release of the 2020 Consolidated AFS." |
| April 16, 2020 | **RESOLUTION NO. 2021-19**<br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Stockholders' Annual General Meeting be as it is hereby set on 25 June 2021 at 2:00 o'clock in the afternoon via Zoom video conference;<br><br>"**RESOLVED, FURTHER**, that the record date for the stockholders entitled to attend and vote at the aforesaid meeting be, as it is hereby, set on 25 May 2021;<br><br>"**RESOLVED LIKEWISE**, that the agenda for the said meeting shall be as follows:<br><br>1. Call to Order<br>2. Certification of Notice and Existence of a Quorum<br>3. Approval of the Minutes of the Previous Stockholders' Annual General Meeting<br>4. Report of the President on the results of the 2020 operations and the 2020 audited financial statements of the Corporation<br>5. Ratification of the Acts of Directors and Officers<br>6. Election of Directors<br>7. Appointment of External Auditor<br>8. Appointment of Stock Transfer Agent<br>9. Other Matters<br>10. Adjournment" |
| | **RESOLUTION NO. 2021-20**<br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation create as it hereby creates a Special Committee of Election Inspectors for the Stockholders' Annual General Meeting on 25 June 2021;<br><br>"**RESOLVED, FURTHER,** that the following be, as they are hereby, appointed as members of the Special Committee of Election Inspectors:<br><br>1. Representative from Accra Law<br>2. Representative from Stock Transfer Services, Inc.<br>3. Representative from Vitarich Corporation." |
| | **RESOLUTION NO. 2021-21**<br><br>"**RESOLVED AS IT IS HEREBY RESOLVED**, that the Corporation be as it is hereby authorized to publish the notice of the Annual General Meeting of the Stockholders on 25 June 2021 in the business section of two (2) newspapers of general circulation in print and online formats for two (2) consecutive days;<br><br>"**RESOLVED ALSO**, that the Corporation authorize as it hereby authorizes its President/Chief Executive Officer, Mr. Ricardo Manuel M. Sarmiento, to determine and/or choose the two (2) newspapers of general circulation where the said notice will be published as well as to sign, execute, and deliver any and all documents necessary to implement the foregoing authority." |
| | **RESOLUTION NO. 2021-22**<br><br>**"RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Ms. Alicia G. Danque relative to the sale of the Corporation's vehicle, more particularly described as follows:<br><br>Make & Type : 2014 TOYOTA RAV 4 4X4<br>Plate No. : AAI-7228<br>Motor No. : 2AR-E721594<br>Chassis No. : JTMDF4EV305024615" |
| | **RESOLUTION NO. 2021-23** |

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|---|---|
| | "**RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Mr. Walden Lamorena relative to the sale of the Corporation's vehicle, more particularly described as follows:<br><br>Make & Type : 2016 ISUZU DMAX 4X2 LT MT<br>Plate No. : LDP3435<br>Motor No. : 4JK1PG2674<br>Chassis No. : PABTFR86DG2001948" |
| | RESOLUTION NO. 2021-24<br><br>"**RESOLVED, AS IT IS HEREBY RESOLVED,** that the Corporation authorize as it hereby authorizes its EVP/Corporate Management Services Director, Ms. Stephanie Nicole S. Garcia, to sign, execute, and deliver the Deed of Absolute Sale in favor of Mr. Michael Andrew Vallesteros relative to the sale of the Corporation's vehicle, more particularly described as follows:<br><br>Make & Type : 2017 TOYOTA AVANZA 1.5G AT<br>Plate No. : NDE2417<br>Motor No. : 2NRF568711<br>Chassis No. : MHKM5FF3FGK002022" |
| April 29, 2020 | RESOLUTION NO. 2021-25<br><br>"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation accept as it hereby accepts the resignation of Mr. Levi F. Diestro as an independent director of the Corporation;<br><br>"RESOLVED FURTHER, that the Corporation extend as it hereby extends its profound gratitude and appreciation to Mr. Diestro for the invaluable services he has rendered both to the Board of Directors and to the Corporation;<br><br>"RESOLVED FINALLY, that the Corporation wish as it hereby wishes his continued well-being." |
| | RESOLUTION NO. 2021-26<br><br>"RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation accept as it hereby accepts the resignation of Mr. Rogelio M. Sarmiento as a director of the Corporation;<br><br>"RESOLVED FURTHER, that the Corporation extend as it hereby extends its profound gratitude and appreciation to Mr. Sarmiento for the invaluable services he has rendered both to the Board of Directors and to the Corporation;<br><br>"RESOLVED FINALLY, that the Corporation wish as it hereby wishes his continued well-being." |

**Item 16. Matters Not Required to be submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of the shareholders.

**Item 17. Amendment of Articles of incorporation and By-Laws**

No action is to be taken with respect to any amendment of the Corporation's Amended Articles of Incorporation and Amended By-Laws.

**Item 18. Other Proposed Action**

Appointment of the Stock Transfer Agent: Stock Transfer Service, Inc. (STSI) is recommended for re-appointment at the annual stockholders' meeting scheduled on 25 June 2021 as the Corporation's stock transfer agent for the ensuing year.

**Item 19. Voting Procedures**

For the election of the directors, in accordance with the Corporation's Revised Manual on Corporate Governance, Amended Articles of Incorporation and Amended By-Laws, the stockholders must elect the members of the Board of Directors of the Corporation comprised of nine (9) directors, including independent directors who shall comprise at least 20% of the Board of Directors, who shall hold office for a term of one (1) year, or until their successors shall have been duly elected and qualified.

Following the announcement on the holding of the annual stockholders' meeting, the Nominations, Remunerations, and Corporate Governance Committee accepted the nomination of any individual for election as directors. Thereafter, the Nominations Committee evaluated the nominees for the Board, including nominees for independent directors, and determined that they have all the qualifications and none of the disqualifications to serve in the Board of Directors.

The nominees for the Board of Directors are indicated in the Ballot Form (Annex "C" of the Notice of Meeting). Each stockholder entitled to vote may vote on the shares registered in his/her/its name for as many persons as there are directors, or he/it may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his/its shares shall equal, or he/it may distribute them on the same principle among as many candidates as he/she/it shall see fit; provided that the total number of votes cast by him/it shall not exceed the number of shares owned by him/her/it multiplied by the whole number of directors to be elected.

For all other matters requiring the vote or resolution of the stockholders, the affirmative vote of the stockholders present and constituting a quorum during the meeting is necessary.

**PART II.**

**INFORMATION REQUIRED IN A PROXY FORM**

**Item 1. Identification**

The Corporation is not soliciting a proxy. All stockholders may, however, designate a proxy of their own choice in case he/she/it cannot attend in the meeting.

**Item 2. Instruction**

Since the registration procedures are still being finalized and are yet to be released, the instructions on the accomplishment and submission of proxies, if any, shall be released and indicated in the Definitive Information Statement.

The proxy form states:

"The undersigned stockholder of VITARICH CORPORATION (the "Corporation") hereby nominates, constitutes, and appoints the following:

Name of proxyholder: ____________________________________________

or in his/her/its absence, the Chairman of the meeting, as his/her/its proxy, to represent and to vote all of his/her/its shares of stock in the Corporation registered in his/her/its name in the corporate books and records of the Corporation during the annual stockholders' meeting of the Corporation scheduled on 25 June 2021 via video-conferencing, and on any postponement or adjournment thereof.

The proxy is authorized to attend the annual stockholders' meeting via video-conferencing and is given the following instructions as regards the matters to be taken up during the said meeting:

______ The proxy is given the right to exercise his/her discretion in accomplishing the ballot form to be issued by the Corporation and in voting for the items in the agenda.

______ The proxy shall vote strictly as follows:

| **Matter** | **For** | **Against** | **Abstain** |
|---|---|---|---|
| Approval of the minutes of the last annual stockholders' meeting | | | |
| Report of the President on the results of the 2020 operations and the 2020 audited financial statements | | | |
| Ratification of the acts of directors and officers | | | |
| Appointment of SGV& Company as external auditor | | | |
| Appointment of Stock Transfer Services, Inc. as stock transfer agent | | | |

For the election of directors (As stated above, the following is only an initial list of nominees; final list to be released in the Definitive Information Statement):

| | |
|---|---|
| Number of shares owned | |
| Number of votes (no. of shares owned times nine (9) seats) | |

| **Nominee** | **Number of votes, or if you want to distribute your votes equally among the nominees, please place an "x" *** |
|---|---|
| Jose Vicente C. Bengzon, III | |
| Ricardo Manuel M. Sarmiento | |
| Stephanie Nicole S. Garcia | |
| Benjamin I. Sarmiento, Jr. | |
| Lorenzo Vito M. Sarmiento | |
| Juan Arturo Iluminado De Castro | |
| Manuel D. Escueta (Independent Director) | |
| Vicente J.A. Sarza (Independent Director) | |
| Total* | |

** By placing (x) beside the name of the nominee, we shall consider the total number of votes that you are entitled to cast to have been distributed equally to the number of directors that you voted for.*

IN WITNESS WHEREOF, this proxy has been executed by the undersigned.

Signature: ______________________________
Name: ______________________________
Date: ______________________________

**Item 3. Revocability of Proxy**

Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting or by attending the meeting in person.

**Item 4. Persons Making the Solicitation**

The Corporation is not soliciting any proxy and leaves it to the discretion of the shareholders to exercise the right given them to attend by himself/herself/itself or through a proxy.

**Item 5. Interest of Certain Persons in Matters to be Acted Upon**

No director, officer or associate of any of the foregoing has any substantial interest, direct or indirect, by security holdings or otherwise, on the matter to be acted upon at the Annual General Meeting to be held on 25 June 2021.

**Undertaking**

This SEC Form 20-IS (Information Statement) is given free of charge to each security holder prior to the Annual General Meeting of the stockholder. The Corporation also undertakes to provide, without charge to each security holder except for reasonable expenses incurred to reproduce the exhibits to such report, upon the written request of any such person, a copy of the Corporation's 2020 Annual Report in SEC Form 17-A. Such written request shall be addressed to:

Mr. Ricardo Manuel M. Sarmiento
President / CEO
Vitarich Corporation
Vitarich Corporation Compound
Marilao-San Jose Road, Sta. Rosa I, Marilao-Bulacan

**PART III**

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief and the records of the Corporation in my possession and/or I have access to, I certify that the information set forth in this report is true, complete and correct. This report is signed in Quezon City on 17 May 2021.

**VITARICH CORPORATION**
Issuer

By:

**ATTY. MARY CHRISTINE DABU-PEPITO**
Assistant Corporate Secretary/Compliance Officer/
Corporate Information Officer

## MANAGEMENT REPORT
## PART I - BUSINESS AND GENERAL INFORMATION

### ITEM 1. BUSINESS

***Business Development***

Vitarich Corporation was incorporated and organized in 1962. The brothers, Feliciano, Lorenzo and Pablo Sarmiento established the forerunner of Vitarich in 1950, when they founded Philippine American Milling Co. Inc. ("PAMCO"). PAMCO eventually moved from its original location to a more modern feed plant in Marilao, Bulacan. This move marked the beginning of Vitarich's fully integrated operations and the trade name "Vitarich" was subsequently adopted.

In 1962, after PAMCO acquired additional machinery and equipment to increase capacity, the Corporation was registered with the SEC under the name "Vitarich Feedmill, Inc." The Corporation entered the poultry business and built an experimental poultry farm. In the years that followed, the Corporation entered into agreements with U.S. companies Cobb International and Babcock Poultry Farms for the exclusive franchise and distributorship of Cobb broiler and Babcock layer breeds, respectively, in the Philippines.

By the early 1970s, the Corporation further expanded its operations and extended its vertical integration by acquiring dressing plants and cold storage facilities. In 1981, the Corporation expanded outside Luzon by setting up the Davao satellite feedmill. The following year, it increased its feedmilling capacity in Marilao, Bulacan and at the same time, started operating its Cagayan De Oro feedmill and hatchery. Subsequent areas of expansion in the Visayas included the cities of Iloilo and Bacolod. At present, the Corporation's registered principal place of business is 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 Corporation's shares of stock were registered with the Philippine Stock Exchange on 8 February 1995.

The Corporation went through corporate rehabilitation where its aggregate debt of P3.2 billion was restructured to allow the Corporation to avail of longer payment term and lower interest rate.

Meanwhile, on 30 March 2012, the SEC approved the extension of the Corporation's corporate life to another fifty years starting on July 31, 2012. Pursuant to Section 11, paragraph 2 of the Revised Corporation Code of the Philippines, which took effect on 23 February 2019, the Corporation's corporate life is deemed to be perpetual.

On 16 October 2013, the SEC approved the Company's increase in authorized capital to P3.5 billion and the conversion of Company debts amounting to P2.4 billion to Kormasinc, Inc. ("Kormasinc") into equity at 1 share of common stock for every P1.00 debt. Of the converted debt, P90.0 million was applied as payment for 90,030,236 shares from unissued shares and P2.3 billion was applied as payment for additional shares from the increase in authorized capital. Thus, Kormasinc became the Corporation's parent. With the debt to equity conversion and significant improvement in the Corporation's operations, the Regional Trial Court of

Malolos, Bulacan (the Rehabilitation Court) approved its exit from Corporate Rehabilitation on 16 September 2016.

On 23 November 2017, the Corporation, through the approval of its Board of Directors, issued its authorized and existing but unissued capital stock of P267,836,113.00 divided into 267,836,113 common shares with a par value of Php1.00 per share. The Board of Directors likewise approved the conversion of the Corporation's debt of P407,110,891.00 to Kormasinc, Inc. into equity of the Corporation at a 1:1.52 ratio or 1 common share for every P1.52 debt. The Board of Directors also approved the application of Vitarich's debt of P407,110,891.00 to Kormasinc, Inc. as payment in full to the 267,836,113 common shares issued out of the authorized and existing but unissued shares. On 22 December 2017, the SEC approved the said debt to equity conversion.

On 11 July 2018, the SEC approved the decrease of the capital stock of the Corporation from P3.5 billion divided into 3.5 billion shares at P1.00/share par value to P1,330,000,000.00 divided into 3.5 billion shares at P0.38/share par value. The SEC also approved the Corporation's equity restructuring to wipe out deficit as of 31 December 2017 of P2,256,037,517.00 against the Additional Paid-In Capital of P2,257,508,376.68.

The Corporation used to have several subsidiaries, namely: Breeder Master, Inc. ("BMI"), which is now known as Cobb Vantress Philippines, Inc. ("CVI"), Gromax, Inc. ("Gromax") and Philippines' Favorite Chicken, Inc. ("PFCI").

BMI was formed through the Company's joint venture agreement with Cobb-Vantress, Inc. ("CVI") in 1988. It was engaged in the production of day-old parent stocks. In 2002, however, the Corporation decided to dispose of its investment in BMI and agreed to pay its liabilities to BMI by returning all of its shares of stocks to BMI. Thus, CVI was left as the sole shareholder of BMI.

PFCI had several distribution agreements with America's Favorite Chicken Company ("AFC"). 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. The franchise agreement allowed 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 was 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 1 October 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 Board of Directors 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 Board of Directors 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 31 December 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 31 December 2001.

The Regional Trial Court of Pasig City, in a decision dated 3 April 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 the PFCI and TMA. On 24 September 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 22 December 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 04 March 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, the Company 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 26 July 2017, the BOD and Stockholders of PFCI approved the amendment of its Articles of Incorporation to shorten its corporate life to until 31 March 2019. The SEC also approved PFCI's amendment of Articles of Incorporation. Thus, PFCI was placed under the liquidation process beginning 01 April 2019. The Company deconsolidated PFCI and recognized a gain of P28.2 million on deconsolidation. On 16 February 2021, PFCI filed with the SEC a Notice of Retention of Corporate Term (until 31 March 2019).

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

Effective 01 April 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. The SEC approved on 31 May 2018 Gromax's Amended Articles of Incorporation which shortened its corporate life to until 10 November 2019. On 16 February 2021, Gromax filed with the SEC a Notice of Retention of Corporate Term (until 10 November 2019).

With the disposition of the Company's shares in BMI and the cessation of corporate lives of PFCI and Gromax, the Company no longer has subsidiaries.

***Business of the Corporation***

**Business Segments and Product Distribution**
For management purposes, the Corporation 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 Corporation 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 feeds requirement of the poultry growers and livestock industry. The Corporation is engaged in the manufacture and distribution of animal feeds, and animal health and nutritional products.

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.

**Competition**
Although the Corporation is focused on the chicken and feed industry, it faces competition from several sources by virtue of its integrated operations. The Corporation continuously improves its objectives and strategic plans to effectively compete with other integrators not only for consumers of its products but also for production resources such as contract growers. The Corporation competes based on product performance.

Principal competitors of the Corporation are San Miguel Corporation (B-Meg), UNAHCO, Cargill, New Hope, CJ Feeds, CP Feeds, Philmico, Uno Feeds and Inoza Feeds for the feed business. Key players in chicken business are San Miguel Corporation (Magnolia), Bounty, Foster, Danway, CP, Sustamina and Leong hup.

Given its vision to continue be the pioneer, agri-business partner, and innovator in the feeds industry, and backbone of every Filipino farmer's success, the Corporation allotted resources to the research and development of production process improvements and product value enhancement.

**Sources of Raw Materials**
The raw material components of feeds represent the most significant cost component of the Corporation's operations. Major raw materials of the feed business of the Corporation are corn, wheat, soya, and rice bran. The Corporation purchases these materials locally from

traders. There are also times that the Corporation imports these materials from Australia, North and South America, India, and Pakistan. It is also continuously undertaking programs to substitute traditional grains with materials considered as by-products. High cost of major raw materials such as wheat, corn, oil and soybean meal makes it imperative for the Corporation to source alternative (and non-traditional) raw materials such as food by-products and other protein sources.

The Corporation is neither dependent on nor has any major existing supply contract, with one or a limited number of its suppliers for the purchase of essential raw materials.

**Customers**
The Corporation has various customers from all product lines and is not dependent on a single or few customers. The loss of one or two of its customers does not have any adverse material effect on its operations. No customer of the Corporation accounted for 20% of its sales. The Corporation has existing sales contracts with business partners and customers in the normal and regular business transactions.

**Trademarks, Royalty and Patents**
As of 2020, the Corporation continued to use the following devices and logos, which were previously registered with the Intellectual Property Office on the dates opposite to its names:

| | Date Filed | Date Registered |
|---|---|---|
| • Vitarich Corporation | January 15, 2021 | still on process with IPOPhil |
| • Gromax | February 17, 2021 | still on process with IPOPhil |
| • Forging Livelihood, Nourishing Lives | October 17, 2019 | March 14, 2020 |

The Corporation does not hold any other patent, trademark, franchise, concession or royalty agreement.

**Certification**
The Corporation's Quality Management Systems ("QMS") enabled it to establish procedures that cover all key processes in the business, monitoring process to ensure that they are effective, keeping adequate records, checking output for defects with appropriate corrective actions, regularly reviewing individual processes and the quality system itself for effectiveness, thus facilitating continual improvement.

In 2007, the Corporation's commitment toward consistent product quality and safety was further strengthened when the International Organization for Standardization (ISO) certified the its feed mill facilities in Visayas and Mindanao with ISO 22000:2005 Food Safety and Management Systems (FSMS) for quality and feed safety management systems. The Corporation has adopted and implemented preventive approaches to product safety that address physical, chemical and biological hazards in various aspects of feeds manufacturing along with the process and product inspection. It continuously complies and maintains the requirements of the standards for Iloilo and Davao Feed Mill plants.

It received last October 2020 the Certificate of Registration for HACCP or Hazard Analysis and Critical Control Points certifying that its Management Systems and Processes for verification & delivery of raw and frozen chicken, including giblets, has been assessed and registered against the provisions of HACCP adopted by the Codex Alimentarius Commission. The Certificate was issued by NQA Certification Limited after the Corporation's application and requirements were submitted and reviewed thoroughly. The said Certificate is in line with its mission to continuously adopt new business development programs and technological advancement that will enhance quality of products and services that it provides and delivers to its stakeholders.

**Government Regulations and Approval**

Compliance with environmental laws enhances good community and industry relationship and provides assurance to employees and the community where the Corporation operates of their health and safety, thereby freeing the Corporation from violations and penalties.

Aside from compliance with the environmental laws, the Corporation, in order to ensure that only safe and wholesome products reach the consumers, also needs government approval for its principal products and services and for the registration of its feedmill, accreditation of chemical laboratory, accreditation of meat plant, and cold storage, from the Bureau of Animal Industry (“BAI”) and the National Meat Inspection Services (“NMIS”), respectively. The Corporation is also required to secure all applicable permits from the Environmental Management Bureau (“EMB”) of the Department of Environment and Natural Resources (“DENR”) for its feedmill plant, dressing plant and rendering plant.

The Corporation had obtained all necessary permits, licenses and government approvals to manufacture and sell their products. It has no knowledge of recent or impending legislation, which, when implemented, can result in a material adverse effect on its business or financial condition.

**Research and Development**

The Corporation’s research and development are centrally organized under the Research and Development Department to focus on the following core activities:

- Product Quality and Innovations
- Research and Development
- Advanced Animal Nutrition

A Research and Development Manager directs these activities, which include the following:

- Advanced Animal nutrition
- Diagnostic laboratory services
- Feeds and feeds quality control
- Poultry genetic research
- New product development
- Technical extension services for contract breeders, growers and sales clients

The inauguration of the Corporation’s renovated Research Center in 2001 upgraded the chemical laboratory capability and further improved the analysis procedure. The acquisition of modern laboratory equipment shortened the duration for analyzing products. The Chemical Laboratory handles most of the laboratory services needed for feed processing, from raw material analyses to finished products tests. The Diagnostic Laboratory handles all the laboratory support related to feed and food safety as well as the surveillance, prevention, and diagnosis of diseases to ensure health maintenance of livestock. To ensure that its edge in the reliability and accuracy of its analysis is kept, it continuously upgrades its equipment, i.e. the LECO protein analyzer which is based on combustion, a faster way of analyzing crude protein in feedstuff, LECO Bomb Calorimeter, which is used to measure Gross Energy in Feedstuff, Atomic Absorption Analyzer for Macro and trace minerals including heavy metals. The acquisition of the ICP (Inductively Coupled Plasma) allowed the Corporation to analyze complex minerals and heavy metals simultaneously. The Gas Chromatograph is capable of accurately determining fatty acid as well as Volatile Fatty Acids and Hormones. The NIRS (Near InfraRed System) is capable of determining proximate analysis including amino acids in a very short amount of time. The Company also upgraded its Fat Extractor, Kjel Dahl Protein Analyzer and the Ankom Fiber Analyzer Unit. Active Water and Moisture Analyzer units are used for the stability testing of the finished product as well as maintenance of quality for raw materials. UV Vis Equipment is used for mineral and enzyme analysis. Additional serological tests, including Avian Influenza virus as well as Eliza based Swine serological, were instituted to serve the growing demand of the consumers.

For research and development activities, the Corporation spent P10.6M in 2020, P6.1M in 2019, P10.57M in 2018, and P4.4M in 2017.

**Cost and Effects of Compliance with Environmental Laws**

The Corporation complies with all environmental laws and regulations implemented by the EMB-DENR and invests appropriately to ensure compliance. To ensure that its facilities are compliant with existing environmental laws, it implemented the following activities:

1. Stack emission testing of boilers to ensure that the gases being emitted during operation of the boilers are within the Standards of the Clean Act of the Philippines. For Davao plant, a 3rd party tester (Berksman) has been tapped for emission testing of 2 units of boilers in Plant 1, 2 units of boilers in Plant 2, and 1 unit power generator. This was conducted last September 2020 and at a cost of PhP257,000. The Corporation passed all parameters and satisfactory result was used for the renewal of the Permit to Operate Air Pollution Sources and Control Installations (POA). The cost for the issuance of POA is PhP71,340 with validity coverage of 5 years. For Iloilo, Permit to Operate (PTO) for Boiler was acquired 01 February 2018 and to expire by 30 March 2022. Yearly servicing is implemented and scheduled every 1st week of April.

2. Regular monitoring of the final discharge of wastewater from the plants, ensuring that water discharge from its operations are within the regulatory standards set by the Clean Water Act. The Corporation's Wastewater Discharge Permit for 2021 is still being processed by the EMB-DENR as of date of this report. Processing Fee to date is PhP10,000. For Davao Plant, Waste Water Discharge permit was issued last January 2021 with validity coverage of 5 years from 24 January 2021 up to 24 October 2026. Cost of acquiring the permit was PhP14,040.

3. In view of the warehouse expansion projects, Iloilo warehouse was issued with the Environmental Compliance Certificate (ECC -EPRMP) by the Environmental Management Bureau of the Department of Environment and Natural Resources Region 6 last 15 August 2018. Processing cost is PhP 10,000. Davao Plants have been issued with an ECC for Expansion (incorporating the 2 existing ECCs of Davao Feedmill Plant and the acquired DSFC Feedmill Plant). The New ECC (#ECC-OL-R11-2020-0069) issued last 20 January 2020 is still in effect which includes compliance to Clean Air Act, Clean Water Act, Waste Management Act and all other regulatory compliance. Processing cost incurred was around PhP10,000.

4. Regular repair and maintenance of facilities and pollution control facilities attached to ensure good operating conditions and thereby prevent/control pollution coming from the plant.

5. Continuous improvement of pollution control devices and/or equipment to meet regulatory Standards.

6. Annual renewal of Permits from DENR-EMB is secured. Cost varies for each plant ranging from P1,000 to 10,000.

**Manpower Complement**
As of 31 December 2020, headcount is total of 963, 526 regular and 437 contractual. The Corporation's Collective Bargaining Agreement ("CBA") expired last 31 July 2020 and CBA negotiations were deferred until the first quarter of 2021. There is no labor unrest despite the deferment. In fact, CBA negotiation was concluded in April and virtual signing of the CBA transpired last 05 May 2021.

The Federation of Free Workers - Vitarich Corporation Employees / Workers Union Chapter (FFW – VEWU) is the duly authorized collective bargaining agent that represents all rank and file employees of the Corporation.

**Pension Costs/Retirement Benefits**
The Corporation 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. Its 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 31 December 2020.

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

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

*Foreign Currency Risk*
To a certain extent, the Corporation 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 Corporation has not yet experienced significant losses due to the effect of foreign currency fluctuations since purchases denominated in foreign currency are kept at a minimum.

*Interest Rate Risk*
As at 31 March 2021, 31 December 2020 and 2019, the Corporation has no significant floating rate financial assets or liabilities. Its operating cash flows are substantially independent of changes in market interest rates. It has no borrowings that carry variable interest rates, which released the Corporation 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. The Corporation continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Corporation's policy is to deal only with creditworthy counterparties.

The Corporation'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 where necessary an adequate level of provision is maintained. In addition, to minimize credit risk, the Corporation requires collateral, generally land and real estate, from its customers. The management considers that trade and other receivables that are not impaired nor past due for each reporting periods are of good credit quality.

The Corporation'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. |

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

*Price Risk*
The Corporation is exposed to commodity price risk as the raw materials of its main products are subject to price swings. The management actively seeks means to minimize exposure to such risk.

**ITEM 2. PROPERTIES**

The Corporation operates and/or leases numerous production facilities, which include feed mills, dressing plants, and hatcheries. As of 31 March 2021, these facilities include the following:

| | Condition | Remarks |
|---|---|---|
| **Feed Mill** | | |
| Luzon | Good | Toll |
| Visayas | Good | Owned |
| Mindanao | Good | Owned |
| **Dressing Plant** | | |

| | | |
|---|---|---|
| Luzon | Good | Toll |
| Visayas | Good | Toll |
| Mindanao | Good | Toll |
| **Hatchery** | | |
| Luzon | Good | Toll |
| Visayas | Good | Toll |
| Mindanao | Good | Toll |

The Corporation will only consider a project which is critical to its continued operations and will likewise generate substantial cost savings and higher return of investment.

## ITEM 3. LEGAL PROCEEDINGS

On 14 January 2021, the testimony of the Corporation's first witness in Civil Case No. 662-M-2014, titled Vitarich Corporation v. Charter Ping An Insurance Corporation (Charter Ping An) pending before the Regional Trial Court of Malolos City, Bulacan Branch 15 and involving the Company's remaining insurance claim, was completed and terminated. The Corporation is to present three more witnesses before it rests its case.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the calendar year covered by this report other than those made during the Annual General Meeting of the Stockholders held on 28 August 2020. The results of the said meeting had been disclosed to the Philippine Stock Exchange via the PSE Edge on 28 August 2020 and posted on the Corporation’s website. A copy of the draft of the Minutes of the said meeting is also posted on the Corporation’s website. One of the matters submitted to a vote of the security holders was the amendment of Article VI of the Amended Articles of Incorporation reducing the number of directors from eleven (11) to nine (9). As disclosed to the PSE Edge, the Corporation received on 28 April 2021 the Amended Articles of Incorporation, which indicated that the SEC approved on 25 March 2021 the amendment of Article VI thereof. Accordingly, the Corporation’s Board of Directors now have nine (9) members.

# PART II – OPERATIONAL AND FINANCIAL INFORMATION

## ITEM 5. MARKET PRICE OF AND DIVIDENDS FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

**Market Information**

The Corporation’s common equity is principally traded in the Philippine Stock Exchange (PSE). The high and low sales prices for every quarter ended are indicated in the table below:

| | 2019 | | 2020 | | 2021 | |
|---|---|---|---|---|---|---|
| | High | Low | High | Low | High | Low |
| 1st Quarter | 1.72 | 1.66 | 0.89 | 0.86 | 0.84 | 0.81 |
| 2nd Quarter | 1.28 | 1.26 | 0.86 | 0.81 | | |
| 3rd Quarter | 1.14 | 1.10 | 0.77 | 0.75 | | |

| | | | | |
|---|---|---|---|---|
| 4th Quarter | 1.20 | 1.14 | 0.91 | 0.88 |

The closing/sales price of the Corporation's common shares as of the last trading date of the first quarter, 31 March 2021, was P0.82 per share. There are no securities to be issued in connection with an acquisition, business combination or other reorganization.

**Holders**

The Corporation has only one class of shares i.e., common shares. The total number of stockholders as of 30 April 2021 is 4,129 and the total number of shares outstanding on that date was 3,054,334,014.

| | As of April 30, 2021 | Dec 2020 | Dec 2019 |
|---|---|---|---|
| Number of Issued & Outstanding Shares | 3,054,334,014 | 3,054,334,014 | 3,054,334,014 |
| Number of Stockholders | 4,129 | 4,131 | 4,155 |
| Number of Shares owning at least one board lot each | 3,126 | 3,128 | 3,149 |

The Company's foreign equity ownership as of 30 April 2021 is as follows:

| | No. of Shares | % Ownership |
|---|---|---|
| Shares owned by Filipino | 2,929,008,572 | 96% |
| Shares owned by Foreigners | 125,325,442 | 4% |
| **Total** | **3,054,334,014** | **100%** |

**Dividends**

The Corporation has not declared any dividend since 1996.

**Sales of Unregistered Securities**

On 23 November 2017, the Corporation agreed to issue 267,836,113 unissued but existing common shares to Kormasinc, Inc. due to the conversion of the latter's credit of P407,110,891.00 into equity of the Corporation. On 22 December 2017, the SEC approved the valuation of 267,836,113 shares at 1 share per PhP1.52 debt.

**Top 20 Stockholders**

Listed below are the top 20 stockholders of the Corporation as of 31 March 2021:

| | Name of Stockholders | Number of Shares | Percent to Total Outanding Shares |
|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 2,909,608,907 | 95.26% |
| 2 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 124,455,942 | 4.07% |
| 3 | YAZAR CORPORATION | 1,402,520 | 0.05% |
| 4 | JOSE M. SARMIENTO | 1,305,320 | 0.04% |
| 5 | MA. LUZ S. ROXAS | 1,305,320 | 0.04% |
| 6 | MA. VICTORIA M. SARMIENTO | 1,305,320 | 0.04% |
| 7 | GLICERIA M. SARMIENTO | 690,000 | 0.02% |
| 8 | NELIA CRUZ | 527,850 | 0.02% |
| 9 | ROGELIO M. SARMIENTO | 290,000 | 0.01% |
| 10 | ANTONIO S. RAAGAS | 270,000 | 0.01% |
| 11 | BETINA ANGELINA I. SARMIENTO | 228,510 | 0.01% |
| 12 | NORBERTO T. HOFELENA | 220,778 | 0.01% |
| 13 | GLADY Y. LAO | 215,000 | 0.01% |
| 14 | BERNAD SECURITIES, INC. | 203,000 | 0.01% |
| 15 | DANIEL J. ADVINCULA | 200,000 | 0.01% |
| 16 | ORLANDO P. CARVAJAL | 185,000 | 0.01% |
| 17 | TERESITA Y. SARMIENTO | 164,000 | 0.01% |
| 18 | LORENZO S. SARMIENTO | 141,134 | 0.00% |
| 19 | BIENVENIDO LIM | 140,000 | 0.00% |
| 20 | GEORGE CHUA | 111,000 | 0.00% |
| | Others | 11,364,413 | 0.37% |
| **Total Shares Issued and Outstanding** | | **3,054,334,014** | **100.00%** |

**Description of Shares**

Securities of the Corporation consist entirely of common stock with par value of P0.38 per share. All shares are equally eligible to receive dividends and repayment of capital and each share is entitled to one vote at the shareholders' meeting of the Corporation.

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

### Results of Operations for the First Quarter of 2021 (as at 31 March 2021) Compared to First Quarter of 2020 (as at 31 March 2020)

For the first quarter of 2021, Vitarich Corporation and its subsidiaries generated consolidated sale of goods of P2,003 million, lower by 14% from P2,338 million of same quarter last year mainly due to shortage of Day-Old Chicks (DOC) production.

The Corporation recognized fair value adjustment on biological assets of P204 million for first quarter of 2021.

Sale of goods per business segment is as follows:

- Food Segment: Sale of goods of food segment decreased by 8%, from P1,002 million registered in first quarter of 2020 to P918 million in first quarter of 2021 due to lower Broiler production as a result of shortage of Day-Old Chicks (DOC).

- Feeds Segment: Sale of goods of feeds segment decreased by 18%, from P1,166 million in first quarter of 2020 to P950 million in first quarter of 2021, due to shortage of DOC production and spread of African Swine Fever (ASF).

- Farms Segment: Sale of goods of farms segment decreased by 20%, from P170 million registered in first quarter of 2020 to P135 million in first quarter of 2021 as poultry industry was badly affected by the shortage of DOC production.

Cost of goods sold decreased by 20%, from P2.0 billion in first quarter of 2020 to P1.6 billion in first quarter of 2021, in relation to lower sales volume and lower raw material cost, with fair value adjustment on biological assets of P184.3 million for as at March 2021.

**Gross profit for the first quarter amounted to P374 million, higher by 30% or P85 million from P289 million of same quarter last year. The improvement was brought by better selling price of chicken in the market, coupled with lower raw materials and production costs.**

Operating expenses decreased by 6% from P143 million in first quarter of 2020 to P135 million in first quarter of 2021 due to operational efficiency and cost reduction measures that were implemented. Other operating income of P7.6 million was increased by 45% as compared to same quarter last year, primarily due to rendered tolling services.

Other charges, which include interest expense, decreased by 55%, from P17.7 million as at March 2020 to P7.9 million as at March 2021 mainly because of lower interest expense related to lower loan availment.

Tax expense increased by 31% from P39.9 million as at March 2020 to P52.4 million as at March 2021.

**For the first quarter, Vitarich posted a record-breaking Net Income of P186.5 million, which is 200% of same period last year of P93.1 million, the highest single quarter performance the company has achieved since it exited corporate rehabilitation in 2016.**

**Fiscal Year 2020 compared to Fiscal Year 2019**

Consolidated sale of goods decreased by 9%, from P8.4 billion registered in 2019 to P7.7 billion registered in 2020 mainly because of unfavorable chicken prices in the market brought about by COVID-19 pandemic and spread of African Swine Fever (ASF).

The Corporation recognized fair value adjustment on biological assets of P199 million in 2020 from P479 million in 2019.

Sale of goods per business segment is as follows:

- Food Segment: Sale of goods of food segment decreased by 23%, from P4.0 billion registered in 2019 to P3.1 billion in 2020 due to unfavorable selling price of chicken brought about by COVID-19 pandemic since April and towards the end of the year.

- Feeds Segment: Sale of goods of feeds segment increased by 4%, from P3.9 billion in 2019 to P4.1 billion in 2020, despite the pandemic and ASF, due to strong sales performance of Feeds commercial in Visayas and Mindanao, as well as higher sales from Feeds Tie-up program in Luzon and Mindanao regions.

- Farms Segment: Sale of goods of farms segment decreased by 2%, from P466 million registered in 2019 to P455 million in 2020 as poultry industry was badly affected by the unfavorable chicken prices in the market due to pandemic.

Cost of goods sold decreased by 8%, from P7.7 billion in 2019 to P7.1 billion in 2020 in relation to lower sales volume and lower raw material cost as well as recognized fair value adjustment on biological assets of P184 million in 2020 from P471 million in 2019.

**Gross profit for 2020 amounted to P572 million, lower by 20% or P145 million from P717 million in 2019. Decreased gross profit was mainly due to unfavorable selling price of chicken brought about by** COVID-19 pandemic and **closure of hotel and restaurant institutions (or HRI) accounts.**

Operating expenses decreased by 9% from P588 million in 2019 to P537 million in 2020 due to operational efficiency and cost reduction measures that were implemented. Other operating income of P44 million in 2020 increased by 50% as compared to 2019 primarily due to rendered tolling services.

Other charges, which include interest expense, decreased by 67%, from P176.6 million in 2019 to P57.8 million in 2020 due to lower tax settlement, interest expense, and provision for impairment losses on receivables. Other income recognized was lower by 97%, from P160.7 million in 2019 to P4.2 million in 2020 because of lower gain on fair value changes of investment properties.

Tax expense increased by 16% from P13.9 million in 2019 to P16.1 million in 2020.

**For the year, the Corporation still posted a Net Income of P9.3 million, despite being adversely affected by the pandemic and spread of African Swine Fever in Luzon. This was lower by P119.5 million or 93% as compared to 2019 of P128.8 million. The first quarter performance has provided ample buffer for the second and third quarter net losses.**

**Fiscal Year 2019 compared to Fiscal Year 2018**

Consolidated sale of goods increased by 2% from P8.3 billion registered in 2018 to P8.4 billion registered in 2019, mainly because of favorable chicken prices in the market during the second half of the year.

Sale of goods per business segment is as follows:

- Food Segment: Sale of goods of food segment increased by 5%, from P3.8 billion registered in 2018 to P4.0 billion in 2019 due to favorable selling price of chicken towards the second half of the year.

- Feeds Segment: Sale of goods of feeds segment amounted to P3.9 billion in 2019 and 2018. Several hog farm customers were also affected by African Swine fever during the last quarter of the year, nevertheless, the Company still able to sustain its sales during the year.

- Farms Segment: Sale of goods of farms segment decreased by 18%, from P570 million registered in 2018 to P466 million in 2019 as poultry industry was badly affected by the unfavorable chicken prices in the market during the first half of the year.

Cost of goods sold increased by 1%, from P7.6 billion in 2018 to P7.7 billion in 2019 due to higher cost of raw materials and high day-old-chick cost.

Gross profit for 2019 amounted to P717 million, higher by 17% or P106 million from P612 million in 2018. Increased gross profit was mainly due to improved efficiency of poultry and feed operations and favorable chicken prices in the market during the second half of the year.

Operating expenses increased by 1% from P585 million in 2018 to P588 million in 2019 due to higher administrative, selling and distribution expenses. Other operating income of P29 million in 2019 was decreased by 4% as compared to 2018 primarily due to lower rental income.

Other charges increased by 190%, from P76 million in 2018 to P220 million in 2019 due to higher tax settlement, interest expense, provision for impairment losses on receivables and one-time consultancy expense. Other income recognized was higher by 130%, from P89 million in 2018 to P204 million in 2019 because of higher gain on fair value changes of investment properties, gain on reversal of long-outstanding payables and recovery of accounts written-off.

Tax expense increased by 158% from P5.4 million in 2018 to P13.9 million in 2019.

For the year, the Corporation posted a Net Income of P128.8 million in 2019, P63.7 million or 98% higher than 2018 of P65.2 million.

**Fiscal Year 2018 compared to Fiscal Year 2017**
Consolidated sale of goods increased by 27%, from P6.5 billion registered in 2017 to P8.3 billion registered in 2018, driven by strong performance of all product lines.

Sale of goods per business segment is as follows:

- Food Segment: Sale of goods of food segment increased by 39%, from P2.8 billion registered in 2017 to P3.8 billion in 2018 due to higher sales volume and better selling prices of chicken, except in the last quarter of the year.

- Feeds Segment: Sale of goods of feeds segment increased by 16%, from P3.3 billion registered in 2017 to P3.9 billion in 2018 due to expansion of several farm customers.

- Farms Segment: Sale of goods of farms segment increased by 38%, from P412 million registered in 2017 to P570 million in 2018 due to successful recruitment of additional farm breeding and broiler partners.

Cost of goods sold increased by 32%, from P5.8 billion in 2017 to P7.6 billion in 2018 due to higher cost raw materials and high DOC cost. Better efficiency versus last year, however, during the last quarter of the year, the industry experience oversupply of chicken, resulting to gross profit of P612 million, lower by 15% or P110 million.

Operating expenses increased by 6% from P551 million in 2017 to P585 million in 2018 due to higher administrative, selling and distribution expenses. Other operating income of P35 million in 2018 was decreased by 3% as compared to 2017 primarily due to lower rental income.

Other charges decreased by 84%, from P55million in 2017 to P9.1 million in 2018 because no tax compromise settlement and liquidated damages were recognized this year and due to gain on fair value changes of investment properties.

Tax expense decreased by 82% from P29.1 million in 2017 to P5.4 million in 2018.

With the above, the Corporation posted a Net Income of P65.2 million in 2018, P122.4 million in 2017 which is lower by 47% or P57.2 million.

**Fiscal Year 2017 compared to Fiscal Year 2016**
Consolidated sale of goods increased by 27%, from P5.1 billion registered in 2016 to P6.5 billion registered in 2017, driven by strong performance of all product lines.

Sale of goods per business segment is as follows:

- Food Segment: Sale of goods of food segment increased by 47%, from P1.9 billion registered in 2016 to P2.8 billion in 2017 due to higher sales volume and better selling prices of chicken.

- Feeds Segment: Sale of goods of feeds segment increased by 13%, from P2.9 billion registered in 2016 to P3.3 billion in 2017 due to expansion of several farm customers.

- Farms Segment: Sale of goods of farms segment increased by 37%, from P301 million registered in 2016 to P412 million in 2017 due to successful recruitment of additional farm breeding and broiler partners.

Cost of goods sold increased by 29%, from P4.5 billion in 2016 to P5.8 billion in 2017 due to higher cost of some raw materials. Better efficiency versus 2016, however, helped to partially mitigate the higher raw material prices resulting to a gross profit of P722 million, ahead by P89 million or 14%.

Operating expenses increased by 16% from P474 million in 2016 to P551 million in 2017 due to higher administrative, selling and distribution expenses. Other operating income of P36 million in 2017 decreased by 21% in 2016 primarily due to no recovery of accounts written off.

Other charges decreased by 69%, from P179 million in 2016 to P55 million in 2017 due to higher tax compromise settlement, demurrage on cargo release, and provision of probable loses in 2016.

Tax expense increased by 243% from P8.5 million in 2016 to P29 million in 2017.

With the above, the Corporation posted a Net Income of P122.4 million in 2017, P104.8 million or 599% higher than 2016 of P17.5 million.

**Fiscal Year 2016 compared to Fiscal Year 2015**
Vitarich Corporation and its Subsidiaries generated a consolidated sale of goods of P5.1 billion as of 31 December 2016, 48% sales growth over previous year of P3.4 billion. Sale of goods per business segment follows:

- Food Segment: Sale of goods of food segment increased by P652 million or 53%, from P1,222 million registered in 2015 to P1,874 million registered in 2016 due to increased volume of chicken sales.

- Feeds Segment: Sale of goods of feeds segment increased by P867 million or 42%, from P2,059 million registered in 2015 to P2,926 million registered in 2016 due opening new hog and broiler farm customers.

- Farms Segment: Sale of goods of farms segment increased by P137 million or 83%, from P164 million registered in 2015 to P301 million registered in 2016 due to successful recruitment of additional contract breeding partners.

The Corporation's cost of goods sold consists primarily of raw materials and packaging costs, manufacturing costs, and direct labor costs. Cost of goods sold increased by P1,530 million or 52%, to P4.5 billion in 2016 from P2.9 billion in 2015 due to increase in sales volume of animal and aqua feeds, live and dressed chicken and day old chicks.

Gross profit for 2016 amounted to P633 million, ahead by P126 million or 25% from P507 million in 2015. Increased gross profit was mainly due to higher sales volume, improved efficiency of poultry and feed operations, improved inventory management and cost savings in operating expenses.

Operating expenses in 2016 of P473 million increased by 12% from P421 million in 2015 due to higher selling and distribution expenses on account of improved sales volume. Other operating income in 2016 of P46 million increased by 21% in 2015 primarily due to recovery of accounts written off.

As a result of the above factors, the Corporation registered an operating profit of P205 million in 2016, P82 million or 66% higher compared to 2015 of P123 million.

Other charges of P178 million in 2016 were 46% higher than 2015 of P122 million due to tax compromise settlement, demurrage on cargo release, and provision of probable loses.

Tax expense in 2016 increased to P8.5 million versus 2015.

2016 other comprehensive income increased by 6149% compared to 2015.

For the year, the Corporation incurred a total comprehensive income of P106 million, 1134% higher than 2015 of P8.6 million.

**Fiscal Year 2015 Compare to Fiscal Year 2014**

Vitarich Corporation and its Subsidiaries generated a consolidated sale of goods of P3.4 billion as of 31 December 2015, 46% sales growth over previous year of P2.4 billion. Sale of goods per business segment follows:

- Food Segment: Sale of goods of food segment increased by P428 million or 54%, from P794 million registered in 2014 to P1,222 million registered in 2015 due to increased turnover of poultry volume.

- Feeds Segment: Sale of goods of feeds segment increased by P614 million or 42%, from P1,445 million registered in 2014 to P2,059 million registered in 2015 due to increasing sales from current and new customers.

- Farms Segment: Sale of goods of farms segment increased by P37 million or 29%, from P127 million registered in 2014 to P164 million registered in 2015 due to better supply of day old chick (DOC) volume.

Cost of goods sold consists primarily of raw materials and packaging costs, manufacturing costs, and direct labor costs. Cost of goods sold increased by P754 million or 35%, to P2.9 billion in 2015 from P2.2 billion in 2014 due to increase in sales volume.

Gross profit for 2015 amounted to P507 million, ahead by P325 million or 178% from P182 million in 2014. Increased gross profit was mainly due to higher sales volume, better selling prices of foods and farm products, perfected farm efficiencies, improved feed production, and lower cost of raw materials.

Operating expenses in 2015 of P421 million increased by 12% from P377 million in 2014 due to higher administrative expenses and selling and distribution expenses. Other operating income in 2015 of P38 million declined by 48% in 2014 primarily due to lower income from tolling operations related to the sale of hatchery properties.

As a result of the above factors, the Corporation registered an operating income of P123 million in 2015, P246 million or 200% higher compared to 2014 operating loss of P123 million.

Other charges of P122 million in 2015 was 82% lower than 2014 of P689 million.

In 2015 and 2014, the Corporation's Board of Directors approved the disposal of certain non-core and core property, plant and equipment including its major feed mill and the land where it is located in Marilao, Bulacan. The proceeds were used to further reduce outstanding liabilities and generate needed working capital. In 2015, loss on sale of property, plant and equipment, investment properties and others of P94.6 million decreased by 85%.

- Interest income amounted to P0.17 million in 2015 and P0.53 million in 2014 decreased by 68%.
- Allowance for impairment loss was mainly for input VAT of P3.1 million.
- Interest expense of P0.22 million was computed on the restructured debt as part of total interest expense in the 2015 consolidated statements of comprehensive income.
- The Company recognized fair value gain of P2.8 million in 2015 and fair value loss of P5.4 million in 2014 or 151% reduction.

Tax benefit in 2015 decreased by P277.7 million or 97% versus 2014. The components of tax benefit as reported in the consolidated statements of comprehensive income are current tax expenses: MCIT at 2% and deferred tax benefit relating to origination and reversal of temporary differences.

2015 other comprehensive income increased by 277% compared to 2014.

For the year, the Corporation incurred a net income of P8.6 million, 101% higher than the loss of P577.8 million in 2014.

**Financial Condition**

***As at 31 March 2021***

Total current assets were same at P1.8 billion as of 31 March 2021 and 31 December 2020. As at March 2021, the Corporation increased its cash balance by P30 million due to higher collection efficiency and recognized increased in inventories by P51 million due to higher Feeds volume production.

Noncurrent assets were same at P2.0 billion as of 31 March 2021 and as of 31 December 2020. As at March 2021, the Corporation acquired net additions to property, plant and equipment and investment properties of P11 million, but recognized decreased in the right of use assets by P4 million.

Current liabilities decreased by 13% from P1.8 billion as of 31 December 2020 to P1.6 billion as of 31 March 2021 mainly due to partial payment of long-outstanding payables to major suppliers and minimal loan availment.

Noncurrent liabilities decreased by 2% from P396 million as of 31 December 2020 to P387 million as of 31 March 2021 mainly due to partial payment of long-term loans payable and decreased of lease liabilities.

***As at 31 December 2020***

Total current assets as of 31 December 2020 of P1.8 billion was 15% lower than 2019 of P2.2 billion as restated. Decrease in current assets were due to lower cash, receivables, inventories and other current assets.

Noncurrent assets were same at P2.0 billion as of 31 December 2019 and as of 31 December 2020. In 2020, the Corporation recognized gain on fair value changes of P4 million and acquired net additions to property, plant and equipment and investment properties of P141 million, but recognized decreased in the right of use assets by P155 million due to pre-termination of some contract of lease.

Current liabilities decreased by 13% from P2.1 billion as of 31 December 2019 to P1.8 billion as of 31 December 2020 mainly due to decrease in short-term loans payable and lease liabilities.

Noncurrent liabilities decreased by 15% from P469 million as of 31 December 2019 to P396 million as of 31 December 2020 mainly due to partial payment of long-term loans payable and decreased of lease liabilities related to pre-termination of some contract of lease.

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

| | 2020 | 2019 |
|---|---|---|
| Revenue (Php Million):<br>Sale of goods | 7,682 | 8,439 |
| Fair value adjustment on biological assets | 199 | 480 |
| Cost Contribution (Php Million):<br>Cost of goods sold | 7,126 | 7,730 |
| Fair value adjustment on biological assets | 184 | 471 |
| Gross Profit Rate (%) | 7% | 8% |
| Operating Margin (Php Million) | 79 | 159 |

| | March | December |
|---|---|---|

| | 2021 | 2020 |
|---|---|---|
| Revenue (Php Million): | | |
| Sale of goods | 2,003 | 7,682 |
| Fair value adjustment on biological assets | 204 | 199 |
| Cost Contribution (Php Million): | | |
| Cost of goods sold | 1,649 | 7,126 |
| Fair value adjustment on biological assets | 184 | 184 |
| Gross Profit Rate (%) | 17% | 7% |
| Operating Margin (Php Million) | 247 | 79 |

| | March 2021 | March 2020 |
|---|---|---|
| Revenue (Php Million): | | |
| Sale of goods | 2,003 | 2,338 |
| Fair value adjustment on biological assets | 204 | – |
| Cost Contribution (Php Million): | | |
| Cost of goods sold | 1,649 | 2,049 |
| Fair value adjustment on biological assets | 184 | – |
| Gross Profit Rate (%) | 17% | 12% |
| Operating Margin (Php Million) | 247 | 151 |

1) Sales Volume, Price, and Revenue Growth

Consolidated revenue, composed of food, feed, and farm sales including fair value adjustment on biological assets, amounted to P7.9 billion, 12% lower than last year of P8.9 billion.

As of March 31, consolidated revenue amounted to P2.2 billion, including fair value adjustment on biological assets, 6% lower than same period of last year of P2.3 billion, mainly because of shortage of day-old-chicks (DOC) production.

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. This also includes fair value adjustments on biological assets. Costs are analyzed on a regular basis for management's better strategic decisions 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

Operating margin 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.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures.

There are no significant elements of income or loss arising from continuing operations.

There is no known trend, or any demand, commitments, event or uncertainty that will result in or that are reasonably likely to result to Corporation's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

## ITEM 7. FINANCIAL STATEMENTS

The Consolidated Audited Financial Statement of the Corporation for the year-ended 31 December 2020, including the applicable schedules listed in the accompanying index to financial statements and supplementary schedules, the 2020 Audited Financial Statements of the Parent Company are filed as part of the Corporation's SEC Form 17-A regarding its 2020 Annual Report. Attached and made an integral part of this SEC Form 20-IS is a copy of the SEC Form 17-A for the year 2020 and its attachments. Attached likewise is a copy of the Corporation's SEC Form 17-Q for the 1st quarter of 2021.

## PART IV – EXHIBITS AND SCHEDULES

**EXHIBITS AND REPORTS ON SEC FORM 17-C**

(a) Exhibits: The exhibits, as indicated in the Index to Exhibits are either not applicable to the Corporation or require no answer.

(b) Reports on SEC Form 17-C: The following are the items reported under SEC Form 17-C:

| Date of Report | REMARKS |
|---|---|
| January 3, 2020 | Appointment of Ms. Alicia G. Danque as Vice President and Supply Chain Director |
| March 16, 2020 | Report on the Impact and Risk of COVID-19 on Business Operations and Measures to Mitigate the Risks |
| April 3, 2020 | Resignation of Mr. Rhuel S. Diego |
| May 1, 2020 | Postponement of Annual General Meeting 2020 |
| May 1, 2020 | Notice of Annual General Meeting 2020 |
| May 8, 2020 | Amendments on Notice of Annual General Meeting 2020 |
| June 8, 2020 | Approval of 2019 Audited FS |
| June 30, 2020 | Press Release: "2020 was supposed to be our year" |
| July 13, 2020 | Amended Notice of Annual General Meeting |
| July 17, 2020 | Amended Notice of Annual General Meeting 2020 |
| July 17, 2020 | Amendment of Amended Articles of Incorporation |
| July 22, 2020 | Advisement Letter to send DIS |
| July 30, 2020 | List of Stockholders entitled to vote as of record date July 28, 2020 |
| July 30, 2020 | Amended Notice of Annual General Meeting 2020 |
| August 14, 2020 | Approval of Distribution of DIS |
| August 28, 2020 | Results of Annual General Meeting and Organizational Meeting 2020 |
| October 29, 2020 | HACCP Certification |

## PART V – CORPORATE GOVERNANCE

The Corporation complies and adheres to the Code on Corporate Governance for Publicly Listed Companies and to its Amended Manual on Corporate Governance, to the extent that the principles and recommendations therein are applicable to the Corporation. The Corporation's compliance with the Code and the Amended Manual on Corporate Governance are disclosed in the Corporation's Sustainability Report and Integrated Annual Corporate Governance Report submitted to the SEC and PSE. The Board of Directors and the management, from time to time, make the necessary amendments to its policies and strategies to ensure business continuity while employing the best practices in corporate governance. The members of the Board of Directors disclose any potential or actual conflict of interest they may have in a transaction presented for approval of the Board. They likewise inhibit from the discussions and voting of the said transaction. The Corporation continues to improve its corporate governance practices.

# ANNEX A

## Certifications of Nominee as an Independent Directors

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **MANUEL D. ESCUETA**, Filipino, of legal age and a resident of **35 Inland Executive Haven, Merville Homes, Parañaque City,** after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Vitarich Corporation** and have been its independent director since **2014.**

2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|---|---|---|
| Union Bank of the Philippines | Independent Director | April 2021 - Present |
| Center for Family Advancement | Board Trustee | January 2016 - Present |
| Pascual Laboratories, Inc. | Independent Director | March 2016 - Present |
| Educhild Foundation, Inc. | Board Trustee | 2004 – present |
| Southridge PAREF School for Boys | Vice Chairman, Board of Trustees | 1997 - present |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of **Vitarich Corporation**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of Vitarich Corporation, other than the relationship provided under Rule38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the corporate secretary of **Vitarich Corporation** of any changes in the abovementioned information within five days from its occurrence.

**MANUEL D. ESCUETA**
Affiant

SUBSCRIBED AND SWORN to before me this MAY 1 4 2021 day of ____________ 2021, at MARILAO, BULACAN, affiant personally appeared before me and exhibited to me his Senior Citizen ID number JB-05853.

Doc. No. 264 ;
Page No. 75 ;
Book No. 7 ;
Series of 2021.

REPUBLIC OF THE PHILIPPINES
NENITA [illegible] TUAZON
ROLL [illegible] 47194
NOTARY PUBLIC
NOTARY PUBLIC

ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
PMC-48-MB-2020 UNTIL DEC. 31, 2022
SANDICO ST. [illegible] BULACAN
IBP LIFETIME [illegible] 03
PTR [illegible]
TIN NO. 172-[illegible]-664-000
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION NO. [illegible] UNTIL APRIL 14, 2022
REISSUED ON OCT. 29, 2020

# CERTIFICATION OF INDEPENDENT DIRECTOR

I, **VICENTE JULIAN A. SARZA**, Filipino, of legal age and a resident of **164 Champaca St., Tahanan Village, Parañaque, Metro Manila**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Vitarich Corporation** and have been its independent director since **2016.**

2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|---|---|---|
| Radiowealth Finance Corp. | Consultant | January 2021 - present |
| Mabuhay Capital Corp. | Senior Advisor | January 1, 2021 - present |
| Central Negros Power Reliability Corp. | Chairman/ President | October 2016-Present |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of **Vitarich Corporation**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of Vitarich Corporation and its subsidiaries and affiliates, other than the relationship provided under Rule38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the corporate secretary of **Vitarich Corporation** of any changes in the abovementioned information within five days from its occurrence.

**VICENTE JULIAN A. SARZA**
Affiant

MAY 1 4 2021

SUBSCRIBED AND SWORN to before me this _____ day of _____________ 2021, at ___MARI[illegible]LACAN___, affiant personally appeared before me and exhibited to me his Passport ID No. P3061244B valid until November 25, 2029.

Doc. No. 367;
Page No. 75;
Book No. 7;
Series of 2021.

REPUBLIC OF THE PHILIPPINES
NOTARY PUBLIC
[illegible]
ROLL [illegible] 47194
NOTARY PUBLIC

ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
PNC-48-MR-2020 UNTIL DEC. 31, 2021
SANDICO ST. [illegible] CAN
IBP LIFE[illegible]3
[illegible]
[illegible]
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION NO. [illegible] UNTIL APRIL 14, 20[illegible]
REISSUED [illegible] 2020

# ANNEX B

2020 Consolidated Audited Financial Statement with the Statement of Management Responsibility on the Financial Statements and Parent Company Audited Financial Statement

# COVER SHEET

2 1 1 3 4

S.E.C. Registration Number

V I T A R I C H   C O R P O R A T I O N

( Company's Full Name )

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

( Business Address: No. Street City / Town / Province )

**Atty. Mary Christine Dabu-Pepito**

Contact Person

**(+632) 8843-30-33**

Company Telephone Number

**Last Friday of June**

1 2 - 3 1

*Month* *Day*

Fiscal Year

1 7 - A

Form Type

0 6

Month Day

Secondary License Type. If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

---

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

SEC COVER SHEET 17-A

**SECURITIES AND EXCHANGE COMMISSION**

# SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2020**

2. SEC identification Number **21134**

3. BIR Tax Identification No. **000-234-398**

4. **VITARICH CORPORATION**
   Exact name of issuer as specified in its charter

5. **BULACAN**
   Province, country or other jurisdiction of incorporation or organization

6. **POULTRY AND LIVESTOCK**
   Industry Classification Code: (SEC Use Only)

7. **MARILAO-SAN JOSE ROAD, STA. ROSA I, MARILAO, BULACAN** **3019**
   Address of issuer's principal office Postal Code

8. (**+632) 8843-3033**
   Registrant's telephone number, including area code

9. **N/A**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA

| Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| **Common Stock** | **3,054,334,014** |

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 [√]

13. The aggregate market value of the voting stock by non-affiliates of the registrant total to P651,942,977.84 as of March 31, 2021.

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

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.
Yes [ ] No [✓]

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated

(a) Any annual report to security holders
-
(b) Any information statement filed pursuant to SRC Rule 20
-
(c) Any prospectus filed pursuant to SRC Rule 8.1
-

VITARICH CORPORATION

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## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. BUSINESS

Vitarich Corporation was incorporated and organized in 1962. The brothers, Feliciano, Lorenzo and Pablo Sarmiento established the forerunner of Vitarich in 1950, when they founded Philippine American Milling Co. Inc. ("PAMCO"). PAMCO eventually moved from its original location to a more modern feed plant in Marilao, Bulacan. This move marked the beginning of Vitarich's fully integrated operations and the trade name "Vitarich" was subsequently adopted.

In 1962, after PAMCO acquired additional machinery and equipment to increase capacity, the Corporation was registered with the Securities and Exchange Commission ("SEC") under the name "Vitarich Feedmill, Inc." The Corporation entered the poultry business and built an experimental poultry farm. In the years that followed, the Corporation entered into agreements with U.S. companies Cobb International and Babcock Poultry Farms for the exclusive franchise and distributorship of Cobb broiler and Babcock layer breeds, respectively, in the Philippines.

By the early 1970s, the Corporation further expanded its operations and extended its vertical integration by acquiring dressing plants and cold storage facilities. In 1981, the Corporation expanded outside Luzon by setting up the Davao satellite feedmill. The following year, it increased its feedmilling capacity in Marilao, Bulacan and at the same time, started operating its Cagayan De Oro feedmill and hatchery. Subsequent areas of expansion in the Visayas included the cities of Iloilo and Bacolod. At present, the Corporation's registered principal place of business is 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 Corporation's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

The Corporation went through corporate rehabilitation where its aggregate debt of P3.2 billion was restructured to allow the Corporation to avail of longer payment term and lower interest rate.

Meanwhile, on March 30, 2012, the SEC approved the extension of the Corporation's corporate life to another fifty years starting on July 31, 2012. Pursuant to Section 11, paragraph 2 of the Revised Corporation Code of the Philippines, which took effect on February 23, 2019, the Corporation's corporate life is deemed to be perpetual.

On October 16, 2013, the SEC approved the Company's increase in authorized capital to P3.5 billion and the conversion of Company debts amounting to P2.4 billion to Kormasinc, Inc. ("Kormasinc") into equity at 1 share of common stock for every P1.00 debt. Of the converted debt, P90.0 million was applied as payment for 90,030,236 shares from unissued shares and P2.3 billion was applied as payment for additional shares from the increase in authorized capital. Thus, Kormasinc became the Corporation's parent. With the debt to equity conversion and significant improvement in the Corporation's operations, the Regional Trial Court of Malolos, Bulacan (the Rehabilitation Court) approved its exit from Corporate Rehabilitation on September 16, 2016.

On November 23, 2017, the Corporation, through the approval of its Board of Directors, issued its authorized and existing but unissued capital stock of P267,836,113.00 divided into 267,836,113 common shares with a par value of Php1.00 per share. The Board of Directors likewise approved the conversion of the Corporation's debt of P407,110,891.00 to Kormasinc, Inc. into equity of the Corporation at a 1:1.52 ratio or 1 common share for every P1.52 debt. The Board of Directors also approved the application of Vitarich's debt of P407,110,891.00 to Kormasinc, Inc. as payment in full to the 267,836,113 common shares issued out of the authorized and existing but unissued shares. On December 22, 2017, the SEC approved the said debt to equity conversion.

On July 11, 2018, the SEC approved the decrease of the capital stock of the Corporation from P3.5 billion divided into 3.5 billion shares at P1.00/share par value to P1,330,000,000.00 divided into 3.5 billion shares at P0.38/share par value. The SEC also approved the Corporation's equity restructuring to wipe out deficit as of December 31, 2017 of P2,256,037,517.00 against the Additional Paid-In Capital of P2,257,508,376.68.

The Corporation used to have several subsidiaries, namely: Breeder Master, Inc. ("BMI"), which is now known as Cobb Vantress Philippines, Inc. ("CVI"), Gromax, Inc. ("Gromax") and Philippines' Favorite Chicken, Inc. ("PFCI").

BMI was formed through the Company's joint venture agreement with Cobb-Vantress, Inc. ("CVI") in 1988. It was engaged in the production of day-old parent stocks. In 2002, however, the Corporation decided to dispose of its investment in BMI and agreed to pay its liabilities to BMI by returning all of its shares of stocks to BMI. Thus, CVI was left as the sole shareholder of BMI.

PFCI had several distribution agreements with America's Favorite Chicken Company ("AFC"). 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. The franchise agreement allowed 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 was 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 Board of Directors 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 Board of Directors 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 the 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, the Company 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 amendment of its Articles of Incorporation to shorten its corporate life to until March 31, 2019. The SEC also approved PFCI's amendment of Articles of Incorporation. Thus, PFCI was placed under the liquidation process beginning April 1, 2019. The Company deconsolidated PFCI and recognized a gain of P28.2 million on deconsolidation. On February 16, 2021, PFCI filed with the SEC a Notice of Retention of Corporate Term (until March 31, 2019).

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

Effective 01 April 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. The SEC approved on 31 May 2018 Gromax's Amended Articles of Incorporation which shortened its corporate life to until 10 November 2019. On February 16, 2021, Gromax filed with the SEC a Notice of Retention of Corporate Term (until November 10, 2019).

With the disposition of the Company's shares in BMI and the cessation of corporate lives of PFCI and Gromax, the Company no longer has subsidiaries.

**BUSINESS OF ISSUER**

**Business Segments and Product Distribution**
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 and aqua 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.

**Competition**

Although the Corporation is focused on the chicken and feed industry, it faces competition from several sources by virtue of its integrated operations. The Corporation continuously improves its objectives and strategic plans to effectively compete with other integrators not only for consumers of its products but also for production resources such as contract growers. The Corporation competes based on product performance.

Principal competitors of the Company are San Miguel Corporation (B-Meg), UNAHCO, Cargill, New Hope, CJ Feeds, CP Feeds, Philmico, Uno Feeds and Inoza Feeds for the feed business. Key players in chicken business are San Miguel Corporation (Magnolia), Bounty, Foster, Danway, CP, Sustamina and Leong hup.

Given its vision to continue be the pioneer, agri-business partner, and innovator in the feeds industry, and backbone of every Filipino farmer's success, the Company allotted resources to the research and development of production process improvements and product value enhancement.

**Sources of Raw Materials**

The raw material components of feeds represent the most significant cost component of the Company's operations. Major raw materials of the feed business of the Company are corn, wheat, soya, and rice bran. The Company purchases these materials locally from traders. There are also times that the Company imports these materials from Australia, North and South America, India, and Pakistan. It is also continuously undertaking programs to substitute traditional grains with materials considered as by-products. High cost of major raw materials such as wheat, corn, oil and soybean meal makes it imperative for the Company to source alternative (and non-traditional) raw materials such as food by-products and other protein sources.

The Company is not dependent on, nor has any major existing supply contract, with one or a limited number of its suppliers for the purchase of essential raw materials.

**Customers**

The Company has various customers from all product lines and is not dependent on a single or few customers. The loss of one or two of its customers does not have any adverse material effect on its operations. No customer of the Corporation accounted for 20% of its sales. The Corporation has existing sales contracts with business partners and customers in the normal and regular business transactions.

**Trademarks, Royalty and Patents**

As of 2020, the Company continued to use the following devices and logos, which were previously registered with the Intellectual Property Office on the dates opposite to its names:

| | Date Filed | Date Registered |
|---|---|---|
| • Vitarich Corporation | January 15, 2021 | - |
| • Gromax | February 17, 2021 | - |
| • Forging Livelihood, Nourishing Lives | October 17, 2019 | March 14, 2020 |

The Company does not hold any other patent, trademark, franchise, concession or royalty agreement.

**Certification**

The Company's Quality Management Systems ("QMS") enabled the Company to establish procedures that cover all key processes in the business, monitoring process to ensure that they are effective, keeping adequate records, checking output for defects with appropriate corrective actions, regularly reviewing individual processes and the quality system itself for effectiveness, thus facilitating continual improvement.

In 2007, the Company's commitment toward consistent product quality and safety was further strengthened when the International Organization for Standardization (ISO) certified the Company-owned feed mill facilities in Visayas and Mindanao with ISO 22000:2005 Food Safety and Management Systems (FSMS) for quality and feed safety management systems. The Company has adopted and implemented preventive approaches to product safety that address physical, chemical and biological hazards in various aspects of feeds manufacturing along with the process and product inspection. The Company continuously complies and maintains the requirements of the standards for Iloilo and Davao Feed Mill plants.

The Company received last October 2020, the Certificate of Registration for HACCP or Hazard Analysis and Critical Control Points certifying that its Management Systems and Processes for verification & delivery of raw and frozen chicken, including giblets, has been assessed and registered against the provisions of HACCP adopted by the Codex Alimentarius Commission. The Certificate was issued by NQA Certification Limited after the Corporation's application and requirements were submitted and reviewed thoroughly. The said Certificate is in line with Vitarich's mission to continuously adopt new business development programs and technological advancement that will enhance quality of products and services that it provides and delivers to its stakeholders.

**Government Regulations and Approval**

Compliance with environmental laws enhances good community and industry relationship and provides assurance to employees and the community where the Company operates of their health and safety, thereby freeing the Company from violations and penalties.

Aside from compliance with the environmental laws, the Company, in order to ensure that only safe and wholesome products reach the consumers, also needs government approval for its principal products and services and for the registration of its feedmill, accreditation of chemical laboratory, accreditation of meat plant, and cold storage, from the Bureau of Animal Industry (BAI) and the National Meat Inspection Services (NMIS), respectively. The Corporation is also required to secure all applicable permits from the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR) for its feedmill plant, dressing plant and rendering plant.

The Company had obtained all necessary permits, licenses and government approvals to manufacture and sell their products.

The Company has no knowledge of recent or impending legislation, which, when implemented, can result in a material adverse effect on its business or financial condition.

**Research and Development**

The Company's research and development are centrally organized under the Research and Development Department to focus on the following core activities:

- Product Quality and Innovations
- Research and Development
- Advanced Animal Nutrition

A Research and Development Manager directs these activities, which include the following:

- Advanced Animal nutrition
- Diagnostic laboratory services
- Feeds and feeds quality control
- Poultry genetic research
- New product development
- Technical extension services for contract breeders, growers and sales clients

The inauguration of the Company's renovated Research Center in 2001 upgraded the chemical laboratory capability and further improved the analysis procedure. The acquisition of modern laboratory equipment shortened the duration for analyzing products.

The Chemical Laboratory handles most of the laboratory services needed for feed processing, from raw material analyses to finished products tests. The Diagnostic Laboratory handles all the laboratory support related to feed and food safety as well as the surveillance, prevention, and diagnosis of diseases to ensure health maintenance of livestock.

To ensure that its edge in the reliability and accuracy of its analysis is kept, it continuously upgrades its equipment, i.e. the LECO protein analyzer which is based on combustion, a faster way of analyzing crude protein in feedstuff, LECO Bomb Calorimeter, which is used to measure Gross Energy in Feedstuff, Atomic Absorption Analyzer for Macro and trace minerals including heavy metals. The acquisition of the ICP (Inductively Coupled Plasma) allowed the Company to analyze complex minerals and heavy metals simultaneously. The Gas Chromatograph is capable of accurately determining fatty acid as well as Volatile Fatty Acids and Hormones. The NIR (Near InfraRed System) is capable of determining proximate analysis including amino acids in a very short amount of time. The Company also upgraded its Fat Extractor, Kjel Dahl Protein Analyzer and the Ankom Fiber Analyzer Unit. Active Water and Moisture Analyzer units are used for the stability testing of the finished product as well as maintenance of quality for raw materials. UV Vis Equipment is used for mineral and enzyme analysis. Additional serological tests, including Avian Influenza virus as well as Eliza based Swine serological, were instituted to serve the growing demand of the consumers.

For research and development activities, the Corporation spent P10.6M in 2020, P6.1M in 2019, P10.57M in 2018, and P4.4M in 2017.

**Cost and Effects of Compliance with Environmental Laws**

The Company complies with all environmental laws and regulations implemented by the EMB-DENR and invests appropriately to ensure compliance.

To ensure that its facilities are compliant with existing environmental laws, the Company implemented the following activities:

1. Stack emission testing of boilers to ensure that the gases being emitted during operation of the boilers are within the Standards of the Clean Act of the Philippines. For Davao plant, a 3rd party tester (Berksman) has been tapped for emission testing of 2 units of boilers in Plant 1, 2 units of boilers in Plant 2, and 1 unit power generator. This was conducted last September 2020 and at a cost of PhP257,000. The Company passed all parameters and satisfactory result was used for the renewal of the Permit to Operate Air Pollution Sources and Control Installations (POA). The cost for the issuance of POA is PhP 71,340 with validity coverage of 5 years. For Iloilo, Permit to Operate (PTO) for Boiler was acquired Feb 1, 2018 and to expire by March 30, 2022. Yearly servicing is implemented and scheduled 1st week of April.

2. Regular monitoring of the final discharge of wastewater from our plants, ensuring that water discharge from our operations are within the regulatory standards set by the Clean Water Act. Iloilo Plant has received its Wastewater Discharge Permit from EMB-DENR last Dec 26,2019

which will expire on March 26, 2021. Renewal of permit is on-going and awaiting advise from EMB. Total Processing Fee is estimated at PhP 6,000. For Davao Plant, Waste Water Discharge permit was issued last January 2021 with validity coverage of 5 years. Cost of acquiring the permit was PhP 14,040.

3. In view of the warehouse expansion projects, Iloilo warehouse has been issued with the Environmental Compliance Certificate (ECC -EPRMP) by the Environmental Management Bureau of the Department of Environment and Natural Resources Region 6 last August 15, 2018. Processing cost is PhP 10,000. Davao Plants have been issued with an ECC for Expansion (incorporating the 2 existing ECCs of Davao Feedmill Plant and the acquired DSFC Feedmill Plant). The New ECC (#ECC-OL-R11-2020-0069) issued last January 20,2020 is still in effect which includes compliance to Clean Air Act, Clean Water Act, Waste Management Act and all other regulatory compliance. Processing cost incurred was around PhP 10,000.
4. Regular repair and maintenance of facilities and pollution control facilities attached to ensure good operating conditions and thereby prevent/control pollution coming from the plant.
5. Continuous improvement of pollution control devices and/or equipment to meet regulatory Standards.
6. Annual renewal of Permits from DENR-EMB is secured. Cost varies for each plant ranging from P1,000 to 10,000.

**Manpower Complement**

As of December 31, 2020, headcount is total of 963, 526 regular and 437 contractual. The Corporation's Collective Bargaining Agreement expired last July 31, 2020 and CBA negotiations were deferred until the first quarter of 2021. There is no labor unrest despite the deferment.

The Federation of Free Workers - Vitarich Corporation Employees / Workers Union Chapter (FFW – VEWU) is the duly authorized collective bargaining agent that represents all rank and file employees of the Corporation.

**Pension Costs/Retirement Benefits**

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, 2019.

**Financial Risk Management**

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 since purchases denominated in foreign currency are kept at a minimum.

Interest Rate Risk

As at December 31, 2020 and 2019, 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.

The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where 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 where 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 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. |

Liquidity Risk
The Company manages its liquidity profile to be able to service its long-term 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.

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.

**Item 2. PROPERTIES**

The Corporation operates and/or leases numerous production facilities, which include feed mills, dressing plants, and hatcheries. As of December 31, 2020, these facilities include the following.

| | Condition | Remarks |
|---|---|---|
| **Feed Mill** | | |
| Luzon | Good | Toll |
| Visayas | Good | Owned |
| Mindanao | Good | Owned |
| **Dressing Plant** | | |
| Luzon | Good | Toll |
| Visayas | Good | Toll |
| Mindanao | Good | Toll |
| **Hatchery** | | |
| Luzon | Good | Toll |
| Visayas | Good | Toll |
| Mindanao | Good | Toll |

The Corporation will only consider a project which is critical to its continued operations and will likewise generate substantial cost savings and higher return of investment.

**Item 3. LEGAL PROCEEDINGS**

On 14 January 2021, the testimony of the Company's first witness in Civil Case No. 662-M-2014, titled Vitarich Corporation v. Charter Ping An Insurance Corporation (Charter Ping An) pending before the Regional Trial Court of Malolos City, Bulacan Branch 15 and involving the Company's remaining insurance claim, was completed and terminated. The Company is to present three more witnesses before it rests its case.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders during the calendar year covered by this report other than those made during the Annual General Meeting of the Stockholders held on 28 August 2020. The results of the said meeting had been disclosed to the Philippine Stock Exchange via the PSE Edge on 28 August 2020 and posted on the Company's website. A copy of the draft of the Minutes of the said meeting is also posted on the Company's website. One of the matters submitted to a vote of the security holders was the amendment of Article VI of the Amended Articles of Incorporation reducing the number of directors from eleven (11) to nine (9). As of reporting date, the Corporation's application for the amendment of its Amended Articles of Incorporation is pending approval of the SEC.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

The Company's common equity is principally traded in the Philippine Stock Exchange (PSE). The high and low sales prices for every quarter ended are indicated in the table below:

| | 2019 | | 2020 | |
|---|---|---|---|---|
| | **High** | **Low** | **High** | **Low** |
| 1st Quarter | 1.72 | 1.66 | 0.89 | 0.86 |
| 2nd Quarter | 1.28 | 1.26 | 0.86 | 0.81 |
| 3rd Quarter | 1.14 | 1.10 | 0.77 | 0.75 |
| 4th Quarter | 1.20 | 1.14 | 0.91 | 0.88 |

The closing price of the Corporation's common shares as of the last trading date, December 29, 2020, was P 0.91 per share.

As of March 31, 2021, the latest trading date prior to the completion of this annual report, sales price of the common stock was at P0.82/share.

There are no securities to be issued in connection with an acquisition, business combination or other reorganization.

**Holders**

The Corporation has only one class of shares i.e., common shares. The total number of stockholders as of December 31, 2020 is 4,131 and the total number of shares outstanding on that date was 3,054,334,014.

| | Dec 2020 | Dec 2019 |
|---|---|---|
| Number of Issued & Outstanding Shares | 3,054,334,014 | 3,054,334,014 |
| Number of Stockholders | 4,131 | 4,155 |
| Number of Shares owning at least one board lot each | 3,128 | 3,149 |

The Company's foreign equity ownership as of December 31, 2020 is as follows:

| | No. of Shares | % Ownership |
|---|---|---|
| Shares owned by Filipino | 2,932,546,572 | 96% |
| Shares owned by Foreigners | 121,787,442 | 4% |
| **Total** | **3,054,334,014** | **100%** |

## Dividends

In 1995, the Company declared a cash dividend of P0.10 per share. For the years 1996 up to 2020, the Company did not declare any dividend as it has no unrestricted retained earnings**.**

## Sales of Unregistered Securities

On November 23, 2017, Vitarich Corporation agreed to issue 267,836,113 unissued but existing common shares to Kormasinc, Inc. due to the conversion of the latter's credit of P407,110,891.00 into equity of the Corporation. On December 22, 2017, the Securities and Exchange Commission approved the valuation of 267,836,113 shares

## Top 20 Stockholders

Listed below are the top 20 stockholders of the Corporation as of December 31, 2020:

| | **Name of Stockholders** | **Number of Shares** | **Percent to Total Outanding Shares** |
|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 2,913,111,907 | 95.38% |
| 2 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 120,950,942 | 3.96% |
| 3 | YAZAR CORPORATION | 1,402,520 | 0.05% |
| 4 | JOSE M. SARMIENTO | 1,305,320 | 0.04% |
| 5 | MA. LUZ S. ROXAS | 1,305,320 | 0.04% |
| 6 | MA. VICTORIA M. SARMIENTO | 1,305,320 | 0.04% |
| 7 | GLICERIA M. SARMIENTO | 690,000 | 0.02% |
| 8 | NELIA CRUZ | 527,850 | 0.02% |
| 9 | ROGELIO M. SARMIENTO | 290,000 | 0.01% |
| 10 | ANTONIO S. RAAGAS | 270,000 | 0.01% |
| 11 | BETINA ANGELINA I. SARMIENTO | 228,510 | 0.01% |
| 12 | NORBERTO T. HOFELENA | 220,778 | 0.01% |
| 13 | GLADY Y. LAO | 215,000 | 0.01% |
| 14 | BERNAD SECURITIES, INC. | 203,000 | 0.01% |
| 15 | DANIEL J. ADVINCULA | 200,000 | 0.01% |
| 16 | ORLANDO P. CARVAJAL | 185,000 | 0.01% |
| 17 | TERESITA Y. SARMIENTO | 164,000 | 0.01% |
| 18 | LORENZO S. SARMIENTO | 141,134 | 0.00% |
| 19 | BIENVENIDO LIM | 140,000 | 0.00% |
| 20 | GEORGE CHUA | 111,000 | 0.00% |
| | Others | 11,366,413 | 0.37% |
| **Total Shares Issued and Outstanding** | | **3,054,334,014** | **100.00%** |

**Description of Shares**

Securities of the Company consist entirely of common stock with par value of P0.38 per share. All shares are equally eligible to receive dividends and repayment of capital and each share is entitled to one vote at the shareholders' meeting of the Company.

## Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### RESULTS OF OPERATIONS

### *Fiscal Year 2020 compared to Fiscal Year 2019*

Consolidated sale of goods decreased by 9%, from 8.4 billion registered in 2019 to 7.7 billion registered in 2020 mainly because of unfavorable chicken prices in the market brought about by COVID-19 pandemic and spread of African Swine Fever (ASF).

The Company recognized fair value adjustment on biological assets of P199 million in 2020 from P479 million in 2019.

Sale of goods per business segment is as follows:

- Food Segment:
  Sale of goods of food segment decreased by 23%, from P4.0 billion registered in 2019 to P3.1 billion in 2020 due to unfavorable selling price of chicken brought about by COVID-19 pandemic since April and towards the end of the year.

- Feeds Segment:
  Sale of goods of feeds segment increased by 4%, from P3.9 billion in 2019 to P4.1 billion in 2020, despite the pandemic and ASF, due to strong sales performance of Feeds commercial in Visayas and Mindanao, as well as higher sales from Feeds Tie-up program in Luzon and Mindanao regions.

- Farms Segment:
  Sale of goods of farms segment decreased by 2%, from P466 million registered in 2019 to P455 million in 2020 as poultry industry was badly affected by the unfavorable chicken prices in the market due to pandemic.

Cost of goods sold decreased by 8%, from P7.7 billion in 2019 to P7.1 billion in 2020 in relation to lower sales volume and lower raw material cost; and recognized fair value adjustment on biological assets of P184 million in 2020 from P471 million in 2019.

**Gross profit for 2020 amounted to P572 million, lower by 20% or P145 million from P717 million in 2019. Decreased gross profit was mainly due to unfavorable selling price of chicken brought about by** COVID-19 pandemic and **closure of hotel and restaurant institutions (or HRI) accounts.**

Operating expenses decreased by 9% from P588 million in 2019 to P537 million in 2020 due to operational efficiency and cost reduction measures that were implemented. Other operating income of P44 million in 2020 was increased by 50% as compared to 2019 primarily due to rendered tolling services.

Other charges which include interest expense decreased by 67%, from P176.6 million in 2019 to P57.8 million in 2020 due to lower tax settlement, interest expense, and provision for impairment losses on receivables. Other income recognized was lower by 97%, from P160.7 million in 2019 to P4.2 million in 2020 because of lower gain on fair value changes of investment properties.

Tax expense increased by 16% from P13.9 million in 2019 to P16.1 million in 2020.

**For the year, the Company still posted a Net Income of P9.3 million, despite being adversely affected by the pandemic and spread of African Swine Fever in Luzon. This was lower by P119.5 million or 93% as compared to 2019 of P128.8 million. The first quarter performance has provided ample buffer in the second and third quarter net losses.**

*Fiscal Year 2019 compared to Fiscal Year 2018*

Consolidated sale of goods increased by 2% only, from 8.3 billion registered in 2018 to 8.4 billion registered in 2019, mainly because of favorable chicken prices in the market during the second half of the year.

Sale of goods per business segment is as follows:

- Food Segment:
  Sale of goods of food segment increased by 5%, from P3.8 billion registered in 2018 to P4.0 billion in 2019 due to favorable selling price of chicken towards the second half of the year.

- Feeds Segment:
  Sale of goods of feeds segment amounted to P3.9 billion in 2019 and 2018. Several hog farm customers were also affected by African Swine fever during the last quarter of the year, nevertheless, the Company still able to sustain its sales during the year.

- Farms Segment:
  Sale of goods of farms segment decreased by 18%, from P570 million registered in 2018 to P466 million in 2019 as poultry industry was badly affected by the unfavorable chicken prices in the market during the first half of the year.

Cost of goods sold increased by 1%, from P7.6 billion in 2018 to P7.7 billion in 2019 due to higher cost of raw materials and high day-old-chick cost.

**Gross profit for 2019 amounted to P717 million, higher by 17% or P106 million from P612 million in 2018. Increased gross profit was mainly due to improved efficiency of poultry and feed operations and favorable chicken prices in the market during the second half of the year.**

Operating expenses increased by 1% from P585 million in 2018 to P588 million in 2019 due to higher administrative, selling and distribution expenses. Other operating income of P29 million in 2019 was decreased by 4% as compared to 2018 primarily due to lower rental income.

Other charges increased by 190%, from P76 million in 2018 to P220 million in 2019 due to higher tax settlement, interest expense, provision for impairment losses on receivables and one-time consultancy expense. Other income recognized was higher by 130%, from P89 million in 2018 to P204 million in 2019 because of higher gain on fair value changes of investment properties, gain on reversal of long-outstanding payables and recovery of accounts written-off.

Tax expense increased by 158% from P5.4 million in 2018 to P13.9 million in 2019.

**For the year, the Company posted a Net Income of P128.8 million in 2019, P63.7 million or 98% higher than 2018 of P65.2 million.**

*Fiscal Year 2018 compared to Fiscal Year 2017*

Consolidated sale of goods increased by 27%, from 6.5 billion registered in 2017 to 8.3 billion registered in 2018, driven by strong performance of all product lines.

Sale of goods per business segment is as follows:

- Food Segment:
  Sale of goods of food segment increased by 39%, from P2.8 billion registered in 2017 to P3.8 billion in 2018 due to higher sales volume and better selling prices of chicken, except in the last quarter of the year.

- Feeds Segment:
  Sale of goods of feeds segment increased by 16%, from P3.3 billion registered in 2017 to P3.9 billion in 2018 due to expansion of several farm customers.

- Farms Segment:
  Sale of goods of farms segment increased by 38%, from P412 million registered in 2017 to P570 million in 2018 due to successful recruitment of additional farm breeding and broiler partners.

Cost of goods sold increased by 32%, from P5.8 billion in 2017 to P7.6 billion in 2018 due to higher cost raw materials and high DOC cost. Better efficiency versus last year, however, during the last quarter of the year, the industry experience oversupply of chicken, resulting to gross profit of P612 million, lower by 15% or P110 million.

Operating expenses increased by 6% from P551 million in 2017 to P585 million in 2018 due to higher administrative, selling and distribution expenses. Other operating income of P35 million in 2018 was decreased by 3% as compared to 2017 primarily due to lower rental income.

Other charges decreased by 84%, from P55million in 2017 to P9.1 million in 2018 because no tax compromise settlement and liquidated damages were recognized this year and due to gain on fair value changes of investment properties.

Tax expense decreased by 82% from P29.1 million in 2017 to P5.4 million in 2018.

**With the above, the Company posted a Net Income of P65.2 million in 2018, P122.4 million in 2017 which is lower by 47% or P57.2 million.**

***Fiscal Year 2017 compared to Fiscal Year 2016***
Consolidated sale of goods increased by 27%, from 5.1 billion registered in 2016 to 6.5 billion registered in 2017, driven by strong performance of all product lines.

Sale of goods per business segment is as follows:

- Food Segment:
  Sale of goods of food segment increased by 47%, from P1.9 billion registered in 2016 to P2.8 billion in 2017 due to higher sales volume and better selling prices of chicken.

- Feeds Segment:
  Sale of goods of feeds segment increased by 13%, from P2.9 billion registered in 2016 to P3.3 billion in 2017 due to expansion of several farm customers.

- Farms Segment:
  Sale of goods of farms segment increased by 37%, from P301 million registered in 2016 to P412 million in 2017 due to successful recruitment of additional farm breeding and broiler partners.

Cost of goods sold increased by 29%, from P4.5 billion in 2016 to P5.8 billion in 2017 due to higher cost of some raw materials. Better efficiency versus last year, however, helped to partially mitigate the higher raw material prices resulting to a gross profit of P722 million, ahead by P89 million or 14%.

Operating expenses increased by 16% from P474 million in 2016 to P551 million in 2017 due to higher administrative, selling and distribution expenses. Other operating income of P36 million in 2017 decreased by 21% in 2016 primarily due to no recovery of accounts written off.

Other charges decreased by 69%, from P179 million in 2016 to P55 million in 2017 due to higher tax compromise settlement, demurrage on cargo release, and provision of probable loses in 2016.

Tax expense increased by 243% from P8.5 million in 2016 to P29 million in 2017.

**With the above, the Company posted a Net Income of P122.4 million in 2017, P104.8 million or 599% higher than 2016 of P17.5 million.**

***Fiscal Year 2016 compared to Fiscal Year 2015***

Vitarich Corporation and its Subsidiaries generated a consolidated sale of goods of P5.1 billion as of December 31, 2016, 48% sales growth over previous year of P3.4 billion. Sale of goods per business segment follows:

- Food Segment:
  Sale of goods of food segment increased by P652 million or 53%, from P1,222 million registered in 2015 to P1,874 million registered in 2016 due to increased volume of chicken sales.

- Feeds Segment:
  Sale of goods of feeds segment increased by P867 million or 42%, from P2,059 million registered in 2015 to P2,926 million registered in 2016 due opening new hog and broiler farm customers.

- Farms Segment:
  Sale of goods of farms segment increased by P137 million or 83%, from P164 million registered in 2015 to P301 million registered in 2016 due to successful recruitment of additional contract breeding partners.

The Company's cost of goods sold consists primarily of raw materials and packaging costs, manufacturing costs, and direct labor costs. Cost of goods sold increased by P1,530 million or 52%, to P4.5 billion in 2016 from P2.9 billion in 2015 due to increase in sales volume of animal and aqua feeds, live and dressed chicken and day old chicks.

**Vitarich gross profit for 2016 amounted to P633 million, ahead by P126 million or 25% from P507 million in 2015. Increased gross profit was mainly due to higher sales volume, improved efficiency of poultry and feed operations, improved inventory management and cost savings in operating expenses.**

Operating expenses in 2016 of P473 million increased by 12% from P421 million in 2015 due to higher selling and distribution expenses on account of improved sales volume. Other operating income in 2016 of P46 million increased by 21% in 2015 primarily due to recovery of accounts written off.

**As a result of the above factors, the Company registered an operating profit of P205 million in 2016, P82 million or 66% higher compared to 2015 of P123 million.**

Other charges of P178 million in 2016 were 46% higher than 2015 of P122 million due to tax compromise settlement, demurrage on cargo release, and provision of probable loses.

Tax expense in 2016 increased to P8.5 million versus 2015.

2016 other comprehensive income increased by 6149% compared to 2015.

**For the year, the Company incurred a total comprehensive income of P106 million, 1134% higher than 2015 of P8.6 million**

***Fiscal Year 2015 Compare to Fiscal Year 2014***

Vitarich Corporation and its Subsidiaries generated a consolidated sale of goods of P3.4 billion as of December 31, 2015, 46% sales growth over previous year of P2.4 billion. Sale of goods per business segment follows:

- Food Segment:
  Sale of goods of food segment increased by P428 million or 54%, from P794 million registered in 2014 to P1,222 million registered in 2015 due to increased turnover of poultry volume.

- Feeds Segment:
  Sale of goods of feeds segment increased by P614 million or 42%, from P1,445 million registered in 2014 to P2,059 million registered in 2015 due to increasing sales from current and new customers.

- Farms Segment:
  Sale of goods of farms segment increased by P37 million or 29%, from P127 million registered in 2014 to P164 million registered in 2015 due to better supply of day old chick (DOC) volume.

The Company's cost of goods sold consists primarily of raw materials and packaging costs, manufacturing costs, and direct labor costs. Cost of goods sold increased by P754 million or 35%, to P2.9 billion in 2015 from P2.2 billion in 2014 due to increase in sales volume.

**Vitarich gross profit for 2015 amounted to P507 million, ahead by P325 million or 178% from P182 million in 2014. Increased gross profit was mainly due to higher sales volume, better selling prices of foods and farm products, perfected farm efficiencies, improved feed production, and lower cost of raw materials.**

Operating expenses in 2015 of P421 million increased by 12% from P377 million in 2014 due to higher administrative expenses and selling and distribution expenses. Other operating income in 2015 of P38 million declined by 48% in 2014 primarily due to lower income from tolling operations related to the sale of hatchery properties.

**As a result of the above factors, the Company registered an operating income of P123 million in 2015, P246 million or 200% higher compared to 2014 operating loss of P123 million.**

Other charges of P122 million in 2015 was 82% lower than 2014 of P689 million.

In 2015 and 2014, the Company's BOD approved the disposal of certain noncore and core property, plant and equipment including its major feed mill and the land where it is located in Marilao, Bulacan. The proceeds were used to further reduce outstanding liabilities and generate needed working capital. In 2015, loss on sale of property, plant and equipment, investment properties and others of P94.6 million decreased by 85%.

- Interest income amounted to P0.17 million in 2015 and P0.53 million in 2014 decreased by 68% *(see note 7 of the accompanying consolidated financial statements)*.
- Allowance for impairment loss was mainly for input VAT of P3.1 million *(see note 10 of the accompanying consolidated financial statements)*.
- Interest expense of P0.22 million was computed on the restructured debt as part of total interest expense in the 2015 consolidated statements of comprehensive income *(see note 21 of the accompanying consolidated financial statements)*.

- The Company recognized fair value gain of P2.8 million in 2015 and fair value loss of P5.4 million in 2014 or 151% reduction *(see note 12 of the accompanying consolidated financial statements)*.

Tax benefit in 2015 decreased by P277.7 million or 97% versus 2014. The components of tax benefit as reported in the consolidated statements of comprehensive income are current tax expenses: MCIT at 2% and deferred tax benefit relating to origination and reversal of temporary differences *(see note 20 of the accompanying consolidated financial statements)*.

2015 other comprehensive income increased by 277% compared to 2014 *(see note 18 of the accompanying consolidated financial statements)*.

**For the year, the Company incurred a net income of P8.6 million, 101% higher than the loss of P577.8 million in 2014.**

**Financial Condition**

Total current assets as of December 31, 2020 of P1.8 billion was 15% lower than 2019 of P2.2 billion as restated. Decrease in current assets were due to lower cash, receivables, inventories and other current assets.

Noncurrent assets were same at P2.0 billion as of December 31, 2019 and as of December 31, 2020. In 2020, we recognized gain on fair value changes of P4 million and acquired net additions to property, plant and equipment and investment properties of P141 million, but recognized decreased in the right of use assets by P155 million due to pre-termination of some contract of lease.

Current liabilities decreased by 13% from P2.1 billion as of December 31, 2019 to P1.8 billion as of December 31, 2020 mainly due to decrease in short-term loans payable and lease liabilities.

Noncurrent liabilities decreased by 15% from P469 million as of December 31, 2019 to P396 million as of December 31, 2020 mainly due to partial payment of long-term loans payable and decreased of lease liabilities related to pre-termination of some contract of lease.

**The Corporation's top five (5) key performance indicators are described as follows:**

| | 2020 | 2019 |
|---|---|---|
| Revenue (Php Million): | | |
| Sale of goods | 7,682 | 8,439 |
| Fair value adjustment on biological assets | 199 | 480 |
| Cost Contribution (Php Million): | | |
| Cost of goods sold | 7,126 | 7,730 |
| Fair value adjustment on biological assets | 184 | 471 |
| Gross Profit Rate (%) | 7% | 8% |
| Operating Margin (Php Million) | 79 | 159 |

1) Sales Volume, Price, and Revenue Growth

Consolidated revenue, composed of food, feed, and farm sales including fair value adjustment on biological assets, amounted to P7.9 billion, 12% lower than last year of P8.9 billion.

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. This also includes fair value adjustments on biological assets. Costs are analyzed on a regular basis for management's better strategic decisions 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
Operating margin 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.

5) Plant Capacity Utilization
This determines total usage of the plant capacity. The higher the plant utilization, the better the productivity, which translates to better margin.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures.

There are no significant elements of income or loss arising from continuing operations.

There is no known trend, or any demand, commitments, event or uncertainty that will result in or that are reasonably likely to result to Corporation's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

**Item 7. FINANCIAL STATEMENTS**

The Consolidated Audited Financial Statement of the Corporation for the year-ended December 31, 2020 including the applicable schedules listed in the accompanying index to financial statements and supplementary schedules are filed as part of this form 17-A.

**Item 8. INDEPENDENT PUBLIC ACCOUNTANTS**

For the year 2020, the Company's independent public accountant is the accounting firm of SyCip Gorres Velayo & Co. The audit of the financial statements of the Company was handled and certified by the engagement partner, Ms. Christine G. Vallejo. The firm has complied with the Revised SRC Rule 68, paragraph 3 (b) (iv) re: seven (7) years rotation requirement for the external auditor.

Pursuant to SRC Rule 68.1 (Qualification and Reports of Independent Auditors), the Company engaged SyCip Gorres Velayo & Co. for the audit of the Company's financial statements effective calendar year 2020. The engagement of SyCip Gorres Velayo & Co. and the engagement partner is approved by the Board of Directors and the stockholders of the Company.

**External Audit Fees and Services**

The work of SyCip Gorres Velayo & Co. consisted of an audit of the financial statements of the Company to enable them to express an opinion on the fair presentation, in all material respects, of the Company's statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows in accordance with Philippine Financial Reporting Standards. For the year 2020, audit fees amounted to 3.5 million, exclusive of VAT and out of pocket expenses.

There were no other services obtained from the external auditors other than those mentioned above.

The Audit Committee has confirmed the terms of engagement and the scope of services of the external auditor as endorsed by the Management of the Company

**Audit, Risk Oversight, and Related Party Transactions Committee**

The Audit, Risk Oversight, and Related Party Transactions Committee's approval policies and procedure for external auditors are:

1. Statutory audit of company's annual financial statements
    a. The Audit, Risk Oversight, and Related Party Committee ensures that the services of the external auditor conform with the provision of the company's manual of corporate governance specifically articles 2.3.4.1; 2.3.4.3 and 2.3.4.4
    b. The Audit, Risk Oversight, and Related Party Committee makes an assessment of the quality of prior year audit work services, scope, and deliverables and makes a determination of the reasonableness of the audit fee based on the proposed audit plan for the current year.
2. For services other than annual F/S audit:
    a. The Audit, Risk Oversight, and Related Party Committee evaluates the necessity of the proposed services presented by Management taking into consideration the following:
        i. The effectiveness of company's internal control and risk management arrangement, systems and procedures, and management degree of compliance.
        ii. The effect and impact of new tax and accounting regulations and standards.
        iii. Cost benefit of the proposed undertaking
    b. The Audit, Risk Oversight, and Related Party Committee approves and ensures that other services provided by the external auditor shall not be in conflict with the functions of the external auditor for the annual audit of its financial statements.

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There was no event in the past fifteen (15) years where the previous and current external auditors had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure. There were no disagreements with the external auditor of the Company on any matter of accounting and financial disclosure.

## PART III - CONTROL AND COMPENSATION INFORMATION

**Item 9. DIRECTORS AND EXECUTIVE OFFICERS**

The directors of the Company are elected at the annual meeting of the stockholders to hold office until the next succeeding annual meeting of the stockholders and until the respective successors have been elected and qualified.

Officers are elected by the newly elected Board of Directors at the organizational meeting held right after the annual meeting of the stockholders. The Board also elects during its organizational meeting the chairman and members of the Audit, Risk Oversight and Related Party Transactions as well as the chairman and members of the Nominations, Remuneration, and Corporate Governance Committees. There are three (3) independent directors, one of whom is the Chairman of the Audit, Risk Oversight and Related Party Transactions Committee and another one heads the Nominations, Remuneration, and Corporate Governance Committee. The officers shall be subject to removal at any time by the Board of Directors, but all officers, unless removed, shall hold office until their successors are appointed. If any vacancy shall occur among the officers of the Corporation, such vacancy shall be filled by the Board of Directors.

**Jose Vicente C. Bengzon III, Filipino, 63 years old**
**Director/Chairman of the Board**
Mr. Bengzon has been Vitarich Corporation's Chairman of the Board since 2012. He has been Director & Chairman of Risk Management Committee, Rizal Microbank since 2010; Vice Chairman & Chairman of Executive Committee, Commtrend Construction Corp. since 2014; Director and Treasurer, Inception Technology Philippines Corp. since 2019; and Senior Adviser to the Board, Malayan Bank since 2018. He was Consultant at SGV, 1982-1985 and Financial Planning and Projects Manager of Reuters America, 1988-1990. From 1991 to 1996, he was with Dole Philippines and served in various capacities as Assistant to the Country Manager, Manager - Financial Planning Group, and Financial Analyst. He was also an Entrepreneur of Westborough Food Corporation from 1993-2001. He was Director of Philippine Quality Awards Foundation, 1998 – 2011; Board of Trustees, Philippine Quality and Productivity Movement Davao Chapter, 1998 – 1999; Board of Trustees, Davao City Chamber of Commerce and Industry, 1999 – 2000; President, Productivity Development Council – Mindanao, 1999 – 2000; and President of Abarti Artworks Corporation, 2001-2004. In 2005, he was the Chief Privatization Officer of the Department of Finance and Director of Panaro Minerals Phils. and Philippine Al Amanah Islamic Bank. He was President of Duma Group of Companies from 2006 to 2011; President of UPCC Holdings Corp, 2010; acting Chairman, Philippine National Construction Corp., 2012 – 2013 and its Board Member, 2005 - 2011; Director, Manila North Tollways Corp., 2012 - 2013; Director, South Luzon Tollways Corp., 2011 - 2012; an Independent Director of Bermaz Auto Phil's Inc., 2017; and Director & Chairman of Audit Committee of Century Peak Mining Corp., 2016 - 2018. He is a Certified Public Accountant and a graduate of De La Salle University having obtained his Bachelor of Science in Commerce and Bachelor of Arts degrees major in Economics in 1980 therefrom. He earned his Master of Business Administration at the J. L. Kellogg School of Management at Northwestern University in 1988.

**Ricardo Manuel M. Sarmiento, Filipino, 44 years old**
**Director/President & Chief Executive Officer**
Mr. Ricardo Manuel Sarmiento is presently the President and Chief Executive Officer of Vitarich Corporation. He leads the over-all operations of Vitarich Corporation. He holds a degree in Bachelor of Science in Tourism from the University of the Philippines in Diliman, Quezon City. He is a member of the Upsilon Sigma Phi and Rotary Club of Manila. Mr. Sarmiento joined Vitarich in July 2005.

**Stephanie Nicole M. Sarmiento-Garcia, Filipino, 41 years old**
**Director/Executive Vice-President, Corporate Service Management Director and Treasurer**
Ms. Garcia is the EVP, Corporate Management Director and Treasurer of the Company. As such, she is in charge of the funds, assets, securities, receipts and disbursements of the Corporation. She oversees efficient operations, allocates funds and negotiates contracts and prices as well. Prior to Vitarich, Ms. Garcia worked as a Store Manager at *Le Pain Quotidien,* an international chain of café-style restaurants, specializing in bakery items. Early on, she held a front desk position at the *Ritz Carlton Hotel* in San Francisco. She holds a degree in International Hospitality Management from Glion Institute of Higher Education (formerly known as Glion Hotels School), a private, university-level Swiss hotel management school in Switzerland. Ms. Garcia joined Vitarich in October 2003. In February 2020, Ms. Garcia was elected President of Philippine Association of Feed Millers, Inc. (PAFMI).

**Rogelio M. Sarmiento, Filipino, 72 years old**
**Director**
Mr. Sarmiento was the President of L. S. Sarmiento & Co., Inc., Sarmiento Industries, Inc., Fortuna Mariculture Corporation, and Sarphil Corporation from 1968 to 1981. He obtained his Bachelor of Science in Business Administration degree from the University of San Francisco and his Master of Business Administration degree from the University of Sta. Clara in the United States of America. He was President of the Philippine Association of Feed Millers Inc. from 1990-1992 and Vice-President of the Philippine Chamber of Commerce from 1988 to 1989. Formerly a member of the Interim Batasang Pambansa, he concurrently served as Minister of State for Transportation and Communications. He also served as Deputy Director General of the National Economic and Development Authority. He was a member of the House of Representatives representing the First District of the Province of Davao del Norte from 1992 to 2001.

**Benjamin I. Sarmiento Jr., Filipino, 51 years old**
**Director**
Mr. Benjamin Sarmiento is a graduate of the University of San Francisco with a degree of Bachelor of Arts in Economics. He is the Chief Executive Officer of Sarmiento Pacific Holdings and Equities (formerly Pacific Equities, Inc.) from 1989 up to the present. He is also a Director of the following companies: M3 Ventures, International Inc. from 1991 up to the present, and Ultra-Seer, Inc., Hillsdale Marketing Inc., Specialized Products & Services, Inc., Escotek, Inc. and Diversified Industrial Technology, Inc. from 2002 up to the present. He is the Chief Executive Officer of Sarmiento Pacific Agribusiness.

**Lorenzo Vito M. Sarmiento III, Filipino, 46 years old**
**Director**
Mr. Sarmiento is President of Davito Holdings Corporation and Lockbox Storage Inc. He is Co-founder and Chief Operating Officer of Advanced Environmental Soil Solutions, Inc. He was President of Medityre, President of Speed Space Systems, Chairman of Emphasys Process Corporation, Investor and co-founder at South Super Sports, Team Manager under contract with the Philippine Football Federation, Creative Director of Speed HKG. He graduated in 1999 from the University of San Francisco, San Francisco CA USA, with a degree in Bachelor of Science in Business Administration with emphasis in Marketing and International Business. He took up special courses in International Studies at the Richmond College in London, England and Network Engineering at Herald College, San Francisco CA USA. He was elected as director of the Corporation on June 29, 2012.

**Manuel D. Escueta, Filipino, 70 years old**
**Independent Director**
Mr. Escueta was elected as an Independent Director of the Corporation on January 24, 2014. He worked as General Advertising Manager of P&G Asia (1973-2000), Vice President for Corporate Marketing & Communication of United Laboratories, Inc. (Sept 2001- March 2004), President & CEO of Pascual Laboratories, Inc. (March 2009 - March 2012), Chairman of Pascual Consumer Health Corp (March 2010-Sept 2013). He is at present an Independent Director of Pascual Laboratories, Inc (March 2016 onwards), a Marketing Adviser for Mega Global Corporation (February 2016 onwards), the Vice-Chairman of the Board of Trustees of Southridge PAREF School for Boys (1997 onwards). He served as President of the EduChild Foundation (November 2004 to August 2019) and was a Board Director of the Advertising Board of the Philippines (1980-1985, 1992-1995). He is a graduate of University of the Philippines in Diliman, Quezon City, with a degree in Business Administration Major in Marketing (1972).

**Levi F. Diestro, Filipino, 63 years old**
**Independent Director**
Mr. Diestro is an International Human Resources Manager and currently the President and CEO of HRK Management Consultancy, and Board Member of HRK Consulting Corporation. He was the Founder and Vice President Human Resources and Administrative Department of Quick Reliable Courier Services Inc. a logistics company. At present, he is a member of the PMAP – Industrial Relations Committee , PMAP

(People Management Association of the Philippines). He worked at Maynilad Water Services Inc., a subsidiary of MVP Group of Companies as Vice President Human Resources, Division from 2011 to 2016. He was a Consultant of the Bureau of Customs, Department of Finance in 2011. He also became the Corporate HR Director of Lina Group of Companies in 2008 to 2010. He served as a Country HR Manager (Philippine Site) of intel, Numonyx Philippines, Inc., HR Manager of DHL Exel Supply Chain, HR-Employee Relations and Services Manager of Analog Devices, Inc., HR-Senior Division Manager of Integrated Microelectonics, Inc., ( An Ayala Subsidiary) , and HR Department Manager of Philippine Auto Components, Inc. - Denso Corp. Japan. He is a graduate of Colegio de San Juan de Letran, with a degree on BS Psychology in 1980, MBA units. He was elected as director of the Corporation on July 04, 2014.

**Atty. Juan Arturo Iluminado C. de Castro, Filipino, 40 years old**
**Director**
Dr. Juan Arturo Iluminado C. de Castro (or “Johnny”) is a practicing lawyer with a Bachelor of Laws degree from the University of the Philippines (UP) College of Law, and is the first Filipino to obtain both a Doctorate in the Science of Law (J.S.D.) and a Master of Laws (LL.M.) degree at the University of California (UC) Berkeley School of Law (Boalt Hall) in the United States of America (USA) in 2011. He authored the book on Philippine Energy Law (2012), which provides guidance for investing in the country’s electric power industry. Dr. De Castro has extensive experience in corporate rehabilitation or Chapter 11 Bankruptcy in the Philippines as managing partner of the De Castro & Cagampang-De Castro Law Firm, a boutique law firm in Makati. Their law practice includes civil and criminal litigation before various courts, appellate practice, real estate transactions, and cases before the Sandiganbayan, among others. He is currently also an Assistant Professorial Lecturer at the De La Salle University College of Law.

**Vicente J.A Sarza, Filipino, 68 years old**
**Independent Director**

Mr. Sarza was first elected as Independent Director of the Corporation in 2016. He was a director and Chief Operating Officer of Mabuhay Capital until his retirement therefrom in 2020. However, he remains to be a consultant of Mabuhay Capital. Prior to joining Mabuhay Capital, Mr. Sarza was Senior Vice President, Head of institutional banking at Asia United Bank (AUB), a publicly listed company, which operates as a universal bank. Before moving to AUB, Mr. Sarza was a Principal, Head of Advisory Services in KPMG Philippines. He was responsible for the significant expansion of market share and significant increase in recognition of KPMG Advisory as an advisory services firm in key industries such as financial institutions, energy, water, infrastructure, insurance and in government and the multilateral institutions. Over the years, Mr. Sarza's extensive experience includes successful engagements as Director to Chief Privatization Officer, rank of Undersecretary in the Privatization and Management Office (An Agency of the Department of Finance). Mr. Sarza was also a Director and Chairman of the Technical Committee Privatization Office and Special Concerns for Department of Finance (Republic of the Philippines). Mr. Sarza had various roles in the successful privatization of Maynilad, International School, Philippine Telecommunications Investment Corp., Energy Development Corp., and lloilo Airport. Mr. Sarza spent more than 25 years in banking, his stints spanning corporate, middle market, and consumer banking with added responsibilities in his last 8 years through involvement in senior functions such as Mancom, Asset and Liabilities Management and Credit Committee duties, among others. Prior to Department of Finance, Mr. Sarza spent a total of 14 years in United Coconut Planters Bank (UCPB) and UCPB Savings Banks as Manager to First Vice President-Head of the Commercial Credit Division and President and COO, respectively. Mr. Sarza holds a A.B. Economics from the Ateneo De Manila University.

**Jose M. Sarmiento, Filipino, 65 years old**
**Director**
Mr. Jose Sarmiento is a graduate of Araneta University with a degree of Bachelor of Science in Agriculture. He served as a Board of Director of the Sarmiento Management Corporation, Luz Farms, Inc., Metro Manila Retreaders Inc. and Vitarich Corporation. He was re-elected as director of the Corporation in November 2016 until present.

**Other Executive Officers**

**Reynaldo D. Ortega, Filipino, 51 years old**
**Senior Vice President and General Manager Poultry, Food and Feed Sales Division**

Dr. Ortega is a Doctor of Veterinary Science and Medicine and obtained his degree in Central Luzon state University in 1992. He was graduates of Bachelor of Science in Animal Husbandry in the same University 1n 1990. He took up is Master Degree at University of Asia and the Pacific on Agribusiness Executive Program in 2018. He started as Production Supervisor in Purefoods Corporation in Sto. Tomas, Batangas and was later assigned as Veterinary Supervisor at Purefood's JMT office in Ortigas, Pasig. He joined Vitarich Corporation in 1994 as Extension Veterinarian and, since then, handled various positions as Veterinary Services Group Head, Contract Growing Operations Head, Technical Head, Poultry and Livestock Division Head, until his appointment as Senior Vice President and General Manager-Poultry and Foods Division in March 2018. His training includes Poultry Tunnel Ventilation System, Poultry Management in Cage System, Immunology and Virology, and Artificial Insemination in Broiler Breeder. He attended various symposiums about Poultry production, processing and marketing in USA, Europe and Asia.

**Eugenio B. Bayta Jr., Filipino, 57 years old**
**Vice President and National Poultry Processing Manager**

Engr. Eugene Bayta joined Vitarich Corporation in November of 2018 as the Vice President, National Poultry Processing Manager. He earned his Bachelor's degree in Agricultural Engineering at the University of the Philippines at Los Banos in 1985 and passed the Board in 1987, placing 4th among the passers. He has 33 years of experience in the poultry industry having worked for RFM Corporation, Swift Foods, Inc. and Poultrymax Omnis, Inc. He has extensive experience in the whole Broiler Integration Operation from Broiler Breeding all the way down to Poultry Processing Operations. Effective September 1, 2020, he was seconded to Barbatos Ventures Corporation as its General Manager.

**Alicia G. Danque, Filipino, 47 years old**
**Vice President & Supply Chain Director, Alternate Corporate Information Officer**
Mrs. Alicia Gregorio - Danque was appointed as Vice President & Supply Chain Director effective January 1, 2020, to provide over-all directions in feed operations and supply chain. Hired in 1995, Ms. Danque was Corporate Planning Manager for 16 years. She was born in Bulacan, where she currently resides. She is a graduate of BS Industrial Engineering at Mapua University and took up postgraduate courses in Philippine Women's University and University of Asia and the Pacific.

**Emmanuel S. Manalang, Filipino, 56 years old**
**Vice President & Nutrition and Research & Development Manager**

Dr. Emmanuel S. Manalang was appointed as Vice President & Nutrition and Research & Development Manager on August 1, 2019. He is a graduate of Veterinary Medicine from the University of the Philippines in 1985. He started his career in Animal Nutrition working for ER Squibb and Sons Philippines as a Vitamin Mineral Specialist. He has developed his skills by enriching his experience working with Ciba Geigy Philippines, Ajinomoto, Amino Acid Department as a Technical Manager. He has been an Animal Nutritionist/Nutrition consultant for many commercial feed mills and farm operations nationwide since 1989. Dr. Manalang has a vast experience in the field of Swine and Poultry Nutrition, Aqua Nutrition and Pet Nutrition. He is also engaged in exotic bird breeding and management.

**Glenmark R. Seducon, Filipino, 30 years old**
**Chief Audit Executive**
Mr. Glenmark Seducon was appointed as Chief Audit Executive on August 23, 2019. Prior to joining the Company, he was a former Audit Associate Manager in Reyes Tacandong & Co. (a member firm of RSM International) with over 5 years of experience in handling audit of both private and publicly-listed companies in the field of manufacturing, hotel and restaurants, real estate, foundations, port operations, retails, not-for-profit corporations, service organizations and BPO. A Certified Public Accountant, Mr. Seducon graduated from Far Eastern University – Manila and received his Bachelor of Science in Accountancy as Magna Cum Laude.

**Atty. Aison Benedict C. Velasco, Filipino, 43 years old**
**Corporate Secretary**
Atty. Velasco was appointed as Corporate Secretary of the Corporation last 26 April 2019. He is presently a Partner of the Angara Abello Concepcion Regala & Cruz Law Office (ACCRALAW), the firm he joined in 2003. He obtained his bachelor's degree from the Ateneo de Manila University in 1999 and his Juris Doctor law degree from the same university in 2003 graduating with Second Honors. Presently, he acts as corporate secretary of several companies, including AB Mauri Philippines, Inc., ELC Beauty, Inc., Smartmatic Philippines, Inc., UBS Securities Philippines, Inc., UBS Investments Philippines, Inc., Grey Philippines, Inc., Shin Clark Power Holdings, Inc. and other local companies. **Atty. Mary Christine C. Dabu-Pepito, Filipino, 35 years old**
**Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer**
Atty. Dabu-Pepito was first appointed as the Corporation's Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer on 21 March 2016. She obtained her Bachelor of Arts (Cum Laude) at the University of the Philippines – Diliman and her Bachelor of Laws degree at the San Beda College-Manila in 2011 and was admitted to the Bar on 28 March 2012. She joined Dulay, Pagunsan & Ty Law Offices as one of its Associate Lawyers until May 2013. From June 2013 up to March 2016, she was an Associate Lawyer at Dabu & Associates Law Office and was appointed as a Partner of the said firm on April 2016. Her areas of practice include civil, family, criminal, commercial, administrative, employment and labor law litigation as well as corporate and commercial services. She is an alumna of the 5$^{th}$ Cohort of the Applied Sustainability Management in Asia Pacific (ASMAP 5) held on October 2019. Organized by the Center for Social Responsibility of the University of Asia and the Pacific, ASMAP is an executive training program for linking sustainability and business performance.

**Family Relationships**

Director Rogelio M. Sarmiento is the father of Directors Ricardo Manuel M. Sarmiento and Stephanie Nicole S. Garcia.

Directors Benjamin I. Sarmiento Jr. and Lorenzo Vito M. Sarmiento III are the cousins of Directors Ricardo Manuel M. Sarmiento and Stephanie Nicole S. Garcia.

Director Jose M. Sarmiento is the brother of Director Rogelio M. Sarmiento and the uncle of Directors Ricardo Manuel M. Sarmiento, Stephanie Nicole S. Garcia, Benjamin I. Sarmiento Jr. and Lorenzo Vito M. Sarmiento III.

**Significant Employees**

No other persons aside from the Directors and Executive Officers are expected to make a significant contribution to the business of the Corporation.

**Involvement in Certain Legal Proceedings**

The Company has no knowledge of any event during the past five (5) years up to the latest filing date which any of its directors or executive officers had been or are currently involved in any criminal or bankruptcy proceedings or subject of any order or judgment of any court or quasi-judicial agency, whether local or foreign, effecting his/her involvement in business, securities, commodities or banking activities.

**Item 10. EXECUTIVE COMPENSATION**

**Standard Arrangement**

The members of the Board of Directors are entitled to a per diem of PhP10,000 for regular meetings whereas the members of the Audit, Risk Oversight, Related Party Transactions, Corporate Governance and Compensation & Nomination Committees are entitled to a per diem of PhP5,000 for every meeting participation.

**Arrangements with Directors & Officers**

The Company does not extend or grant warrants or options to its executive officers and directors. Thus, it has no obligation to disclose information pertaining to warrants and options.

The market value of the shares of stock, if any, received by the Company's executives and officers approximate the compensation that they should have received had the payment been made in other form of consideration at the grant date.

**Executive Compensation**

The compensation includes the following:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Short-term employee benefits | **41,524,264** | 38,616,323 | 40,928,845 |
| Retirement benefits | **2,984,183** | 3,909,370 | 1,736,520 |
| Others | **2,303,769** | 2,201,141 | 2,445,457 |
| | **46,812,216** | 44,726,834 | 45,110,822 |

The aggregate compensation including other remunerations during the last two fiscal years, as well as those estimated to be paid in the ensuing fiscal year to the Corporation's Chief Executive Officer and Officers is as follows: (in millions of Pesos)

| **NAME & PRINCIPAL POSITION** | **YEAR** | **SALARY** | **Bonus & Others** |
|---|---|---|---|
| 1. RICARDO MANUEL M. SARMIENTO – CEO/President | 2020 | | |
| 2. STEPHANIE NICOLE S. GARCIA- EVP, Corporate Management Services Director/Treasurer | 2020 | | |
| 3. REYNALDO D. ORTEGA – SVP & GM Poultry, Food and Feed | 2020 | | |

| | | | |
|---|---|---|---|
| Sales Division | | | |
| 4. EUGENE B. BAYTA JR. -VP, National Poultry Processing Head | 2020 | | |
| 5. ALICIA G. DANQUE – VP & Supply Chain Director, Alternate Corporate Information Officer | 2020 | | |
| TO T A L (Estimated) | 2021 | 22.14 | - |
| | 2020 | 20.28 | - |
| | 2019 | 13.96 | - |
| ALL OTHER OFFICERS & DIRECTORS AS A COMPANY UNNAMED (Estimated) | 2021 | 2.31 | - |
| | 2020 | 2.02 | - |
| | 2019 | 1.65 | - |

The following are the five highest compensated officers of the Company:

1. **Ricardo Manuel M. Sarmiento** – CEO/President
2. **Stephanie Nicole S. Garcia** – EVP, Corporate Management Services Director/Treasurer
3. **Reynaldo D. Ortega** – SVP & GM Poultry, Food and Feed Sales Division
4. **Eugene B. Bayta Jr.** – VP, National Poultry Processing Head
5. **Alicia G. Danque** – VP & Supply Chain Director

**Item 11. SECURITY OF OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Owners of record of more than 5% of the Corporation's voting securities as of 31 December 2020 are as follows:

| Title of Class | Name, Address of Record Owner & Relationship with Issuer | Name of Beneficial Owner & Relationship w/ Record Owner | Citizenship | No. of Shares | Percent of Class |
|---|---|---|---|---|---|
| Common Shares | **PCD NOMINEE CORPORATION (FILIPINO)**<br>37/F The Enterprise Center,<br>Ayala Avenue Corner, Makati City | Various Beneficial Owners | Filipino | 2,913,111,907 | 95.38% |
| Common Shares | **KORMASINC, INC.**<br>7th Floor, LTA Bldg., 118 Perea St.<br>Legazpi Village, Makati City | Various Beneficial Owners | Filipino | 1,474,602,604 | 48.28% |
| Common Shares | **CHOCOHOLIC HOLDINGS, INC.**<br>Vitarich Corporation Compound, Marilao<br>San Jose Road Brgy. Sta. Rosa I Marilao, Bulacan | Various Beneficial Owners | Filipino | 704,290,000 | 23.06% |

**Security of Ownership of Management**
The number of common shares beneficially owned by directors and executive officers as of 31 December 2020 is as follows:

| TITLE OF CLASS | NAME OF BENEFICIAL OWNER | AMOUNT & NATURE OF BENEFICIAL OWNERSHIP | CITIZENSHIP | PERCENT OF CLASS |
|---|---|---|---|---|
| Common | Jose Vicente C. Bengzon III | 10,000 | Filipino | 0.00% |
| Common | Rogelio M. Sarmiento | 6,386,320 | Filipino | 0.21% |
| Common | Benjamin I. Sarmiento Jr. | 199 | Filipino | 0.00% |
| Common | Ricardo Manuel M. Sarmiento | 57,784,990 | Filipino | 1.89% |
| Common | Stephanie Nicole S. Garcia | 104,359 | Filipino | 0.00% |
| Common | Lorenzo Vito M. Sarmiento III | 500 | Filipino | 0.00% |
| Common | Jose M. Sarmiento | 1,305,320 | Filipino | 0.04% |
| Common | Levi F. Diestro | 300 | Filipino | 0.00% |
| Common | Vicente J.A. Sarza | 1 | Filipino | 0.00% |
| Common | Manuel D. Escueta | 1 | Filipino | 0.00% |
| Common | Juan Arturo Iluminado C. de Castro | 9,340,034 | Filipino | 0.31% |
| Common | Aison Benedict C. Velasco | 0 | Filipino | 0.00% |
| Common | Mary Christine Dabu-Pepito | 0 | Filipino | 0.00% |
| Common | Reynaldo D. Ortega | 1,219,974 | Filipino | 0.04% |
| Common | Alicia G. Danque | 0 | Filipino | 0.00% |
| Common | Eugene B. Bayta Jr. | 0 | Filipino | 0.00% |
| Common | Emmanuel S. Manalang | 0 | Filipino | 0.00% |
| Common | Glenmark R. Seducon | 0 | Filipino | 0.00% |

**Item 12. 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 are 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 P=200.0 million), P=2.4 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 69.20% to 71.90% (see Notes 1 and 25).

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

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 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 and 14).

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| **Related Parties** | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| **Trade and other receivables** | | | | | |
| Entities under common control | Sales | **₱1,072,194,796** | | ₱843,138,904 | |
| | Collections | **(1,105,153,625)** | **₱195,651,548** | (640,264,819) | ₱228,610,377 |
| **Trade and other payables** | | | | | |
| Entities under common control | Purchases | **₱1,429,424,720** | | ₱1,591,869,921 | |
| | Payments | **(1,481,354,755)** | **₱41,918,534** | (1,501,864,550) | ₱93,848,569 |
| **Operating lease** | | | | | |
| Entities under common control | Rental income | **₱11,895,676** | | ₱11,237,321 | |
| | Collection | **(11,895,676)** | **₱–** | (11,237,321) | ₱– |

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 ₱87.4 million from one of the Company's stockholders.

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| **Related Party** | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| Stockholder | Advances for working capital | **(₱89,905,000)** | | (₱85,726,435) | |
| | Interest | **407,532** | **₱76,633,329** | 13,378,992 | ₱– |

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.

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| Advances to officers and ›loyees | Net transactions | **(₱137,572)** | **₱536,026** | **₱126,867** | **₱673,599** |

Compensation of Key Management Personnel

The compensation includes the following:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Short-term employee benefits | **41,524,264** | 38,616,323 | 40,928,845 |
| Retirement benefits | **2,984,183** | 3,909,370 | 1,736,520 |
| Others | **2,303,769** | 2,201,141 | 2,445,457 |
| | **46,812,216** | 44,726,834 | 45,110,822 |

**Voting Trust Holders of 5% or more**

The Company is not aware of any person holding more than 5% of its common shares under a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the Company and the Securities and Exchange Commission, as required under the Corporation Code.

**Description of any arrangement which may result in a change in control of the Corporation**

There are no arrangements that will affect or change the ownership.

## PART IV – CORPORATE GOVERNANCE

### Item 13. CORPORATE GOVERNANCE

The Company complies and adheres to its Amended Manual on Corporate Governance. The Board of Directors and the management, from time to time, make the necessary amendments to its policies and strategies to ensure business continuity while employing the best practices in corporate governance. The members of the Board of Directors disclose any potential or actual conflict of interest they may have in a transaction presented for approval of the Board. They likewise inhibit from the discussions and voting of the said transaction. The Company continues to improve its corporate governance practices.

## PART V – EXHIBITS AND SCHEDULES

### Item 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits

The exhibits, as indicated in the Index to Exhibits, are neither applicable to the Company nor require an answer.

(b) Reports on SEC Form 17-C

The following are the items reported under SEC Form 17-C for the year 2020:

| Date of Report | REMARKS |
|---|---|
| January 3, 2020 | Appointment of Ms. Alicia G. Danque as Vice President and Supply Chain Director |
| March 16, 2020 | Report on the Impact and Risk of COVID-19 on Business Operations and Measures to Mitigate the Risks |
| April 3, 2020 | Resignation of Mr. Rhuel S. Diego |
| May 1, 2020 | Postponement of Annual General Meeting 2020 |
| May 1, 2020 | Notice of Annual General Meeting 2020 |
| May 8, 2020 | Amendments on Notice of Annual General Meeting 2020 |
| June 8, 2020 | Approval of 2019 Audited FS |
| June 30, 2020 | Press Release: "2020 was supposed to be our year" |
| July 13, 2020 | Amended Notice of Annual General Meeting |
| July 17, 2020 | Amended Notice of Annual General Meeting 2020 |
| July 17, 2020 | Amendment of Amended Articles of Incorporation |
| July 22, 2020 | Advisement Letter to send DIS |
| July 30, 2020 | List of Stockholders entitled to vote as of record date July 28, 2020 |
| July 30, 2020 | Amended Notice of Annual General Meeting 2020 |
| August 14, 2020 | Approval of Distribution of DIS |
| August 28, 2020 | Results of Annual General Meeting and Organizational Meeting 2020 |
| October 29, 2020 | HACCP Certification |

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code (now Section 177 of the Revised Corporation Code of the Philippines), this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ________________________ on__________, 20__.

By:

**Ricardo Manuel M. Sarmiento**
CEO & President
(Principal Executive Officer)

**Marian A. Dionisio**
Comptroller
(Principal Financial Officer)

**Stephanie Nicole S. Garcia**
Treasurer
(Principal Operating Officer)

**Atty. Aison Benedict C. Velasco**
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this APR 13 2021 day of __________ 20__ affiant(s) exhibiting to me his/their Valid Identification numbers, as follows:

| NAMES | VALID ID NO. | DATE OF EXPIRATION |
|---|---|---|
| Ricardo Manuel M. Sarmiento | Driver's License No. N03-94-158946 | January 20, 2022 |
| Stephanie Nicole S. Garcia | Philippine Passport No. P3674375A | July 12, 2022 |
| Marian A. Dionisio | SSS No. 33-7232268-8 | |
| Atty. Aison Benedict C. Velasco | Driver's License No. C10-95-114434 | March 13, 2024 |

ATTY. NERITA DC. TUAZON
NOTARY PUBLIC
Notary Public
PNC-48-M... DEC. 31, 2022
SANDICO ST., POBLACION ... BULACAN
IBP LIFE NO. ...
PTR NO. ...
TIN NO. ...
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION NO. ... APRIL 14, 2022
REISSUED ON OCT 19, 2020

DOC. NO. 497
PAGE NO. 101
BOOK NO. 5
SERIES OF 2021

REPUBLIC OF THE PHILIPPINES
NERITA DC T. TUAZON
ROLL NO. 47194
NOTARY PUBLIC
NOTARY PUBLIC

VITARICH

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Vitarich Corporation and Subsidiaries (the Company)** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at and for the year ended **December 31, 2020 and 2019** in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

**Sycip Gorres Velayo and Co.**, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**Jose Vicente C. Bengzon III**
Chairman of the Board

**Ricardo Manuel M. Sarmiento**
President/Chief Executive Officer

**Stephanie Nicole S. Garcia**
Executive Vice President & Corporate Management Services Director / Treasurer

Signed this ___ day of _____ 2021

Main Office: Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan 3019 Philippines
Tel. No.: 8843-3033

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 0 8 2021 AT MARILAO, BULACAN AFFIANTS EXHIBITED HIS/HER CTC NO. ______
ISSUED ON ______ AT ______

DOC. NO. 421
PAGE NO. 86
BOOK NO. 5
SERIES OF 2021

NOTARY PUBLIC OF THE PHILIPPINES
NENITA DC TUAZON
ROLL NO. 47194
NOTARY PUBLIC

ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
-48-MB-2020 UNTIL DEC. 31, 2022
CO ST., POBLACION 1, MARILAO/BULACAN
IBP LIFE NO. 591047/BULACAN/5/19/2003
PTR NO. 0934271 1/4/2021
TIN NO. 170-907-664-000
ATTORNEY ROLL NO. 47194
MCLE COMPLIANCE NO. VI-0000 1867 UNTIL APRIL 14, 2022
REISSUED ON JULY 29, 2020

# C O V E R  S H E E T
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 0 | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 1 | 3 | 4 |
|---|---|---|---|---|---|---|---|---|---|---|

**C O M P A N Y  N A M E**

VITARICH CORPORATION AND SUBSIDIARIES

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

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

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AACFS | CRMD | N/A |

**C O M P A N Y  I N F O R M A T I O N**

| 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) |
|---|---|---|
| 4,132 | 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

***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.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT**

The Stockholders and the Board of Directors
Vitarich Corporation and Subsidiaries
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

*Opinion*

We have audited the accompanying consolidated financial statements of Vitarich Corporation and Subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

*Basis for Opinion*

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

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

***Adequacy of Allowance for Credit Losses on Receivable from Insurance***

The Company applies general approach in calculating expected credit losses (ECL) on its receivable from insurance. As at December 31, 2020, the carrying value of the Company's receivable from insurance amounted to ₱101.9 million. The Company is currently involved in legal proceedings to pursue the collection of the remaining balance of receivable from insurance. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether the amount is impaired.

The disclosures on the receivable from insurance are included in Note 10 to the consolidated financial statements.

*Audit Response*

We obtained an understanding of the methodologies and models used for the Company's assessment on the realizability of the receivable from insurance and the estimation of such amount. We discussed with management the status of the legal proceedings and obtained correspondences and opinions of the external legal counsel. We have reviewed management's legal bases in pursuing the insurance claim. We have also reviewed 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.

***Fair Value of Biological Assets***

The Company's biological assets are accounted for at fair value. The carrying value of the Company's biological assets amounted ₱42.3 million as at December 31, 2020 and the Company's fair value adjustment on biological assets for the year ended December 31, 2020 amounted to ₱199.5 million. The valuation of biological assets is significant to our audit because the estimation process involves significant management estimate and is based on assumptions that can be affected by natural phenomena. The key assumptions for the fair value of the biological assets include the livestock's future selling prices, hatchability and mortality rate, estimated volume of production and future growing costs, including the impact associated with coronavirus pandemic.

The disclosures on the fair value of biological assets are included in Notes 3, 8 and 17 to the consolidated financial statements.

*Audit Response*

We obtained an understanding of management's fair value measurement methodology and their process in valuing the biological assets. We tested the key assumptions used in the valuation, which include the livestock's future selling prices, hatchability and mortality rate, estimated volume of production and future growing costs, taking into consideration the impact associated with coronavirus pandemic, by comparing them to external data such as selling prices in the principal market and historical information.

We also assessed the adequacy of the related disclosures on the assumptions underlying the measurement of these biological assets.

***Valuation of Investment Properties at Fair Value and Property, Plant and Equipment at Revalued Amount***

The Company accounts for its investment properties using the fair value model and property, plant and equipment (except transportation equipment and construction-in-progress) at revalued amount. These properties represent 47.5% of the consolidated assets as at December 31, 2020. We considered this as key audit matter since the determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions such as sales and listing of comparable properties registered within the vicinity, adjustments to sales price, market rent levels, expected vacancy rate, interest rates, and explicit forecast period based on internal and external factors. Other assumptions used in the valuation also include the current replacement cost of an asset and the related deductions for physical deterioration and other relevant forms of obsolescence.

The disclosures relating to investment properties and property, plant and equipment are included in Notes 11 and 12 of the consolidated financial statements.

*Audit Response*

We evaluated the competence, capabilities and qualifications of the external appraisers by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the properties. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties by checking the market prices of properties within the vicinity and the reproduction cost against current market prices on a sample basis. We compared the inputs and assumptions used with internal and external evidence such as lease contracts, historical vacancy rates, and published market data. We also inquired from the external appraisers the basis of adjustments made to the sales price.

*Other Information*

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2020 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020, which is expected to be made available to us after that date.

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

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

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

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

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

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

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Christine G. Vallejo.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
SEC Accreditation No. 1402-AR-2 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 206-384-906
BIR Accreditation No. 08-001998-105-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534377, January 4, 2021, Makati City

April 12, 2021

## VITARICH CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2020** | 2019 (As restated - Notes 7 and 9) |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash (Note 6) | **₱177,304,767** | ₱179,645,390 |
| Trade and other receivables (Note 7) | **928,721,700** | 1,135,834,259 |
| Inventories and livestock (Note 8) | **502,928,504** | 566,738,049 |
| Other current assets (Note 9) | **240,756,038** | 286,232,278 |
| Total Current Assets | **1,849,711,009** | 2,168,449,976 |
| **Noncurrent Assets** | | |
| Receivable from insurance (Notes 10) | **101,889,912** | 101,889,912 |
| Property, plant and equipment: - net (Note 11) | | |
| At revalued amount | **906,718,914** | 891,287,820 |
| At cost | **29,714,145** | 33,586,026 |
| Investment properties (Note 12) | **931,375,980** | 802,266,589 |
| Right-of-use assets (Note 13) | **32,551,359** | 187,664,899 |
| Other noncurrent assets (Note 13) | **16,078,041** | 18,100,256 |
| Total Noncurrent Assets | **2,018,328,351** | 2,034,795,502 |
| | **₱3,868,039,360** | ₱4,203,245,478 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Note 14) | **₱1,629,159,192** | ₱1,600,955,492 |
| Loans payable (Note 15) | **156,844,958** | 384,132,265 |
| Current portion of lease liabilities (Note 27) | **18,497,266** | 86,981,626 |
| Total Current Liabilities | **1,804,501,416** | 2,072,069,383 |
| **Noncurrent Liabilities** | | |
| Loans payable - net of current portion (Note 15) | **123,118,899** | 148,202,912 |
| Cash bond deposits (Note 16) | **40,097,279** | 40,954,787 |
| Lease liabilities - net of current portion (Note 27) | **17,140,191** | 106,953,936 |
| Net retirement liability (Note 22) | **132,205,929** | 91,516,839 |
| Net deferred tax liabilities (Note 23) | **83,674,140** | 81,075,807 |
| Total Noncurrent Liabilities | **396,236,438** | 468,704,281 |
| Total Liabilities | **2,200,737,854** | 2,540,773,664 |
| **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 | **186,235,489** | 173,183,434 |
| Other comprehensive income (Notes 11 and 25) | **318,948,233** | 327,170,596 |
| Total Equity | **1,667,301,506** | 1,662,471,814 |
| | **₱3,868,039,360** | ₱4,203,245,478 |

*See accompanying Notes to Consolidated Financial Statements.*

## VITARICH CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **REVENUE** | | | |
| Sale of goods, net of discount (Notes 17 and 24) | **₱7,682,430,958** | ₱8,438,897,411 | ₱8,256,341,639 |
| Fair value adjustment on biological assets (Notes 3 and 17) | **199,489,329** | 479,569,099 | 202,726,256 |
| | **7,881,920,287** | 8,918,466,510 | 8,459,067,895 |
| **COST OF GOODS SOLD** (Note 18) | | | |
| Cost of goods sold | **(7,125,724,162)** | (7,729,616,389) | (7,644,570,074) |
| Fair value adjustment on biological assets (Notes 3 and 17) | **(184,396,574)** | (471,362,481) | (202,726,256) |
| | **(7,310,120,736)** | (8,200,978,870) | (7,847,296,330) |
| **GROSS PROFIT** | **571,799,551** | 717,487,640 | 611,771,565 |
| Operating expenses (Note 19) | **(536,760,257)** | (588,305,146) | (584,950,961) |
| Other operating income (Note 20) | **43,970,861** | 29,398,993 | 30,718,718 |
| | **(492,789,396)** | (558,906,153) | (554,232,243) |
| **OPERATING PROFIT** | **79,010,155** | 158,581,487 | 57,539,322 |
| **OTHER INCOME (EXPENSES)** | | | |
| Interest expense (Notes 15, 24, and 27) | **(34,454,582)** | (81,909,050) | (43,038,475) |
| Interest income (Notes 6 and 7) | **202,303** | 2,341,144 | 1,563,922 |
| Gain on fair value changes in investment properties (Notes 12) | **4,053,232** | 158,346,757 | 83,369,324 |
| Other income (charges) - net (Note 21) | **(23,383,725)** | (94,673,217) | (28,908,952) |
| | **(53,582,772)** | (15,894,366) | 12,985,819 |
| **INCOME BEFORE INCOME TAX** | **25,427,383** | 142,687,121 | 70,525,141 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 23) | | | |
| Current | **11,629,665** | 28,333,100 | 12,927,844 |
| Deferred | **4,509,242** | (14,469,008) | (7,557,874) |
| | **16,138,907** | 13,864,092 | 5,369,970 |
| **NET INCOME** | **9,288,476** | 128,823,029 | 65,155,171 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Items not to be reclassified to profit or loss:* | | | |
| Actuarial gain (loss) - net of deferred income tax (Note 22) | **(19,880,635)** | 19,220,596 | (12,970,939) |
| Revaluation increase on property, plant and equipment - net of deferred income tax (Note 11) | **15,421,851** | – | 63,521,507 |
| | **(4,458,784)** | 19,220,596 | 50,550,568 |
| **TOTAL COMPREHENSIVE INCOME** | **₱4,829,692** | ₱148,043,625 | ₱115,705,739 |
| **EARNINGS PER SHARE - BASIC AND DILUTED** (Note 26) | **₱0.003** | ₱0.042 | ₱0.021 |

*See accompanying Notes to Consolidated Financial Statements.*

## VITARICH CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **CAPITAL STOCK** (Note 25) | | | |
| Balance at beginning of year | **₱1,160,646,925** | ₱1,160,646,925 | ₱3,054,334,014 |
| Quasi-reorganization (Note 1) | **–** | – | (1,893,687,089) |
| Balance at end of year | **1,160,646,925** | 1,160,646,925 | 1,160,646,925 |
| **ADDITIONAL PAID - IN CAPITAL** | | | |
| Balance at beginning of year | **1,470,859** | 1,470,859 | 363,821,288 |
| Quasi-reorganization (Note 1) | **–** | – | (2,256,037,518) |
| Reduction in par value (Note 1) | **–** | – | 1,893,687,089 |
| Balance at end of year | **1,470,859** | 1,470,859 | 1,470,859 |
| **RETAINED EARNINGS** | | | |
| Balance at beginning of year | **173,183,434** | 39,162,470 | (2,290,137,183) |
| Net income | **9,288,476** | 128,823,029 | 65,155,171 |
| Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 11) | **3,763,579** | 5,197,935 | 8,106,964 |
| Quasi-reorganization (Note 1) | **–** | – | 2,256,037,518 |
| Balance at end of year | **186,235,489** | 173,183,434 | 39,162,470 |
| **OTHER COMPREHENSIVE INCOME** (Note 25) | | | |
| Balance at beginning of year | **327,170,596** | 313,147,935 | 270,704,331 |
| Actuarial gain (loss), net of deferred income tax (Note 22) | **(19,880,635)** | 19,220,596 | (12,970,939) |
| Transfer to retained earnings (deficit) of revaluation reserve realized through depreciation, net of deferred income tax (Note 11) | **(3,763,579)** | (5,197,935) | (8,106,964) |
| Revaluation increase on property, plant and equipment, net of deferred income tax (Note 11) | **15,421,851** | – | 63,521,507 |
| Balance at end of year | **318,948,233** | 327,170,596 | 313,147,935 |
| | **₱1,667,301,506** | ₱1,662,471,814 | ₱1,514,428,189 |

*See accompanying Notes to Consolidated Financial Statements.*

## VITARICH CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱25,427,383** | ₱142,687,121 | ₱70,525,141 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 11, 13 and 19) | **162,610,786** | 160,937,330 | 73,355,994 |
| Interest expense (see Note 15 and 27) | **34,454,582** | 81,909,050 | 43,038,475 |
| Gain on fair value of biological assets (Note 17) | **(15,092,757)** | (8,206,618) | – |
| Retirement benefit expense (Note 22) | **14,327,563** | 19,571,098 | 15,552,680 |
| Gain on fair value changes of investment properties (Note 12) | **(4,053,232)** | (158,346,757) | (83,369,324) |
| Gain on pre-termination of lease contracts (Notes 21 and 27) | **(3,424,542)** | – | – |
| Loss (gain) on disposal of property, plant and equipment, and investment property, and rights-of-use assets (Notes 11, 12, 13 and 21) | **2,269,651** | (410,176) | 4,871,427 |
| Interest income (see Notes 6 and 7) | **(202,303)** | (2,341,144) | (1,563,922) |
| Impairment loss (Note 1) | **–** | – | 7,448,386 |
| Amortization of debt issue cost | **–** | – | 33,180 |
| Operating income before working capital changes | **216,317,131** | 235,799,904 | 129,892,037 |
| Decrease (increase) in: | | | |
| Trade and other receivables | **207,112,559** | 18,025,289 | (339,792,561) |
| Inventories and livestock | **78,902,302** | 377,996,391 | (428,853,695) |
| Other current assets | **45,476,240** | 38,879,053 | (34,221,527) |
| Other noncurrent assets related to operations | **(1,655,887)** | (23,377,800) | 2,052,017 |
| Increase (decrease) in: | | | |
| Trade and other payables | **29,077,196** | (133,320,002) | 344,344,369 |
| Cash bond deposits | **(857,508)** | 611,230 | 8,840,989 |
| Net cash generated from (used for) operations | **574,372,033** | 514,614,065 | (317,738,371) |
| Income tax paid | **(11,629,665)** | (13,355,257) | (12,927,844) |
| Retirement benefits paid (Note 22) | **(2,039,380)** | (2,176,724) | (17,033,671) |
| Interest received | **202,303** | 227,913 | 1,563,922 |
| Net cash provided by (used in) operating activities | **560,905,291** | 499,309,997 | (346,135,964) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisitions of: | | | |
| Property, plant and equipment (Note 11) | **(70,403,848)** | (94,213,429) | (374,946,853) |
| Investment properties (Note 12) | **(125,303,374)** | (14,035,188) | (11,211,338) |
| Proceeds from sale of property, plant and equipment | **–** | 4,942,934 | 3,692,058 |
| Net cash used in investing activities | **(195,707,222)** | (103,305,683) | (382,466,133) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Availment of loans (Note 15) | **457,507,642** | 1,069,496,769 | 1,290,791,104 |
| Payments of loans (Note 15) | **(709,878,962)** | (1,359,641,576) | (627,679,859) |
| Interest paid | **(35,328,078)** | (82,819,923) | (39,802,426) |
| Payments of principal lease liabilities (Note 27) | **(79,839,294)** | (61,107,034) | – |
| Net cash provided by (used in) financing activities | **(367,538,692)** | (434,071,764) | 623,308,819 |
| **NET DECREASE IN CASH** | **(2,340,623)** | (38,067,450) | (105,293,278) |
| **CASH AT BEGINNING OF YEAR** | **179,645,390** | 217,712,840 | 323,006,118 |
| **CASH AT END OF YEAR** | **₱177,304,767** | ₱179,645,390 | ₱217,712,840 |

*See accompanying Notes to Consolidated Financial Statements.*

## VITARICH CORPORATION AND SUBSIDIARIES
## NOTES TO 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 2020 | 2019 |
|---|---|---|---|
| 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 consolidated financial statements were authorized for issue by the BOD on April 12, 2021.

## 2. Summary of Significant Accounting Policies

Basis of Preparation

The 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 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 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 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 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 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 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 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 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.

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

<u>Financial Instrument</u>
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.

<u>Financial Assets</u>

*<u>Initial recognition and measurement</u>*
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.

*<u>Subsequent Measurement</u>*
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

*<u>Financial Assets at Amortized Cost (Debt Instruments)</u>*
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 as of December 31, 2020 and 2019.

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 December 31, 2020 and 2019.

*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 December 31, 2020 and 2019.

*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 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 December 31, 2020 and 2019.

*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 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 December 31, 2020 and 2019.

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 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 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 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 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 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.

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 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 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 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 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 consolidated statements of comprehensive income.

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained Earnings" under the equity section in the 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 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 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 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 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 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 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 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.

*Tolling.* Revenue is recognized over time when the performance of contractually agreed tasks have 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 December 31, 2020 and 2019, 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 December 31, 2020 and 2019, 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 principa 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 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).

*Leases (Prior to January 1, 2019)*

Prior to adoption of PFRS 16, the determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

*Company as a Lessee.* Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When the Company enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset and is dependent on the use of a specific asset or assets, the Company assesses whether the arrangement is, or contains, a lease. The Company does not have such arrangements.

*Company as a Lessor.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

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 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 consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Borrowing Costs

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.

aInterest expense 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 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 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 consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to 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 consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

## 3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the Company's 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 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.

*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 ₱10.7 million, ₱23.1 million and ₱23.0 million in 2020, 2019 and 2018, respectively, (see Notes 7 and 22).

The carrying value of trade and other receivables amounted to ₱928.7 million and ₱1,135.8 million as at December 31, 2020 and 2019, respectively. Allowance for impairment losses on trade and other receivables as at December 31, 2020 and 2019 amounted to ₱284.1 million and ₱273.5 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 December 31, 2020 and December 31, 2019. Allowance for impairment loss related to insurance claims receivable amounted to ₱39.7 million as at December 31, 2020 and 2019 (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:<br>▪ Estimated future sale price of day-old chicks<br>▪ Estimated hatchability and mortality rate<br>▪ Estimated volume of production<br>▪ Estimated costs to be incurred in the hatching process | The estimated fair value would increase (decrease) if:<br>▪ the estimated sale price was higher (lower);<br>▪ the estimated cash inflows based on forecasted sales were higher (lower);<br>▪ the estimated; hatchability rate was higher (lower);<br>▪ the estimated volume of production was higher (lower) or<br>▪ 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:<br>▪ Estimated future sale price of dressed chicken<br>▪ Estimated mortality rate<br>▪ Estimated volume of production<br>▪ Estimated costs to be incurred in the growing process | The estimated fair value would increase (decrease) if:<br>▪ the estimated sale price was higher (lower);<br>▪ the estimated cash inflows based on forecasted sales were higher (lower);<br>▪ the estimated mortality rate was lower (higher);<br>▪ the estimated volume of production was higher (lower);or<br>▪ 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 ₱199.5 million, ₱479.6 million and ₱202.7 million for the years ended December 31, 2020, 2019 and 2018, respectively, and under cost of sales amounting to ₱184.4 million, ₱471.4 million and ₱202.7 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 17).

The changes in fair value of biological assets recognized on livestock amounted to ₱15.1 million and ₱8.2 million as at December 31, 2020 and 2019, 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 December 31, 2020 and 2019 amounted to ₱460.6 million and ₱515.4 million, respectively. Allowance for inventory obsolescence as at December 31, 2020 and 2019 amounted to ₱0.9 million and ₱4,039, respectively. (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 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 of 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 non-financial 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 P90.7 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 ₱906.7 million and ₱891.3 million as at December 31, 2020 and 2019, respectively (see Note 11).

The carrying value of property, plant and equipment at cost amounted to ₱29.7 million and ₱33.6 million as at December 31, 2020 and 2019, respectively (see Note 11).

The carrying value of investment properties amounted to ₱931.4 million and ₱802.3 million as at December 31, 2020 and 2019 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 December 31, follows:

| | **2020** | 2019 |
|---|---|---|
| Property, plant and equipment* (see Note 11) | **₱479,209,334** | ₱523,318,623 |
| Right-of-use assets (see Note 13) | **32,551,359** | 187,664,899 |
| Computer software (see Note 13) | **6,349,023** | 7,540,538 |
| | **₱518,109,716** | ₱718,524,060 |

**Excluding the carrying amount of land amounting to ₱439.7 million and ₱386.8 million as at December 31, 2020 and 2019, respectively and construction in progress amounting to ₱17.5 million and ₱14.8 million as at December 31, 2020 and 2019.*

*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 a 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 ₱35.6 million and ₱193.9 million as of December 31, 2020 and 2019, 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 December 31, 2020 and 2019 amounted to ₱975.3 million and ₱1,120.1 million (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 ₱136.2 million and ₱95.3 million as at December 31, 2020 and 2019, respectively, while fair value of plan assets amounted to ₱3.9 million and ₱3.8 million as at December 31, 2020 and 2019, 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, and ₱1.2 million as at December 31, 2020 and 2019, 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 ₱137.8 million and ₱126.2 million as at December 31, 2020 and 2019, 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):

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Foods** | **Feeds** | **Farms** | **Corporate & Others** | **Eliminations** | **Consolidated** |
| **REVENUES** | | | | | | |
| Sale of goods, net of discount | **₱3,118,889** | **₱4,108,529** | **₱455,013** | **₱–** | **₱–** | **₱7,682,431** |
| Fair value adjustment on biological assets | **–** | **–** | **199,489** | **–** | **–** | **199,489** |
| | **3,118,889** | **4,108,529** | **654,502** | **–** | **–** | **7,881,920** |
| **COST AND OTHER OPERATING EXPENSES** | | | | | | |
| Cost of goods sold excluding depreciation | **₱3,060,313** | **₱3,398,395** | **₱723,093** | **₱–** | **₱–** | **₱7,181,801** |
| Operating expenses excluding depreciation | **93,407** | **135,602** | **9,715** | **263,745** | **–** | **502,469** |
| Depreciation and amortization | **4,554** | **137,886** | **32** | **20,139** | **–** | **162,611** |
| Other operating income | **–** | **(32,074)** | **–** | **(11,897)** | **–** | **(43,971)** |
| | **3,158,274** | **3,639,809** | **732,840** | **271,987** | **–** | **7,802,910** |
| **SEGMENT OPERATING PROFIT (LOSS)** | **(₱39,385)** | **₱468,720** | **(₱78,338)** | **(₱271,987)** | **₱–** | **₱79,010** |
| Other charges -net | | | | | | **(53,583)** |
| Income before income tax | | | | | | **25,427** |
| Tax expense | | | | | | **(16,139)** |
| Net income | | | | | | **₱9,288** |
| **ASSETS AND LIABILITIES** | | | | | | |
| Segment assets | **₱811,958** | **₱1,746,920** | **₱228,369** | **₱1,081,503** | **₱–** | **₱3,868,039** |
| Segment liabilities | **₱96,474** | **₱1,034,108** | **₱36,854** | **₱1,033,302** | **₱–** | **₱2,200,738** |
| **OTHER INFORMATION** | | | | | | |
| Capital expenditures | **₱10,649** | **₱34,943** | **₱1,255** | **₱23,557** | **₱–** | **₱70,404** |
| Non-cash expenses other than depreciation and impairment losses | **₱5,903** | **₱7,142** | **₱654** | **₱629** | **₱–** | **₱14,328** |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Foods | Feeds | Farms | Corporate & Others | Eliminations | Consolidated |
| **REVENUES** | | | | | | |
| Sale of goods, net of discount | ₱4,031,723 | ₱3,941,107 | ₱466,067 | ₱– | ₱– | ₱8,438,897 |
| Fair value adjustment on biological assets | 266,646 | – | 212,923 | – | – | 479,569 |
| | ₱4,298,369 | ₱3,941,107 | ₱678,990 | ₱– | ₱– | ₱8,918,466 |
| **COST AND OTHER OPERATING EXPENSES** | | | | | | |
| Cost of goods sold excluding depreciation | 3,605,643 | 3,538,406 | 933,972 | – | – | 8,078,021 |
| Operating expenses excluding depreciation | 94,671 | 146,615 | – | 309,040 | – | 550,326 |
| Depreciation and amortization | 4,279 | 69,417 | 358 | 86,883 | – | 160,937 |
| Other operating income | – | (18,162) | – | (11,237) | – | (29,399) |
| | 3,704,593 | 3,736,276 | 934,330 | 384,686 | – | 8,759,885 |
| **SEGMENT OPERATING PROFIT (LOSS)** | ₱593,776 | ₱204,831 | (₱255,340) | (₱384,686) | ₱– | ₱158,581 |
| Other income -net | | | | | | (15,894) |
| Income before tax | | | | | | 142,687 |
| Tax expense | | | | | | (13,864) |
| Net income | | | | | | ₱128,823 |

December 31, 2019

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Foods | Feeds | Farms | Corporate & Others | Eliminations | Consolidated |
| **ASSETS AND LIABILITIES** | | | | | | |
| Segment assets | ₱864,001 | ₱1,945,413 | ₱243,007 | ₱1,150,824 | ₱– | ₱4,203,245 |
| Segment liabilities | ₱107,465 | ₱1,241,241 | ₱41,052 | ₱1,151,016 | ₱– | ₱2,540,774 |
| **OTHER INFORMATION** | | | | | | |
| Capital expenditures | ₱16,373 | ₱53,726 | ₱1,930 | ₱36,220 | ₱– | ₱108,249 |
| Non-cash expenses other than depreciation and impairment losses | ₱8,063 | ₱9,756 | ₱893 | ₱859 | ₱– | ₱19,571 |

| | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Foods | Feeds | Farms | Corporate & Others | Eliminations | Consolidated |
| **REVENUES** | | | | | | |
| Sale of goods, net of discount | ₱3,827,839 | ₱3,858,401 | ₱570,102 | ₱– | ₱– | ₱8,256,342 |
| Fair value adjustment on biological assets | 183,223 | – | 19,503 | – | – | 202,726 |
| | ₱4,011,062 | ₱3,858,401 | ₱589,605 | ₱– | ₱– | ₱8,459,068 |
| **COST AND OTHER OPERATING EXPENSES** | | | | | | |
| Cost of goods sold excluding depreciation | 3,632,323 | 3,594,558 | 583,270 | – | – | 7,810,151 |
| Operating expenses excluding depreciation | 107,582 | 179,563 | – | 261,596 | – | 548,741 |
| Depreciation and amortization | 5,350 | 45,957 | 326 | 21,723 | – | 73,356 |
| Other operating income | – | (15,029) | – | (15,690) | – | (30,719) |
| | ₱3,745,255 | ₱3,805,049 | ₱583,596 | ₱267,629 | ₱– | ₱8,401,529 |
| **SEGMENT OPERATING PROFIT (LOSS)** | ₱265,807 | ₱53,352 | ₱6,009 | (₱267,629) | – | ₱57,539 |
| Other charges -net | | | | | | 12,986 |
| Income before tax | | | | | | 70,525 |
| Tax expense | | | | | | (5,370) |
| Net income | | | | | | ₱65,155 |
| **ASSETS AND LIABILITIES** | | | | | | |
| Segment assets | ₱547,761 | ₱1,560,075 | ₱358,786 | ₱1,876,460 | ₱– | ₱4,343,082 |
| Segment liabilities | ₱399,185 | ₱151,242 | ₱951 | ₱2,277,276 | ₱– | ₱2,828,654 |
| **OTHER INFORMATION** | | | | | | |
| Capital expenditures | ₱7,389 | ₱310,756 | ₱6,334 | ₱61,679 | ₱– | ₱386,158 |
| Non-cash expenses other than depreciation and impairment losses | ₱8,682 | ₱2,017 | ₱91 | ₱7,854 | ₱– | ₱18,644 |

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:

| | **2020** | 2019 |
|---|---|---|
| Cash on hand | **₱2,379,620** | ₱2,861,645 |
| Cash in banks | **174,925,147** | 176,783,745 |
| | **₱177,304,767** | ₱179,645,390 |

Cash in banks earn interest at prevailing bank deposit interest rates of 0.1% to 1.3% in 2020, 2019 and 2018. Interest income on cash in banks amounted to ₱0.2 million, ₱0.2 million and = P0.4 million in 2020, 2019 and 2018, respectively.

## 7. Trade and Other Receivables

Trade and Other Receivables

This account consists of:

| | **2020** | 2019 (As restated) | 2018 (As restated) |
|---|---|---|---|
| Trade: | | | |
| Third parties | **₱743,684,138** | ₱939,770,577 | ₱950,928,671 |
| Related parties (see Note 24) | **195,651,548** | 228,610,377 | 79,017,445 |
| Advances to officers and employees (see Note 24) | **12,000,448** | 12,276,664 | 12,149,797 |
| Nontrade (see Note 24) | **206,234,301** | 197,102,414 | 208,113,323 |
| Short-term deposits | **11,694,606** | 12,150,424 | 22,109,432 |
| Receivable from government | **4,046,563** | 3,538,405 | 3,062,221 |
| Others | **39,551,157** | 15,853,302 | 15,853,303 |
| | **1,212,862,761** | 1,409,302,163 | 1,328,667,186 |
| Allowance for impairment losses | **(284,141,061)** | (273,467,904) | (250,342,943) |
| | **₱928,721,700** | ₱1,135,834,259 | ₱1,040,891,249 |

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

Advances to officers and employees are unsecured, noninterest-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.

Trade and other receivables collected after due date earned an interest income amounting to nil, ₱2.1 million and ₱1.1 million in 2020, 2019 and 2018, respectively.

Movements in the allowance for impairment losses account as at December 31 are shown below:

| | Trade | Others | Total |
|---|---|---|---|
| Balance as at January 1, 2020 | **₱150,777,196** | **₱122,690,708** | **₱ 273,467,904** |
| Provision (see 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** |

| | Trade | Others | Total |
|---|---|---|---|
| Balance as at January 1, 2019 | ₱149,295,343 | ₱101,047,600 | ₱250,342,943 |
| Provision (Note 21) | 1,481,853 | 21,643,108 | 23,124,961 |
| Balance as at December 31, 2019 | ₱150,777,196 | ₱122,690,708 | ₱273,467,904 |

Prior period adjustments

In 2020, the Company reclassified the receivable from insurance amounting to ₱101.9 million from current asset to noncurrent asset to reflect the expected timing of collection of the receivable based on the current status of the case. Accordingly, the 2019 and 2018 balances were also restated to conform with the 2020 presentation.

In 2020, the Company also reclassified its advances to suppliers recorded under "Trade and other receivables" account to "Other current assets" account to reflect its proper account classification. (see Note 9). The reclassification only pertains to account category within the current assets.

The following reconciliations show the effect of the adjustments made by the Company on the ending balances of trade and other receivables, current assets and noncurrent assets:

| | **2019** | 2018 |
|---|---|---|
| Trade and other receivables, net of allowance, as previously stated | **₱1,451,787,414** | ₱1,467,699,472 |
| Reclassification of Advances to suppliers to Other current assets (see Note 9) | **(214,063,243)** | (324,918,311) |
| Reclassification of Receivable from insurance to Noncurrent assets (see Note 10) | **(101,889,912)** | (101,889,912) |
| Trade and other receivables, net of allowance, as restated | **₱1,135,834,259** | ₱1,040,891,249 |

| | **2019** | 2018 |
|---|---|---|
| Total current assets, as previously stated | **₱2,270,339,888** | ₱2,732,988,222 |
| Reclassification (see Note 10) | **(101,889,912)** | (101,889,912) |
| Total current assets, as restated | **₱2,168,449,976** | ₱2,631,098,310 |

| | **2019** | 2018 |
|---|---|---|
| Total noncurrent assets, as previously stated | **₱1,932,905,590** | ₱1,610,093,510 |
| Reclassification (see Note 10) | **101,889,912** | 101,889,912 |
| Total noncurrent assets, as restated | **₱2,034,795,502** | ₱1,711,983,422 |

Except for the reclassification of receivable from insurance which decreased total current assets and increased total noncurrent assets by ₱101.9 million, the prior period adjustments did not have any other effect on the balances of other accounts in the consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and basic and diluted earnings per share for the years ended December 31, 2019 and 2018.

## 8. **Inventories and Livestock**

Inventories

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Inventories: | | |
| At net realizable value - | | |
| Finished goods | **₱109,898,787** | ₱167,731,381 |
| At cost: | | |
| Raw materials and feeds supplement | **240,102,927** | 267,896,005 |
| Supplies and animal health products | **73,190,787** | 47,470,598 |
| | **423,192,501** | 483,097,984 |
| Livestock: | | |
| Day-old chicks | **42,005,522** | 48,994,621 |
| Hatching eggs | **31,212,283** | 25,469,649 |
| Finished goods | **6,191,253** | 6,869,835 |
| Broilers | **326,945** | 2,305,960 |
| | **79,736,003** | 83,640,065 |
| | **₱502,928,504** | ₱566,738,049 |

Inventories are valued at lower of cost and NRV as at December 31, 2020 and 2019. The cost of finished goods carried at NRV, amounted to ₱110.8 million and ₱167.7 million as of December 31, 2020 and 2019, respectively. Inventories charged to cost of goods sold amounted to ₱5,982.6 million, ₱6,650.6 million and ₱6,645.7 million in 2020, 2019 and 2018, 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.

| Day-old Chicks | **2020** | 2019 |
|---|---|---|
| Opening balance | **₱48,994,621** | ₱66,559,169 |
| Increase due to production | **880,495,092** | 926,188,243 |
| Fair value adjustment due to production | **(45,479,772)** | 212,922,640 |
| Decrease due to sales, harvest and mortality | **(902,811,243)** | (949,707,276) |
| Fair value adjustment due to sales, harvest and mortality | **60,806,824** | (206,968,155) |
| | **₱42,005,522** | ₱48,994,621 |

| Broilers | 2020 | 2019 |
|---|---|---|
| Opening balance | **₱2,305,960** | ₱3,405,059 |
| Increase due to production | **2,007,801,563** | 2,948,648,335 |
| Fair value adjustment due to production | **244,969,101** | 266,646,459 |
| Decrease due to sales, harvest and mortality | **(2,009,546,281)** | (2,951,999,567) |
| Fair value adjustment due to sales, harvest and mortality | **(245,203,398)** | (264,394,326) |
| | **₱326,945** | ₱2,305,960 |

Movements in the allowance for inventory obsolescence account as at December 31 are shown below:

| | 2020 | 2019 |
|---|---|---|
| Balance at beginning of year | **₱4,039** | ₱2,386,863 |
| Provision | **892,276** | – |
| Reversal | **–** | (2,382,824) |
| | **₱896,315** | ₱4,039 |

## 9. Other Current Assets

This account consists of:

| | 2020 | 2019 (As restated - see Note 7) | 2018 (As restated - see Note 7) |
|---|---|---|---|
| Advances to suppliers (see Note 7) | **₱140,877,487** | ₱214,063,243 | ₱324,918,311 |
| CWT | **77,860,449** | 59,694,733 | 61,023,050 |
| Prepayments | **22,018,102** | 12,237,781 | 49,694,474 |
| Input VAT | **3,091,532** | 3,328,053 | 3,422,096 |
| | **243,847,570** | 289,323,810 | 439,057,931 |
| Allowance for impairment losses | **(3,091,532)** | (3,091,532) | (3,091,532) |
| | **₱240,756,038** | ₱286,232,278 | ₱435,966,399 |

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 December 31, 2020 and 2019 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 December 31, 2020, 2019 and 2018.

As discussed in Note 7, the Company reclassified the receivable from insurance amounting to ₱101.9 million from current asset to noncurrent asset to reflect the expected timing of collection of the receivable based on the current status of the case.

## 11. Property, Plant and Equipment

Property, plant and equipment - at revalued amount

The composition and movements of this account are presented below:

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Machinery and Equipment | Buildings | Leasehold and Land Improvements | Office Furniture, Fixtures and Equipment | Total |
| **Cost** | | | | | | |
| Balance at beginning of year | **₱386,767,894** | **₱521,415,893** | **₱210,211,827** | **₱32,189,597** | **₱64,486,178** | **₱1,215,071,389** |
| 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 | **₱439,712,887** | **₱569,729,900** | **₱167,127,587** | **₱29,939,642** | **₱82,558,444** | **₱1,289,068,460** |
| **Accumulated Depreciation, and Amortization** | | | | | | |
| Balance at beginning of year | **₱–** | **₱207,564,305** | **₱54,865,526** | **₱13,521,636** | **₱47,832,102** | **₱323,783,569** |
| 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** | **₱–** | **₱246,977,446** | **₱65,170,245** | **₱12,605,328** | **₱57,596,527** | **₱382,349,546** |
| **Net carrying amount** | **₱439,712,887** | **₱322,752,454** | **₱101,957,342** | **₱17,334,314** | **₱24,961,917** | **₱906,718,914** |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Machinery and Equipment | Buildings | Leasehold and Land Improvements | Office Furniture, Fixtures and Equipment | Total |
| **Cost** | | | | | | |
| Balance at beginning of year | ₱385,294,702 | ₱470,452,525 | ₱141,722,138 | ₱17,460,394 | ₱55,605,397 | ₱1,070,535,156 |
| Additions | 1,930,000 | 44,436,137 | 24,691,301 | 4,401,454 | 9,453,340 | 84,912,232 |
| Reclassification | (456,808) | 6,527,231 | 43,798,388 | 10,327,749 | (572,559) | 59,624,001 |
| Disposals | – | – | – | – | – | – |
| Balance at end of year | ₱386,767,894 | ₱521,415,893 | ₱210,211,827 | ₱32,189,597 | ₱64,486,178 | ₱1,215,071,389 |
| **Accumulated Depreciation, and Amortization** | | | | | | |
| Balance at beginning of year | ₱– | ₱157,083,556 | ₱45,494,244 | ₱12,328,581 | ₱36,585,415 | ₱251,491,796 |
| Depreciation and amortization (see Notes 18 and 19) | – | 45,237,337 | 12,024,117 | 1,395,759 | 11,699,810 | 70,357,023 |
| Reclassifications | – | 5,243,412 | (2,652,835) | (202,704) | (453,123) | 1,934,750 |
| Disposals | – | – | – | – | – | |
| **Balance at end of year** | ₱– | ₱207,564,305 | ₱54,865,526 | ₱13,521,636 | ₱47,832,102 | ₱323,783,569 |
| **Net carrying amount** | ₱386,767,894 | ₱313,851,588 | ₱155,346,301 | ₱18,667,961 | ₱16,654,076 | ₱891,287,820 |

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

| | **December 31, 2020** | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Machinery and Equipment** | **Buildings** | **Leasehold and Land Improvements** | **Office Furniture, Fixtures and Equipment** | **Total** |
| Cost as at year end | **₱19,702,490** | **₱484,411,926** | **₱184,106,786** | **₱28,696,138** | **₱73,147,281** | **₱790,064,621** |
| Accumulated depreciation and impairment | **–** | **(230,714,608)** | **(54,063,595)** | **(9,452,634)** | **(52,946,926)** | **(347,177,763)** |
| Net carrying amount | **₱19,702,490** | **₱253,697,318** | **₱130,043,191** | **₱19,243,504** | **₱20,200,355** | **₱442,886,858** |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Machinery and Equipment | Buildings | Leasehold and Land Improvements | Office Furniture, Fixtures and Equipment | Total |
| Cost as at year end | ₱21,902,549 | ₱450,917,464 | ₱180,318,786 | ₱28,032,757 | ₱59,127,265 | ₱740,298,821 |
| Accumulated depreciation and impairment | (2,200,059) | (196,381,685) | (44,077,444) | (10,435,847) | (43,093,348) | (296,188,383) |
| Net carrying amount | ₱19,702,490 | ₱254,535,779 | ₱136,241,342 | ₱17,596,910 | ₱16,033,917 | ₱444,110,438 |

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, 2020 | **₱447,177,383** | **(₱134,153,215)** | **₱313,024,168** |
| 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 | **₱463,832,056** | **(₱139,149,616)** | **₱324,682,440** |

| | Revaluation Reserve | Deferred Tax Liability (see Note 23) | Net (see Note 25) |
|---|---|---|---|
| Balance as at January 1, 2019 | ₱454,603,004 | (₱136,380,901) | ₱318,222,103 |
| Transfer to retained earnings of revaluation reserve on property, plant and equipment realized through depreciation | (7,425,621) | 2,227,686 | (5,197,935) |
| Balance as at December 31, 2019 | ₱447,177,383 | (₱134,153,215) | ₱313,024,168 |

In 2016, property, plant, and equipment with a net book value of ₱37.5 million that were subject to lease arrangements were reclassified to investment properties (see Note 12). The net carrying amount of ₱37.5 million becomes part of the cost of these investment properties. Related revaluation reserve of ₱17.7 million and deferred tax liabilities of ₱5.3 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:

| | | | Range | |
|---|---|---|---|---|
| | Valuation Technique | Significant Unobservable Inputs | **2020** | 2019 |
| Land | Sales Comparison Approach | Price per square meter | **₱1,000-₱4,800** | ₱1,493-₱1,857 |
| | | 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:

| | 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** |
| Reclassification | **(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** |

| | December 31, 2019 | | |
|---|---|---|---|
| | Transportation Equipment | Construction in Progress | Total |
| **Cost** | | | |
| Balance at beginning of year | ₱128,335,677 | ₱74,039,319 | ₱202,374,996 |
| Additions | 8,652,567 | 648,630 | 9,301,197 |
| Reclassification | (72,426,329) | (59,900,620) | (132,326,949) |
| Disposals | (6,667,888) | – | (6,667,888) |
| Balance at end of year | ₱57,894,027 | ₱14,787,329 | ₱72,681,356 |
| **Accumulated Depreciation, and Amortization** | | | |
| Balance at beginning of year | 54,475,904 | – | 54,475,904 |
| Depreciation and amortization (see Notes 18 and 19) | 22,522,996 | – | 22,522,996 |
| Reclassifications | (35,768,440) | – | (35,768,440) |
| Disposals | (2,135,130) | – | (2,135,130) |
| **Balance at end of year** | 39,095,330 | – | 39,095,330 |
| **Net carrying amount** | ₱18,798,697 | ₱14,787,329 | ₱33,586,026 |

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 December 31, 2020 and 2019, there are no significant contractual commitments entered into by the Company.

Depreciation and amortization expense follow:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Property, plant and equipment: | | | |
| At revalued amount | **₱72,201,667** | ₱70,357,023 | ₱43,383,145 |
| At cost | **7,692,669** | 22,522,996 | 24,937,188 |
| Right-of-use asset (see Note 13) | **79,038,348** | 64,379,209 | – |
| Computer software (see Note 13) | **3,678,102** | 3,678,102 | 5,035,661 |
| | **₱162,610,786** | ₱160,937,330 | ₱73,355,994 |

## 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:

| | 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** |

| | December 31, 2019 | | |
|---|---|---|---|
| | Land | Building | Total |
| Balance at beginning of year | ₱390,276,582 | ₱239,608,062 | ₱629,884,644 |
| Gain on fair value changes | 154,851,585 | 3,495,172 | 158,346,757 |
| Additions | – | 14,035,188 | 14,035,188 |
| Balance at end of year | ₱545,128,167 | ₱257,138,422 | ₱802,266,589 |

The composition of investment properties as at December 31 are as follows:

| | **2020** | 2019 |
|---|---|---|
| Cost | **₱556,927,732** | ₱431,871,573 |
| Cumulative gain on fair value changes | **374,448,248** | 370,395,016 |
| | **₱931,375,980** | ₱802,266,589 |

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

Rental income earned from the dressing plant in Bulacan amounted to ₱11.9 million, ₱11.2 million and ₱19.6 million as of the periods ended December 31, 2020, 2019 and 2018, 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, ₱158.3 million and ₱83.4 million in 2020, 2019 and 2018, 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:

| | | | Range | |
|---|---|---|---|---|
| | Valuation Technique | Significant Unobservable Inputs | **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:

| | 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 | **₱21,455,220** | **₱73,847,259** | **₱174,905,773** | **₱270,208,252** |
| 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** | **₱6,515,593** | **₱26,035,766** | **₱–** | **₱32,551,359** |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Right-of-use asset Building | Right-of-use asset Transportation equipment | Right-of-use asset Machineries | Total |
| **Cost** | | | | |
| Balance at beginning of year | ₱12,065,911 | ₱– | ₱– | ₱12,065,911 |
| Reclassification | – | 72,399,412 | – | 72,399,412 |
| Additions | 11,337,309 | 1,447,847 | 174,905,773 | 187,690,929 |
| Pre-termination of lease contract | (1,948,000) | – | – | (1,948,000) |
| Balance at end of year | 21,455,220 | 73,847,259 | 174,905,773 | 270,208,252 |
| **Accumulated Depreciation** | | | | |
| Balance at beginning of year | – | 18,586,210 | – | 18,586,210 |
| Depreciation (Notes 18 and 19) | 6,426,192 | 14,226,574 | 43,726,443 | 64,379,209 |
| Pre-termination of lease contract | – | (422,066) | – | (422,066) |
| Balance at end of year | 6,426,192 | 32,390,718 | 43,726,443 | 82,543,353 |
| Net carrying value | ₱15,029,028 | ₱41,456,541 | ₱131,179,330 | ₱187,664,899 |

Other Noncurrent Assets
This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Project development costs | **₱31,368,396** | ₱31,368,396 |
| Security deposits | **9,729,018** | 10,559,718 |
| Computer software | **6,349,023** | 7,540,538 |
| | **47,446,437** | 49,468,652 |
| Allowance for impairment losses | **(31,368,396)** | (31,368,396) |
| | **₱16,078,041** | ₱18,100,256 |

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 ₱31.4 million was provided with full valuation allowance as at December 31, 2020 and 2019.

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:

| | 2020 | 2019 |
|---|---|---|
| Cost | | |
| Balance at beginning of year | **₱23,867,955** | ₱22,457,587 |
| Additions | **2,486,587** | 1,410,368 |
| Balance at end of year | **26,354,542** | 23,867,955 |
| Accumulated Depreciation and Amortization | | |
| Balance at beginning of year | **16,327,417** | 12,649,315 |
| Depreciation and amortization | **3,678,102** | 3,678,102 |
| Balance at end of year | **20,005,519** | 16,327,417 |
| Net carrying amount | **₱6,349,023** | ₱7,540,538 |

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:

| | 2020 | 2019 |
|---|---|---|
| Trade payables | | |
| Third parties | **₱1,202,401,796** | ₱1,134,798,500 |
| Related parties (see Note 24) | **41,918,534** | 93,848,569 |
| Accrued expenses | | |
| Selling and administrative | **79,318,075** | 68,929,976 |
| Outside services | **77,195,148** | 103,554,113 |
| Others | **35,663,921** | 59,819,931 |
| Nontrade | **145,102,863** | 99,433,288 |

*(Forward)*

| | 2020 | 2019 |
|---|---|---|
| Customers' deposits | **₱27,670,921** | ₱28,147,121 |
| Statutory liabilities | **19,887,934** | 12,423,994 |
| | **₱1,629,159,192** | ₱1,600,955,492 |

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:

| | 2020 | 2019 |
|---|---|---|
| Current portion | **₱156,844,958** | ₱384,132,265 |
| Noncurrent portion | **123,118,899** | 148,202,912 |
| | **₱279,963,857** | ₱532,335,177 |

In 2020 and 2019, 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. ₱86.9 million promissory note

On October 31, 2018, Vitarich Corporation ("the Company") entered into an aggregate of ₱86.9 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 ₱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. ₱86.9 million promissory note

On December 6, 2018, Vitarich Corporation ("the Company") entered into an aggregate of

₱86.9 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 ₱0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

Short term loans

a. ₱5.4 million commercial loan

On September 21, 2020, Vitarich Corporation ("the Company") entered into an aggregate of ₱5.4 million, 4 month loan with Asia United Bank ("AUB") payable at the end of the term with an interest of 6.00% per annum.

b. ₱50.0 million commercial loan

On December 23, 2020, Vitarich Corporation ("the Company") entered into an aggregate of ₱50.0 million, 3 month loan with Asia United Bank ("AUB") payable at the end of the term with an interest of 6.00% per annum.

In 2020, the Company also obtained short-term loan amounting to ₱87.4 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.

Total availment of loans payable amounted to ₱459.5 million and ₱1,609.5 million in 2020 and 2019, respectively. Total payments of loans payable amounted to ₱709.9 million and ₱1,359.6 million in 2020 and 2019, respectively.

Interest expense on loans payable amounted to ₱23.4 million, ₱60.7 million and ₱16.9 million in 2020, 2019 and 2018, respectively.

Future repayment of the principal follows:

| | **2020** | 2019 |
|---|---:|---:|
| Within one year | **₱156,844,958** | ₱384,132,265 |
| After one year but not more than five years | **98,297,470** | 98,560,054 |
| Beyond five years | **24,821,429** | 49,642,858 |
| | **₱279,963,857** | ₱532,335,177 |

16. **Cash Bond Deposits**

Cash bond deposits amounting to ₱40.1 million and ₱41.0 million as at December 31, 2020 and 2019, 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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Sales: | | | |
| Feeds | **₱4,218,925,663** | ₱4,027,789,349 | ₱3,945,835,293 |
| Foods | **3,133,270,647** | 4,046,782,155 | 3,835,041,190 |
| Farms | **462,852,599** | 477,343,897 | 576,934,840 |
| Sales discount, returns and allowances | **(132,617,951)** | (113,017,990) | (101,469,684) |
| | **7,682,430,958** | 8,438,897,411 | 8,256,341,639 |
| Changes in fair values of biological assets | **199,489,329** | 479,569,099 | 202,726,256 |
| | **₱7,881,920,287** | ₱8,918,466,510 | ₱8,459,067,895 |

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cost of sales | **₱184,396,574** | ₱471,362,481 | ₱202,726,256 |
| Livestock (see Note 8) | **15,092,755** | 8,206,618 | – |
| | **₱199,489,329** | ₱479,569,099 | ₱202,726,256 |

## 18. Cost of Goods Sold

This account consists of:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Inventories used (see Note 8) | **₱5,982,643,379** | ₱6,650,598,455 | ₱6,645,656,715 |
| Outside services | **785,219,089** | 783,154,116 | 773,821,543 |
| Changes in fair values of biological assets (see Note 17) | **184,396,574** | 471,362,481 | 202,726,256 |
| Depreciation (see Notes 11 and 13) | **128,319,828** | 122,958,110 | 37,145,972 |
| Contractual services | **92,865,024** | 40,779,898 | 57,394,532 |
| Salaries and employee benefits (see Note 19) | **63,574,816** | 78,170,496 | 77,238,966 |
| Communication, light and water | **45,151,999** | 39,894,661 | 39,419,250 |
| Repairs and maintenance | **25,618,917** | 9,665,810 | 9,550,626 |
| Others | **2,331,110** | 4,394,843 | 4,342,470 |
| | **₱7,310,120,736** | ₱8,200,978,870 | ₱7,847,296,330 |

## 19. Operating Expenses

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

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Selling and distribution expenses | **₱275,792,670** | ₱302,276,938 | ₱300,553,525 |
| Administrative expenses | **260,967,587** | 286,028,208 | 284,397,436 |
| | **₱536,760,257** | ₱588,305,146 | ₱584,950,961 |

The details of operating expenses by nature are shown below:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Transportation, travel and freight and handling | **₱193,871,823** | ₱164,130,588 | ₱184,138,417 |
| Salaries and employee benefits (see Note 24) | **146,160,261** | 189,624,710 | 176,894,280 |
| Depreciation and amortization (see Notes 11 and 13) | **34,290,958** | 37,979,220 | 36,210,022 |
| Professional fees | **22,931,396** | 21,522,711 | 20,356,210 |
| Rentals | **21,106,429** | 21,626,674 | 29,736,825 |
| Contractual services | **20,539,027** | 20,175,914 | 20,802,110 |
| Advertising and promotions | **17,087,198** | 23,013,540 | 37,092,603 |
| Taxes and licenses | **14,632,394** | 30,794,775 | 20,840,144 |
| Commissions | **9,748,116** | 15,298,296 | 14,033,838 |
| Communications, light and water | **8,774,538** | 9,693,809 | 7,872,890 |
| Repairs and maintenance | **8,272,443** | 4,141,570 | 5,092,226 |
| Representation and entertainment | **5,243,696** | 16,688,758 | 8,299,229 |
| Supplies | **4,629,887** | 4,479,922 | 6,057,767 |
| Insurance | **4,364,799** | 4,483,422 | 4,228,760 |
| Others | **25,107,292** | 24,651,237 | 13,295,640 |
| | **₱536,760,257** | ₱588,305,146 | ₱584,950,961 |

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

Employee Benefits

Breakdown of employee benefits is presented below:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Salaries and wages | **₱182,391,552** | ₱233,914,570 | ₱224,876,122 |
| Retirement benefits (see Note 22) | **14,327,563** | 19,571,098 | 15,552,680 |
| Other short-term benefits | **13,015,962** | 14,309,538 | 13,704,444 |
| | **₱209,735,077** | ₱267,795,206 | ₱254,133,246 |

Salaries and employee benefits is allocated as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Cost of goods sold (see Note 18) | **₱63,574,816** | ₱78,170,496 | ₱77,238,966 |
| Operating expenses: | | | |
| Administrative expenses | **105,090,755** | 101,155,581 | 94,364,514 |
| Selling and distribution expenses | **41,069,506** | 88,469,129 | 82,529,766 |
| | **146,160,261** | 189,624,710 | 176,894,280 |
| | **₱209,735,077** | ₱267,795,206 | ₱254,133,246 |

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

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Cost of goods sold (see Note 18) | **₱128,319,828** | ₱122,958,110 | ₱37,145,972 |
| Operating expenses: | | | |
| Administrative expenses | **16,996,891** | 18,825,040 | 21,723,965 |
| Selling and distribution expenses | **17,294,067** | 19,154,180 | 14,486,057 |
| | **34,290,958** | 37,979,220 | 36,210,022 |
| | **₱162,610,786** | ₱160,937,330 | ₱73,355,994 |

## 20. Other Operating Income

This account consists of:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Miscellaneous sales (scrap materials, etc.) | **₱19,449,045** | ₱18,161,672 | ₱4,854,820 |
| Tolling services | **12,626,140** | – | – |
| Rentals (see Notes 24 and 27) | **11,895,676** | 11,237,321 | 19,591,201 |
| Refund | **–** | – | 6,000,000 |
| Others | **–** | – | 272,697 |
| | **₱43,970,861** | ₱29,398,993 | ₱30,718,718 |

## 21. Other Income (Charges)

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Deficiency tax settlement | **(₱15,073,202)** | (₱56,517,505) | ₱– |
| Impairment losses on: | | | – |
| Receivables (see Note 7) | **(10,673,157)** | (23,124,961) | (22,975,638) |
| Inventory (see Note 8) | **(892,276)** | – | (2,386,863) |
| Foreign exchange gain | **2,455,497** | 1,516,061 | 3,901,935 |
| Gain on pre-termination of lease contracts | **3,424,542** | – | – |
| Gain (loss) on disposal of property, plant and equipment, and investment property | **(2,269,651)** | 410,176 | (4,871,427) |
| Professional fees | **–** | (57,720,854) | – |
| Gain on reversal of long-outstanding payables | **–** | 34,264,507 | – |
| Recovery of accounts written-off | **–** | 5,295,695 | – |
| Gain on reversal of allowance for inventory losses | **–** | 2,382,824 | – |
| Others - net | **(355,478)** | (1,179,160) | (2,576,959) |
| | **(₱23,383,725)** | (₱94,673,217) | (₱28,908,952) |

Deficient tax settlement pertains to the Company's payments to Bureau of Internal Revenue to settle tax assessments.

Professional expense pertains to one-time consultancy made during 2019. This pertains to payments to local and international consultants for the operational efficiency of the company.

## 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 consolidated statements of comprehensive income is as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Current service costs | **₱9,321,592** | ₱11,749,402 | ₱10,647,028 |
| Interest expense | **5,215,260** | 8,096,322 | 4,506,028 |
| Settlement loss | **–** | – | 586,090 |
| Interest income | **(209,289)** | (274,626) | (186,466) |
| | **₱14,327,563** | ₱19,571,098 | ₱15,552,680 |

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

| | **2020** | 2019 |
|---|---|---|
| Present value of the obligation | **₱136,150,631** | ₱95,342,964 |
| Fair value of plan assets | **(3,944,702)** | (3,826,125) |
| | **₱132,205,929** | ₱91,516,839 |

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

| | **2020** | 2019 |
|---|---|---|
| Balance at beginning of year | **₱95,342,964** | ₱105,147,035 |
| Remeasurement loss (gain) recognized in OCI | **28,310,195** | (27,473,071) |
| Current service costs | **9,321,592** | 11,749,402 |
| Interest expense | **5,215,260** | 8,096,322 |
| Benefits paid | **(2,039,380)** | (2,176,724) |
| Balance at end of year | **₱136,150,631** | ₱95,342,964 |

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

| | **2020** | 2019 |
|---|---|---|
| Balance at beginning of year | **₱3,826,125** | ₱3,566,577 |
| Interest income | **209,289** | 274,626 |
| Remeasurement loss | **(90,712)** | (15,078) |
| | **₱3,944,702** | ₱3,826,125 |

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:

| | **2020** | 2019 |
|---|---|---|
| Cash and cash equivalents | **₱1,631,262** | ₱1,271,994 |
| Equity instruments | **501,924** | 543,660 |
| Debt instruments | **1,801,697** | 1,999,512 |
| Others | **9,819** | 10,959 |
| | **₱3,944,702** | ₱3,826,125 |

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.

| | **2020** | 2019 |
|---|---|---|
| Less than one year | **₱8,067,134** | ₱7,488,413 |
| Between one and five years | **41,849,209** | 30,426,386 |
| Over five years | **74,331,793** | 68,538,125 |
| | **₱124,248,136** | ₱106,452,924 |

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

| | **2020** | 2019 |
|---|---|---|
| Discount rate | **3.81%** | 5.47% |
| 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** | 35 |

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):

| | | ›act on Defined Benefit Obligation | |
|---|---|---|---|
| | Change in Assumptions | **2020** | 2019 |
| Discount rate | +100 bps | **(₱12,335)** | (₱9,699) |
| | -100 bps | **14,346** | 9,700 |
| Salary rate | +100 bps | **14,026** | 9,648 |
| | -100 bps | **(12,314)** | (8,498) |

## 23. **Provision for (Benefit from) Income Tax**

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

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Reported in the Consolidated Profit or Loss | | | |
| RCIT at 30% | **₱–** | ₱28,333,100 | ₱– |
| MCIT at 2% | **11,629,665** | – | 12,927,844 |
| Deferred income tax expense (benefit) | **4,509,242** | (14,469,008) | (7,557,874) |
| | **₱16,138,907** | ₱13,864,092 | ₱5,369,970 |

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

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Income tax expense at statutory tax rate | **₱7,628,103** | ₱42,954,040 | ₱21,157,542 |
| Change in unrecognized deferred tax assets | **6,146,121** | (14,977,843) | (5,169,796) |
| Tax effects of: | | | |
| Nondeductible expenses | **4,310,507** | 35,410,668 | 4,162,244 |
| Depreciation on investment properties at cost | **(1,885,133)** | – | – |
| Income already subjected to final tax | **(60,691)** | (65,596) | (123,469) |
| Nontaxable income | **–** | (49,966,013) | (14,656,551) |
| Reversal of deferred tax asset | **–** | 508,836 | – |
| | **₱16,138,907** | ₱13,864,092 | ₱5,369,970 |

The components of the recognized net deferred tax assets and liabilities as at December 31 are as follows:

| | **2020** | 2019 |
|---|---|---|
| *Deferred tax assets:* | | |
| Allowance for impairment loss on: | | |
| Trade and other receivables | **₱86,420,270** | ₱83,218,323 |
| Product development costs | **9,410,519** | 9,410,519 |
| Property, plant and equipment | **5,392,850** | 5,392,850 |
| Inventory | **268,895** | 1,212 |
| Retirement liability | **39,075,932** | 26,257,391 |
| Excess of right-of-use asset over lease liability | **(2,775,761)** | 1,881,199 |
| | **137,792,705** | 126,161,494 |

| | 2020 | 2019 |
|---|---|---|
| *Deferred tax liabilities:* | | |
| Revaluation reserve on property, plant and equipment | **(₱139,149,616)** | (₱134,153,215) |
| Changes in fair value of investment properties | **(71,838,070)** | (70,622,101) |
| Changes in fair value of biological assets | **(9,451,797)** | (2,461,985) |
| Gain on pre-termination of contract | **(1,027,362)** | – |
| | **(221,466,845)** | (207,237,301) |
| Net deferred tax liabilities | **(₱83,674,140)** | (₱81,075,807) |

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 | ₱– | (₱14,977,843) | ₱6,146,121 | |

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

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Amount** | **Tax Effect** | Amount | Tax Effect |
| MCIT | **₱6,146,121** | **₱6,146,121** | ₱– | ₱– |
| Retirement liability | **3,992,203** | **1,197,661** | 3,992,203 | 1,197,661 |
| | **₱10,138,324** | **₱7,343,782** | ₱3,992,203 | ₱1,197,661 |

## 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 are 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 ₱3.2 billion acquired by Kormasinc (including interest of ₱200.0 million), ₱2.4 billion was converted to equity in 2013.

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 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 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):

| | | **2020** | | 2019 | |
|---|---|---|---|---|---|
| **Related Parties** | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| **Trade and other receivables** | | | | | |
| Entities under common control | Sales | **₱1,072,194,796** | | ₱843,138,904 | |
| | Collections | **(1,105,153,625)** | **₱195,651,548** | (640,264,819) | ₱228,610,377 |
| **Trade and other payables** | | | | | |
| Entities under common control | Purchases | **₱1,429,424,720** | | ₱1,591,869,921 | |
| | Payments | **(1,481,354,755)** | **₱41,918,534** | (1,501,864,550) | ₱93,848,569 |
| **Operating lease** | | | | | |
| Entities under common control | Rental income | **₱11,895,676** | | ₱11,237,321 | |
| | Collection | **(11,895,676)** | **₱–** | (11,237,321) | ₱– |

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 ₱89.9 million from one of the Company's stockholders.

| | | **2020** | | 2019 | |
|---|---|---|---|---|---|
| **Related Party** | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| Stockholder | Advances for working capital | **₱89,905,000** | | (₱85,726,435) | |
| | Interest | **407,532** | **₱76,633,329** | 13,378,992 | ₱– |

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.

| | | **2020** | | 2019 | |
|---|---|---|---|---|---|
| | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| Advances to officers and employees | Net transactions | **(₱137,572)** | **₱536,026** | ₱126,867 | ₱673,599 |

Compensation of Key Management Personnel
The compensation includes the following:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Short-term employee benefits | **₱41,524,264** | ₱38,616,323 | ₱40,928,845 |
| Retirement benefits | **2,984,183** | 3,909,370 | 1,736,520 |
| Others | **2,303,769** | 2,201,141 | 2,445,458 |
| | **₱46,812,216** | ₱44,726,834 | ₱45,110,823 |

25. **Equity**

Capital Stock
As of December 31, 2020, the Company has authorized capital stock of 3.5 billion shares at ₱0.38 par value equivalent to ₱1.3 billion. Details of authorized and issued and outstanding shares are as follows:

| | **2020** | 2019 |
|---|---|---|
| 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 ₱407.1 million to Kormasinc at ₱1.52 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%.

The following summarizes the information on the Company's issued and outstanding shares as at December 31, 2020 and 2019:

| | Number of shares issued and outstanding | Percentage of shares |
|---|---|---|
| Issued and outstanding | 3,054,334,014 | 100.00% |
| Listed shares: | | |
| Owned by related parties | 2,178,892,604 | 71.34% |
| Owned by public | 799,289,412 | 26.17% |
| Owned by directors and officers | 76,151,998 | 2.49% |
| Total | 3,054,334,014 | |

Of the total shares owned by the public, 121.7 million and 131.9 million shares are foreign-owned as at December 31, 2020 and 2019.

The total number of shareholders of the Company is 4,132 as at December 31, 2020 and 2019.

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, 2020 | **₱313,024,168** | **₱14,146,428** | **₱327,170,596** |
| 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 | **₱324,682,440** | **(₱5,734,207)** | **₱318,948,233** |
| | | | |
| Balance at January 1, 2019 | ₱318,222,103 | (₱5,074,168) | ₱313,147,935 |
| Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax | (5,197,935) | – | (5,197,935) |
| Actuarial gain, net of tax | – | 19,220,596 | 19,220,596 |
| Balance as at December 31, 2019 | ₱313,024,168 | ₱14,146,428 | ₱327,170,596 |

As of December 31, 2020, 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:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Net income for the period | **₱9,288,476** | ₱128,823,029 | ₱65,155,171 |
| Divided by the weighted average number of outstanding shares | **3,054,334,014** | 3,054,334,014 | 3,054,334,014 |
| Earnings per share - basic and diluted | **₱0.003** | ₱0.042 | ₱0.021 |

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 ₱11.9 million, ₱11.2 million and ₱19.6 million in 2020, 2019 and 2018, respectively, and are shown as part of "Other operating income" account in the consolidated statements of comprehensive income (see Note 20).

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

| | **2020** | 2019 |
|---|---|---|
| Within one year | **₱9,806,597** | ₱6,293,571 |
| After one year but not more than five years | **14,644,000** | 13,713,571 |
| | **₱24,450,597** | ₱20,007,142 |

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 ₱9.7 million and ₱10.6 million as at December 31, 2020 and 2019, respectively. Rent expense amounted to ₱21.1 million, ₱21.6 million and ₱29.7 million in 2020, 2019 and 2018, respectively (see Note 19). Future minimum lease payments under the lease agreements follow:

| | **2020** | 2019 |
|---|---|---|
| Within one year | **₱9,708,177** | ₱13,825,942 |
| More than one year but not more than five years | **90,000** | 8,646,597 |
| | **₱9,798,177** | ₱22,472,539 |

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 December 31, the details of the finance lease liabilities follow:

| | **2020** | 2019 |
|---|---|---|
| Current | **₱15,557,762** | ₱13,920,213 |
| Noncurrent | **12,933,963** | 42,813,390 |
| | **₱28,491,725** | ₱56,733,603 |

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

| | **2020** | 2019 |
|---|---|---|
| Depreciation expense of right-of-use assets included in other noncurrent assets | **₱79,038,348** | ₱64,379,210 |
| Interest expense on lease liabilities | **11,098,247** | 7,854,616 |
| Expenses relating to short-term leases (see Note 19) | **21,106,429** | 21,626,674 |
| Total amount recognized in the 2020 consolidated statement of comprehensive income | **₱111,243,024** | ₱93,860,500 |

The rollforward analysis of lease liabilities follows:

| | **2020** | 2019 |
|---|---|---|
| As at January 1, as previously reported | **₱193,935,562** | ₱– |
| Effect of adoption of PFRS 16 | **–** | 68,799,514 |
| At January 1, as restated | **193,935,562** | 68,799,514 |
| Additions | **–** | 186,243,082 |
| Interest expense | **11,098,247** | 7,854,616 |
| Payments | **(90,937,541)** | (68,961,650) |
| Pre-termination of lease contract | **(78,458,811)** | – |
| As at December 31 | **₱35,637,457** | ₱193,935,562 |

In 2020, the Company pre-terminated its lease of the Sahara and Kiya David warehouses and the Sahara feedmill which resulted to a gain on pre-termination of ₱3.4 million, recorded under “Others - net” in Other Income (Charges) account (see Note 21).

As at December 31, 2020, the details of the lease liabilities follow:

| | **2020** | 2019 |
|---|---|---|
| Current | **₱18,497,266** | ₱86,981,626 |
| Noncurrent | **17,140,191** | 106,953,936 |
| | **₱35,637,457** | ₱193,935,562 |

Future minimum lease payments under these lease agreements as of December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Within one year | **₱18,908,405** | ₱86,981,626 |
| More than one year but not more than five years | **17,342,279** | 129,453,835 |
| | **₱36,250,684** | ₱216,435,461 |

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 ₱423.3 million and ₱537.6 million in 2020 and 2019, respectively, and is recorded as part of "Cost of goods sold" account under "Outside services" in the 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.

## 28. Note to Consolidated Statements of Cash Flows

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

| | January 1, 2020 | Proceeds/ Additions | Payments | Interest expense | Pre-termination of lease contract | December 31, 2020 |
|---|---|---|---|---|---|---|
| Loans payable | ₱532,335,177 | ₱457,507,642 | (₱709,878,962) | ₱– | ₱– | ₱279,963,857 |
| 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 | ₱728,595,915 | ₱457,507,642 | (₱825,046,334) | ₱34,454,582 | (₱78,458,811) | ₱317,052,994 |

| | January 1, 2019 | Proceeds | Payments | Interest Expense | December 31, 2019 |
|---|---|---|---|---|---|
| Loans payable | ₱822,479,984 | ₱1,069,496,769 | (₱1,359,641,576) | ₱– | ₱532,335,177 |
| Accrued interest payable | 3,236,049 | – | (74,965,307) | 74,054,434 | 2,325,176 |
| Lease liabilities* | 68,799,514 | 186,243,082 | (68,961,650) | 7,854,616 | 193,935,562 |
| Total liabilities from financing activities | ₱894,515,547 | ₱1,255,739,851 | (1,503,568,533) | ₱81,909,050 | ₱728,595,915 |

**Presented in the beginning balance is the transition adjustment upon the adoption of PFRS 16. The leases previously classified as finance lease and operating lease amounting to ₱56.7 million and ₱12.6 million, respectively.*

The Company's noncash transactions consist of the pre-termination of lease contracts amounting to ₱78.5 million and additions to lease liabilities and right-of use assets amounting to ₱198.3 million for the years ended December 31, 2020 and 2019, 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 consolidated statements of financial position are shown below:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Carrying Values** | **Fair Values** | Carrying Values | Fair Values |
| **Financial Assets at Amortized Cost** | | | | |
| Cash in banks | **₱174,925,147** | **₱174,925,147** | ₱176,783,745 | ₱176,783,745 |
| Trade and other receivables* | **814,879,952** | **814,879,952** | 1,018,490,582 | 1,018,490,582 |
| Security deposits | **9,729,018** | **9,729,018** | 10,559,718 | 10,559,718 |
| Receivable from insurance | **101,889,912** | **101,889,912** | 101,889,912 | 101,889,912 |
| | **₱1,101,424,029** | **₱1,101,424,029** | ₱1,307,723,957 | ₱1,307,723,957 |
| **Financial Liabilities at Amortized Cost** | | | | |
| Trade and other payables** | **₱1,609,271,258** | **₱1,609,271,258** | ₱1,594,756,591 | ₱1,594,756,591 |
| Loans payable | **279,963,857** | **279,963,857** | 532,335,177 | 532,335,177 |
| Lease liabilities | **35,637,457** | **35,637,457** | 193,935,562 | 197,598,911 |
| Cash bond deposits | **40,097,278** | **40,097,278** | 40,954,787 | 40,954,787 |
| | **₱1,964,969,850** | **₱1,964,969,850** | ₱2,361,982,117 | ₱2,365,645,466 |

**Excluding advances to officers and employees amounting to ₱12.0 million and ₱12.3 millionas at December 31, 2020 and 2019, respectively,*
***Excluding statutory liabilities amounting to ₱19.8 million and ₱12.4 million as at December 31,2020 and 2019, 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 es timate 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 December 31, 2020, the fair value of long-term debt approximates is 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 December 31, 2020 and 2019.

*Cash in banks, trade and other receivables, security deposits, and trade and other payables.* As at December 31, 2020 and 2019, the carrying amounts of these financial instruments approximate their fair values due to the short-term nature of these accounts.

As at December 31, 2020 and 2019, 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 2020 and 2019.

## 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.

<u>Foreign Currency Risk</u>
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.

<u>Interest Rate Risk</u>
As at December 31, 2020 and 2019, 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 consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements) as summarized below.

| | **2020** | 2019 |
|---|---:|---:|
| Cash in banks | **₱174,925,147** | ₱176,783,745 |
| Trade and other receivables | **928,721,700** | 1,135,834,259 |
| Security deposits | **9,729,018** | 10,559,718 |
| Receivable from insurance | **101,889,912** | 101,889,912 |
| | **₱1,215,265,777** | ₱1,425,067,634 |

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:

| | **December 31, 2020** | | | | | |
|---|---|---|---|---|---|---|
| | **Neither Past Due nor Impaired** | | | | | |
| | **High Grade** | **Standard Grade** | **Total** | **Past Due but not Impaired** | **Impaired** | **Total** |
| Cash in banks | **₱174,925,147** | **₱–** | **₱174,925,147** | **₱–** | **₱–** | **₱174,925,147** |
| 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** |
| | **₱874,370,527** | **₱–** | **₱874,370,527** | **₱340,895,250** | **323,915,732** | **₱1,539,181,509** |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | | | | | |
| | High Grade | Standard Grade | Total | Past Due but not Impaired | Impaired | Total |
| Cash in banks | ₱176,783,745 | ₱– | ₱176,783,745 | ₱– | ₱– | ₱176,783,745 |
| Trade and other receivables | 1,041,271,200 | – | 1,041,271,200 | 94,563,059 | 273,467,904 | 1,409,302,163 |
| Security deposits | 10,559,718 | – | 10,559,718 | – | – | 10,559,718 |
| Receivable from insurance | 101,889,912 | – | 101,889,912 | – | 39,774,671 | 141,664,583 |
| | ₱1,221,513,087 | ₱– | ₱1,221,513,087 | ₱94,563,059 | ₱313,242,575 | ₱1,738,310,209 |

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 December 31, 2020** | **Trade Receivables (in millions)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | **Days past due** | | | | | | |
| | **Current** | **<30 days** | **30-60 days** | **61-90 days** | **91-120 days** | **More than 120 days** | **Total** | **Accounts with full provision** | **Total** |
| **Expected credit loss rate** | **0.00%** | **0.01%** | **0.04%** | **0.07%** | **0.10%** | **5.43%** | | | |
| **Estimated total gross carrying amount at default** | **₱620.4** | **₱114.0** | **₱12.2** | **₱6.6** | **₱2.3** | **₱7.4** | **₱762.9** | **₱160.6** | **₱923.5** |
| **Expected credit loss** | **₱0.01** | **₱0.01** | **₱0.00** | **₱0.00** | **₱0.00** | **₱0.4** | **₱0.4** | **₱160.6** | **₱161** |

| As at December 31, 2019 | Trade Receivables (in millions) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Days past due | | | | | | |
| | Current | <30 days | 30-60 days | 61-90 days | 91-120 days | More than 120 days | Total | Accounts with full provision | Total |
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 2.93% | | | |
| Estimated total gross carrying amount at default | ₱733.2 | ₱188.0 | ₱29.4 | ₱14.3 | ₱6.3 | ₱47.8 | ₱1019 | ₱149.3 | ₱1,168.3 |
| Expected credit loss | ₱0.02 | ₱0.02 | ₱0.02 | ₱0.01 | ₱0.01 | ₱1.40 | ₱1.5 | ₱149.3 | ₱150.8 |

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 December 31, 2020 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* | **₱1,609,271,258** | **₱–** | **₱–** | **₱–** |
| 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** | **33,275,310** | **–** |
| Future interest on long term debt | **5,799,413** | **5,357,690** | **25,575,391** | **–** |
| | **₱1,768,959,118** | **₱30,769,213** | **₱174,490,450** | **₱24,821,429** |

**Excluding statutory liabilities amounting to ₱19.8 million as at December 31, 2020.*

As at December 31, 2019 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* | ₱1,588,531,498 | ₱– | ₱– | ₱– |
| Loans payable | 371,848,523 | 12,283,742 | 98,560,054 | 49,642,858 |
| Lease liabilities | 43,490,813 | 43,490,813 | 106,953,936 | – |
| Cash bond deposits | – | – | 40,954,787 | – |
| Future interest on long term debt | 5,699,276 | 5,286,964 | 24,731,796 | – |
| | ₱2,009,570,110 | ₱61,061,519 | ₱271,200,573 | ₱49,642,858 |

**Excluding statutory liabilities amounting to ₱12.4 million as at December 31, 2019.*

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.

| | **2020** | 2019 |
|---|---|---|
| Total liabilities | **₱2,200,737,854** | ₱2,540,773,664 |
| Total equity | **1,667,301,506** | 1,662,471,814 |

## 33. **Subsequent Event**

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

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 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued 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.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- 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%. This will result in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱8,722,249 or a reduction of ₱2,907,416. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱751,539 (net deferred tax liability). These reductions will be recognized in the 2021 financial statements.

## 34. 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 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 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*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Vitarich Corporation and Subsidiaries
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vitarich Corporation and Subsidiaries (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 included in this Form 17-A and have issued our report thereon dated April 12, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the consolidated financial statements and supplementary schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
SEC Accreditation No. 1402-AR-2 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 206-384-906
BIR Accreditation No. 08-001998-105-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534377, January 4, 2021, Makati City

April 12, 2021

**VITARICH CORPORATION AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**
**DECEMBER 31, 2020**

| | | Amount |
|---|---|---|
| Retained earnings as at beginning of year | | ₱173,183,434 |
| Adjustments in previous year's reconciliation | | |
| Deferred tax assets as of January 1, 2020 | | (126,161,494) |
| Cumulative gain on fair value changes of investment properties | | (370,395,016) |
| Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning | | (323,373,076) |
| Add net income actually earned/realized during the year | | |
| Net income during the year closed to retained earnings | | 9,288,476 |
| Gain on fair value changes of investment properties | (4,053,232) | |
| Movement in deferred tax assets | (11,631,211) | (15,684,443) |
| Deficit as adjusted to available for dividend declaration at end of the year | | (₱329,769,043) |

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November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT ON**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
Vitarich Corporation and Subsidiaries
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vitarich Corporation and Subsidiaries (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated April 12, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
SEC Accreditation No. 1402-AR-2 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 206-384-906
BIR Accreditation No. 08-001998-105-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534377, January 4, 2021, Makati City

April 12, 2021

## VITARICH CORPORATION AND SUBSIDIARIES

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
### AS AT DECEMBER 31, 2020

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

| RATIO | FORMULA | 2020 | 2019 |
|---|---|---|---|
| **Current Ratio** | | | |
| | Current assets | **1,849,711,009** | 2,168,449,976 |
| | Divided by current liabilities | **1,804,501,420** | 2,072,069,383 |
| | Current ratio | **1.03** | 1.05 |
| **Debt−to−equity Ratio** | | | |
| | Total liabilities | **2,200,737,854** | 2,540,773,664 |
| | Divided by total equity | **1,667,301,506** | 1,662,471,814 |
| | Debt-to-equity ratio | **1.32** | 1.53 |
| **Asset−to−equity Ratio** | | | |
| | Total assets | **3,868,039,360** | 4,203,245,478 |
| | Divided by total equity | **1,667,301,506** | 1,662,471,814 |
| | Asset-to-equity ratio | **2.32** | 2.53 |
| **Solvency Ratio** | | | |
| | Net income before depreciation and amortization | **171,899,262** | 289,760,359 |
| | Divided by total liabilities | **2,200,737,854** | 2,540,773,664 |
| | Solvency ratio | **0.08** | 0.11 |
| **Interest rate coverage Ratio** | | | |
| | Pretax income before interest | **59,881,965** | 224,596,171 |
| | Divided by interest expense | **34,454,582** | 81,909,050 |
| | Interest rate coverage ratio | **1.74** | 2.74 |
| **Profitability Ratio** | | | |
| | Net income | **9,288,476** | 128,823,029 |
| | Divided by total equity | **1,667,301,506** | 1,662,471,814 |
| | Profitability ratio | **0.01** | 0.08 |

**VITARICH CORPORATION AND SUBSIDIARIES**

# SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF REVISED SRC RULE 68

**Audited**

**December 31, 2020**

**Table of Contents**

## VITARICH CORPORATION AND SUBSIDIARIES
## SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
### December 31, 2020
### (In Thousands)

| | | | Deductions | | Ending Balance | | |
|---|---|---|---|---|---|---|---|
| Name and Designation of Debtor | Balance at beginning of Year | Additions | Collected | Written Off | Current | Noncurrent | Balance as at December 31, 2020 |
| **Advances to Officers and Employees:** | | | | | | | |
| Mailyn Acero, Sales Manager | ₱356 | ₱7 | ₱3 | ₱– | ₱360 | ₱– | ₱360 |
| Rey D. Ortega, Senior Vice-President and General Manager | 245 | 19 | 89 | – | 175 | – | 175 |
| Peter Andrew Dompor, Sales Manager | 207 | 40 | 63 | – | 184 | – | 184 |
| Adriano Barrameda, Sales Manager | 179 | – | 43 | – | 136 | – | 136 |
| Oliver Lupiba, Sales Manager | 429 | – | 31 | – | 398 | – | 398 |
| Olivia Pungtilan, Manager | 172 | – | 172 | – | – | – | – |
| Cruz, Aaron, Sales Manager | – | 211 | 10 | | 201 | | 201 |
| Others* | 10,688 | 10,752 | 10,893 | – | 10,547 | – | 10,547 |
| | ₱12,276 | ₱11,029 | ₱11,304 | ₱– | ₱12,001 | ₱– | ₱12,001 |

*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
**December 31, 2020**
**(In Thousands)**

| | | | Deductions | | | Ending Balance | | |
|---|---|---|---|---|---|---|---|---|
| **Related Party** | **Balance at beginning of year** | **Additions** | **Collections** | **Write Off** | **Amounts written off** | **Current** | **Noncurrent** | **Balance as at December 31, 2020** |
| **Amounts Due from Related Parties** | | | | | | | | |
| Gromax, Inc. | ₱41,598 | ₱– | ₱– | ₱– | ₱– | ₱41,598 | ₱– | ₱41,598 |

**VITARICH CORPORATION AND SUBSIDIARIES**
**SCHEDULE D - INTANGIBLE ASSETS – OTHER ASSETS**
**December 31, 2020**
**(In Thousands)**

| Description | Begining balance | Additions | Charged to cost and expense | Charged to other accounts | Other changes additions (deductions) | Balance at end of year |
|---|---|---|---|---|---|---|
| Computer software | ₱7,540 | ₱2,487 | ₱3,678 | ₱– | ₱– | ₱6,349 |

# VITARICH CORPORATION AND SUBSIDIARIES
## SCHEDULE E – LONG TERM DEBT
### December 31, 2020
### (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 | ₱73,971 | ₱12,411 | ₱61,560 | 6.25% | 28 quarterly payments | Monthly | October 30, 2026 |
| Fixed | Chinabank Savings | 73,969 | 12,410 | 61,559 | 6.25% | 28 quarterly payments | Monthly | November 30, 2026 |
| | | ₱147,940 | ₱24,821 | ₱123,119 | | | | |

# VITARICH CORPORATION AND SUBSIDIARIES
# SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
## December 31, 2020
## (In Thousands)

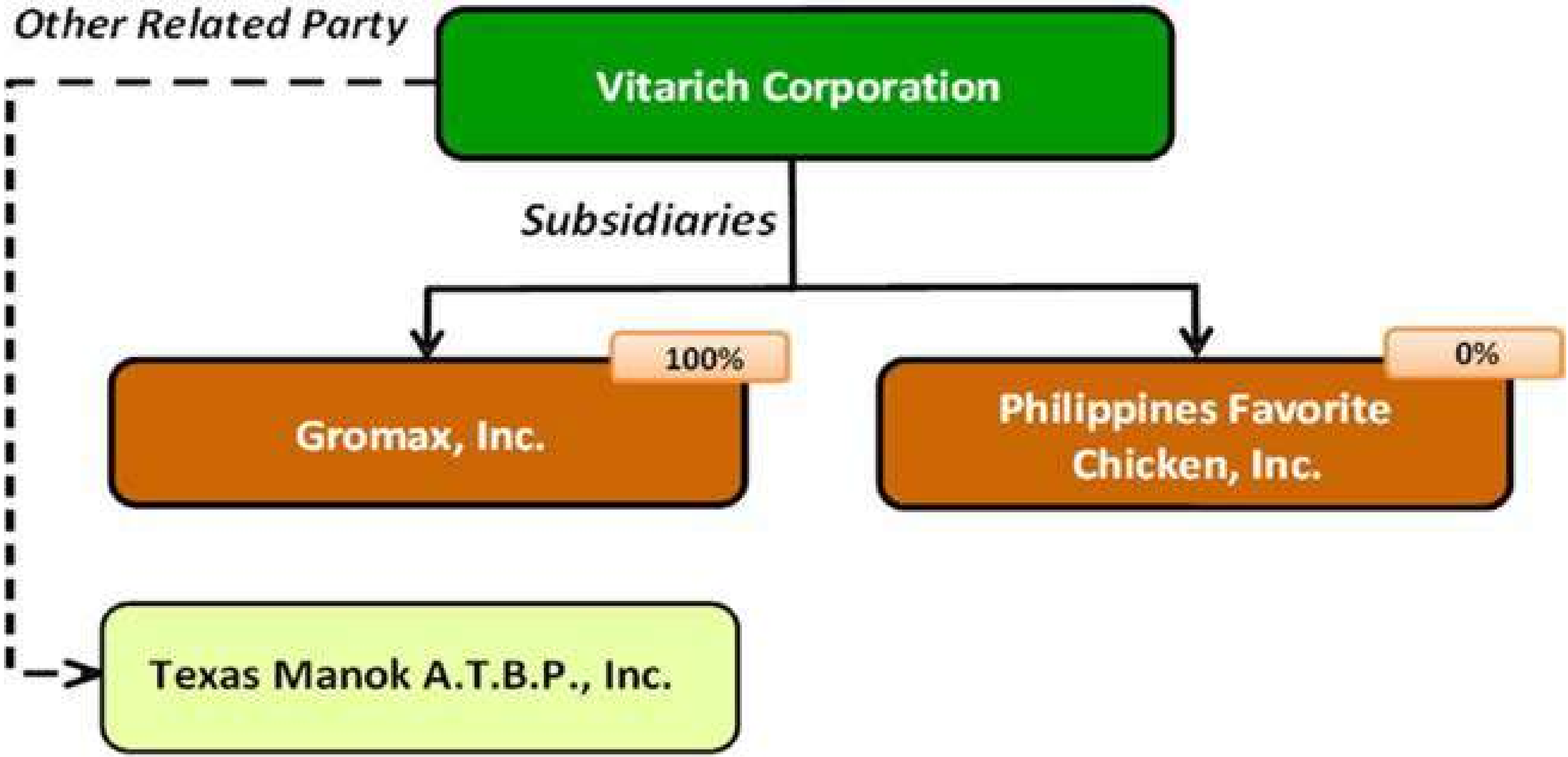
| Related Parties | Balance at beginning of year | Additions | Deductions | | | Ending Balance | | Balance as at December 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| | | | Collections (Payments) | Discounting | Write Off | Current | Noncurrent | |
| **Trade and other receivables** | | | | | | | | |
| Entities under common control | ₱228,610 | ₱1,072,195 | (₱1,105,153) | ₱– | ₱– | ₱– | ₱– | ₱195,652 |
| **Trade and other payables** | | | | | | | | |
| Entities under common control | ₱93,849 | ₱1,429,425 | (₱1,481,355) | ₱– | ₱– | ₱– | ₱– | ₱41,919 |
| **Stockholders** | ₱0 | (₱89,905) | ₱408 | ₱– | ₱– | ₱– | ₱– | (₱76,633) |

# VITARICH CORPORATION AND SUBSIDIARIES
# SCHEDULE H – CAPITAL STOCKHOLDER
## December 31, 2020
## (In Thousands)

| | | | | Number of shares held by | | |
|---|---|---|---|---|---|---|
| **Title of Issue** | **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 – ₱0.38 par value per share | | | | | | |
| Authorized - 3,500,000,000 shares | 3,500,000 | 3,054,334 | – | 2,178,893 | 76,152 | 799,289 |

**VITARICH CORPORATION AND SUBSIDIARIES**

**MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP**
**December 31, 2020**

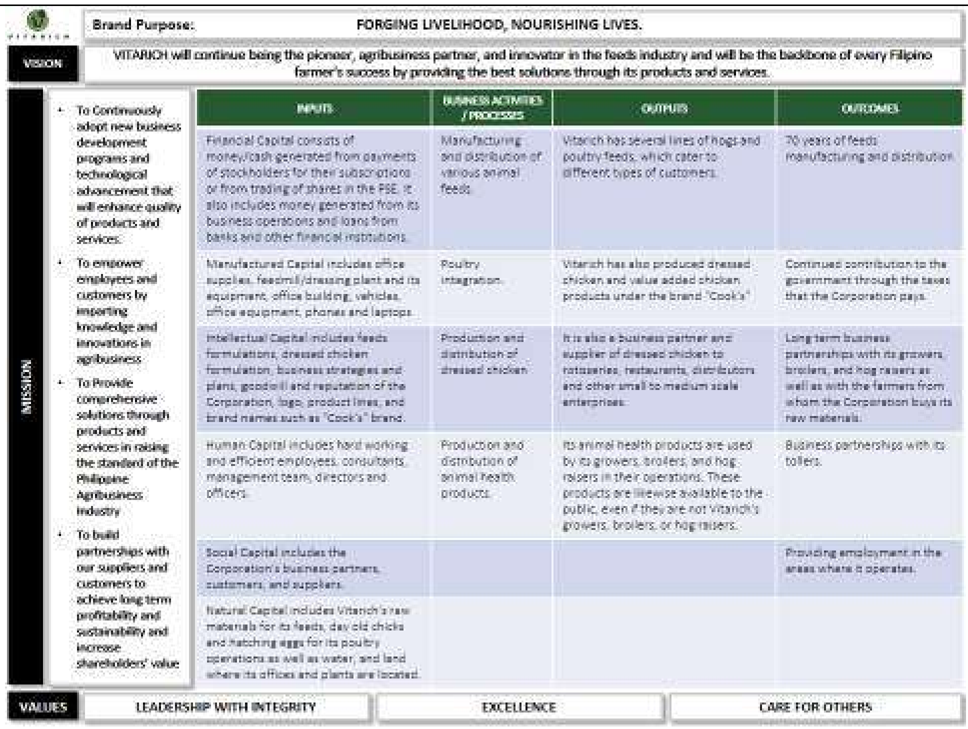


# 2020 SUSTAINABILITY REPORT

# 2020 SUSTAINABILITY REPORT
# VITARICH CORPORATION

## SEC Reporting Template

## Contextual Information

| Company Details | |
|---|---|
| Name of Organization | Vitarich Corporation ("Vitarich") |
| Location of Headquarters | Principal Place of Business: Marilao- San Jose Road, Sta. Rosa I, Marilao, Bulacan |
| Location of Operations | Aside from Marilao, Bulacan, Vitarich also operates in the following areas:<br><br>a. Iloilo: Brgy. Mali-ao, Pavia, Iloilo<br>b. Bacolod: Door M-4, Palanca Avenue, Reclamation Area, Bredco 1, Bacolod City<br>c. Cebu: Marciano Quizon St., Brgy. Alang-alang, Mandaue, Cebu City<br>d. Cagayan de Oro: Unit A, Warehouse 3, Neo Central Arcade, Cugman, Cagayan De Oro City<br>e. Davao: KM.14 Panacan, Davao City |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | This report involves only the business operations of Vitarich, including the operations in the feedmill plants that it operates, which are located in Iloilo and Davao. It excludes, however, the dressing plants as these are not operated by Vitarich. |
| Business Model, including Primary Activities, Brands, Products, and Services |  |

Brand Purpose: FORGING LIVELIHOOD, NOURISHING LIVES.

VISION: VITARICH will continue being the pioneer, agribusiness partner, and innovator in the feeds industry and will be the backbone of every Filipino farmer's success by providing the best solutions through its products and services.

MISSION:
- To Continuously adopt new business development programs and technological advancement that will enhance quality of products and services.
- To empower employees and customers by imparting knowledge and innovations in agribusiness
- To Provide comprehensive solutions through products and services in raising the standard of the Philippine Agribusiness Industry
- To build partnerships with our suppliers and customers to achieve long term profitability and sustainability and increase shareholders' value

| INPUTS | BUSINESS ACTIVITIES / PROCESSES | OUTPUTS | OUTCOMES |
|---|---|---|---|
| Financial Capital consists of money/cash generated from payments of stockholders for their subscriptions or from trading of shares in the PSE. It also includes money generated from its business operations and loans from banks and other financial institutions. | Manufacturing and distribution of various animal feeds. | Vitarich has several lines of hogs and poultry feeds, which cater to different types of customers. | 70 years of feeds manufacturing and distribution. |
| Manufactured Capital includes office supplies, feedmill/dressing plant and its equipment, office building, vehicles, office equipment, phones and laptops. | Poultry integration. | Vitarich has also produced dressed chicken and value added chicken products under the brand "Cook's" | Continued contribution to the government through the taxes that the Corporation pays. |
| Intellectual Capital includes feeds formulations, dressed chicken formulation, business strategies and plans, goodwill and reputation of the Corporation, logo, product lines, and brand names such as "Cook's" brand. | Production and distribution of dressed chicken. | It is also a business partner and supplier of dressed chicken to rotisseries, restaurants, distributors and other small to medium scale enterprises. | Long term business partnerships with its growers, broilers, and hog raisers as well as with the farmers from whom the Corporation buys its raw materials. |
| Human Capital includes hard working and efficient employees, consultants, management team, directors and officers. | Production and distribution of animal health products. | Its animal health products are used by its growers, broilers, and hog raisers in their operations. These products are likewise available to the public, even if they are not Vitarich's growers, broilers, or hog raisers. | Business partnerships with its tollers. |
| Social Capital includes the Corporation's business partners, customers, and suppliers. | | | Providing employment in the areas where it operates. |
| Natural Capital includes Vitarich's raw materials for its feeds, day old chicks and hatching eggs for its poultry operations as well as water, and land where its offices and plants are located. | | | |

VALUES: LEADERSHIP WITH INTEGRITY | EXCELLENCE | CARE FOR OTHERS

| | |
|---|---|
| | For a more readable business model, kindly see **Annex "A"** of this Sustainability Report. |
| Reporting Period | January to December 2020 |
| Highest Ranking Person responsible for this report | Atty. Mary Christine Dabu-Pepito, *Assistant Corporate Secretary, Compliance Officer, Corporate Information Officer, and Legal Counsel* |

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

| **Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]** |
|---|
| In view of the restrictions brought about by the COVID-19 pandemic, Vitarich was unable to conduct a comprehensive stakeholder engagement other than the customer survey during the first quarter of the year. Thus, similar to the 2019 report, the Sustainability Report team collated all existing data and information needed. Based on these existing data, the team analyzed the material topics for the report using the Materiality Matrix. Per assessment, the following are the topics material to Vitarich:<br><br>(a) Direct Economic Value Generated and Distributed<br>(b) Climate-Related Risks and Opportunities<br>(c) Proportion on Spending on Local Suppliers<br>(d) Training on Anti-Corruption Policies and Procedures<br>(e) Energy Consumption within the Organization<br>(f) Water Consumption within the Organization<br>(g) Materials Used by the Organization<br>(h) Air Emissions<br>(i) Air Pollutants<br>(j) Solid Wastes<br>(k) Hazardous Wastes<br>(l) Effluents<br>(m) Environmental Compliance<br>(n) Employee Data<br>(o) Employee Benefits<br>(p) Employee Training and Development<br>(q) Labor Management Relations<br>(r) Diversity and Equal Opportunity<br>(s) Labor Laws and Human Rights<br>(t) Supply Chain Management<br>(u) Significant Impacts on Local Communities<br>(v) Customer Satisfaction<br>(w) Health and Safety<br><br>However, while the same were assessed to be material, there are still no available data on some topics. |

[1] See *GRI 102-46* (2016) for more guidance.

| |
|---|
| The topics that were not material were left in blank/unanswered. |

# ECONOMIC

## Economic Performance

### Direct Economic Value Generated and Distributed

| Disclosure | Amount | Units |
|---|---|---|
| Direct economic value generated (revenue) | 7,928,548,948.00 | PhP |
| Direct economic value distributed: | | |
| a. Operating costs | 7,310,120,736.00 | PhP |
| b. Employee wages and benefits | 155,908,377.00 | PhP |
| c. Payments to suppliers, other operating costs | 367,666,873.00 | Php |
| d. Dividends given to stockholders and interest payments to loan providers | 34,454,582.00 | PhP |
| e. Taxes given to government | 33,570,374.00 | PhP |
| f. Investments to community (e.g. donations, CSR) | 317,500.00 | PhP |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Despite the pandemic, Vitarich generated a total revenue of Php7,928,548,948.00 as a result of its business operations, strategies and other operating and passive income. With this amount, it was able to fund its operating costs and pay the salaries of its employees. It was also able to contribute to the government in the form of taxes and license fees, including deficiency taxes. In addition, the company was able to pay interests to its loan providers and still had something to share with the community in the form of donations and Corporate Social Responsibility (CSR) activities.<br><br>Vitarich's generated revenue has an impact on the country's revenue through the taxes it paid for 2020. It also has an impact on the labor sector through job creation and | Vitarich's economic value generated and distributed affected the following stakeholders: (a) government; (b) employees; (c) suppliers; (d) customers; (e) other business partners; and (f) loan providers. | Vitarich continues to commit to strengthen and innovate its Lifetime Profitable Partnership (LPP) program, which has been proven to be a financially and socially efficient strategy. It also commits to continuously update capabilities and efficiencies within its organization. It will continue to pay the correct and right amount of taxes and comply with government rules and regulations. |

| | | |
|---|---|---|
| retention as well as in food production and distribution. | | |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| For the year 2020, the COVID-19 pandemic posed a lot of economic risks for the company, including (a) decrease in revenue as a result of decrease in demand, delays in production, shortage of raw materials, delays in deliveries, and African Swine Fever; (b) increase in expenses/costs; (c) lay-off of employees; and (d) delay and/or restructuring of loans and payments to suppliers. | These risks affected the government, the company's suppliers, loan providers, employees, directors, customers, and even the communities where Vitarich operates. | Vitarich made innovations on its business strategies to cope with the pandemic and to bring its products closer to its customers. It strengthened and improved its operational efficiencies (including customer service and cost reduction measures) as well as its bio-security measures and policies. It created a COVID-19 Crisis Management Team ("COVID-19 CMT") in order to ensure business continuity and health and safety of its employees. It continued to pay its obligations to creditors and suppliers. Vitarich also renegotiated its contracts with some of its suppliers and customers for mutually beneficial amended contracts. |
| **What are the Opportunity/ies Identified?** | | **Management Approach** |
| Innovations in business strategies to continue thriving amidst the pandemic, thereby resulting in a positive net income for the company, continuous contribution and partnership with the suppliers, customers, creditors, and business partners. The company also continuously contributed to the government and the community in the form of taxes and employment. | | In addition to the foregoing approach, Vitarich continues to commit to maximize its profits by using the same to improve its business operations in order to be able to give or contribute more to its stakeholders. Vitarich also commits to continuously pay its suppliers and loan providers on time to maintain good relationship with them. |

## Climate-related risks and opportunities[2]

| Governance | Strategy | Risk Management | Metrics and Targets |
|---|---|---|---|
| Disclose the organization's governance around climate-related risks and opportunities | Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, | Disclose how the organization identifies, assesses, and manages climate-related risks | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where |

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

| | | | |
|---|---|---|---|
| | and financial planning where such information is material | | such information is material |
| **Recommended Disclosures** | | | |
| **a) Describe the board's oversight of climate-related risks and opportunities** | **a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term** | **a) Describe the organization's processes for identifying and assessing climate-related risks** | **a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process** |
| Whenever necessary, the department heads report and update the Board of Directors during the latter's meetings on climate-related risks and opportunities and their impact on Vitarich's business operations, if any, and the measures undertaken or proposed to be undertaken to prevent and/or minimize adverse effects.<br><br>For the year 2020, during the period of the Enhanced Community Quarantine ("ECQ") in Luzon, the Board met almost every week in order to oversee and aid the management in addressing and managing the effects of the current pandemic. | On the short term horizon, Vitarich is exposed to the following climate-related issues: (a) lack or scarcity of local raw materials; (b) flooding; (c) power shortages; and (d) water shortages.<br><br>On the medium to long term horizon, the following are the climate-related issues relevant to the company: (a) weather disturbances; (b) erratic climate conditions; (c) increasing temperatures during summer; (d) continuous rise of sea water level; (e) ban on use of plastics in the packaging of products; (f) shift to the use of biodegradable plastic packaging; (g) customer preference on "green" companies/companies who have been certified as eco-friendly; (h) scarcity of | As mentioned above, Vitarich formed a COVID-19 CMT. The CMT helps the management in identifying and assessing COVID-19 related risks, in addition to crafting policies to manage and address the risks posed by the current pandemic.<br><br>As regards the identified climate-related risks, Vitarich, in practice, is already assessing climate-related risks and opportunities through the following means: (a) continuous research and development on emerging trends, alternative raw materials, and latest technology and infrastructure; (b) review and audit of effects of recurring risks such as flooding and weather disturbances; (c) innovation on | Since climate-related risks and opportunities have not yet been incorporated on Vitarich's risk management policy in 2020 as the focus was on ensuring business continuity and safety of employees amid the pandemic, there is no available data yet on the metrics used to assess these climate-related risks and opportunities. |

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| | non-renewable resources; and (h) urbanization.<br><br>While not necessarily climate-related, the COVID-19 pandemic posed an actual risk to all types of businesses – including Vitarich's business.<br><br>Based on these risks, Vitarich sees the following opportunities, which has not only short term but also long term impacts on the company's business operations: (a) use of alternative raw materials; (b) use of renewable sources; (c) reduced consumption of water; (d) use of biodegradable plastics in packaging; (e) use of organic materials in packaging; (f) reduction of wastes; (g) use of climate proof infrastructures; and (h) use of eco-friendly, state-of-the-art equipment.<br><br>As regards the COVID-19 pandemic, Vitarich had seen the following opportunities in addressing the risks: (a) innovations in business strategies to bring its products closer to the people; (b) lesser overhead costs due to telecommuting; (c) strengthening biosecurity measures; (d) creation of | strategies to address recurring risks and evaluation of such strategies versus former strategies; and (d) continuous review and innovation of strategies.<br><br>Vitarich adopts and includes climate-related risks and opportunities in its existing risk management policy. It commits to integrate the same in the written policy moving forward. | |

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| | additional sales channels; (e) lesser manpower footprint and costs due to remote communication facilities and digital banking and other transactions. | | |
| **b) Describe management's role in assessing and managing climate-related risks and opportunities** | **b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.** | **b) Describe the organization's processes for managing climate-related risks** | **b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets** |
| The management meets at least twice a month to discuss the results of the previous month's operations, the factors for achieving said results/non-attainment of targets, the financial and climate-related risks and opportunities as well as the possible spread of animal diseases/viruses. Any climate-related issue that affects or may potentially affect the company's business operations are likewise discussed to the Board of Directors, together with measures undertaken or to be undertaken to address the climate-related issues.<br><br>When Luzon was placed in ECQ, the management met at least once a week to monitor compliance | The COVID-19 pandemic pushed the government to lockdown the entire island of Luzon for 1.5 months last 2020. This lockdown posed the risk of economic loss to all businesses – Vitarich included – considering that only essential industries were allowed to operate. While Vitarich is considered as an essential business, nonetheless, the risk of economic loss was still apparent and real because of the reduced demand for its products as most people were required to stay home and a lot of people either lost their jobs, got sick or suffered financial losses.<br><br>Lack or scarcity of raw materials, power and water shortages may either hamper business | Vitarich manages its climate-related risks and opportunities in the same manner as how it assesses these risks and opportunities. These means are already provided for in disclosure (a) above. | Since climate-related risks and opportunities have not yet been incorporated on Vitarich's risk management policy as the focus in 2020 was COVID-19 management, there is no available data yet on the targets used to assess these climate-related risks and opportunities other than meeting the targeted revenues for the months that weather disturbances, flooding and increase in temperature are experienced. |

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| and results with the policies in place, monitor and check on employees' productivity and well-being and to monitor business operations as well as to address gaps in the business strategies being employed. | operations or increase costs to produce Vitarich's products.<br><br>Continuous rise of sea water level, and weather disturbances may devastate infrastructure. Erratic climate conditions, flooding, and increasing temperatures during summer, on the other hand, may destroy or contaminate Vitarich's products or even limit product movement. These may also reduce demand for products.<br>The ban on use of plastics in the packaging of products or at least the shift to the use of biodegradable plastic packaging, as well as customer preference on "green" companies/companies who have been certified as eco-friendly, and scarcity of non-renewable sources may have the following impacts: (a) increase cost to produce; (b) decrease in the demand for goods; (c) reduced revenue; (d) increase in interest rates on future and even existing loans, if any; (e) increase expenditures on research and development; and (f) increase in capital expenditures in technology development. | | |

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| | Urbanization may result in increase in capital expenditures for relocation.<br><br>On the other hand, all of the above-identified opportunities have the following potential financial impacts on Vitarich: (a) increased efficiencies thereby reducing costs; (b) increase in demand; (c) increase in revenue; (d) positive net income after tax despite the pandemic; (e) business continuity and innovations in business strategies; (f) decrease in costs to produce; (g) increase in production capacity; (h) increased employee retention; (i) increased customer retention; (j) decrease in capital expenditures; and (k) increased goodwill of the company. | | |
| | **c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario** | **c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management** | |
| | With a positive net income after tax amidst the pandemic, Vitarich has once again shown resiliency as it did in the past over | Vitarich adopts and includes climate-related risks and opportunities in its existing risk management policy. It | |

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| | short term risks and some of the long term risks (flooding, weather disturbances).<br><br>Vitarich commits to continuously improve, strengthen, and institutionalize its risk management policy within the organization.<br><br>Vitarich continuously reviews and updates its business strategies in order to maximize the potentials of the said opportunities.<br><br>The aforementioned risks and opportunities have the potential to affect Vitarich financially and physically (i.e. relocation due to urbanization). | commits to institutionalize it moving forward. | |

## Procurement Practices

### Proportion of spending on local suppliers

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | Luzon – 37<br>Visayas – 22<br>Mindanao - 41 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Vitarich's procurement policies and practices generate a relatively positive value for local suppliers as 37% of the procurement budget in Luzon was spent on local suppliers. For Visayas, 22% of the procurement budget was spent on local suppliers while 41% of the procurement budget was spent on | Affected stakeholders are suppliers, farmers, traders, customers, community and the government. | Vitarich's Procurement Department uses the Buying Plan method based on the Material Requirement Plan ("MRP") provided by the Production Planning and Inventory Control ("PPIC") to plan buying strategies and timing.<br><br>Vitarich has an existing procurement policy which is reviewed periodically. |

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| local suppliers in Mindanao.<br><br>However, while Vitarich is committed to support local farmers, it cannot help but import some of its raw materials due to significant price differences between local and imported materials, or because of weather disturbances, extreme weather conditions or lack/scarcity of materials.<br><br>In 2020, supplier engagements and transactions decreased due to limited sales and farm projection.<br><br>**What are the Risk/s Identified?**<br><br>In 2020, local sourcing and delivery schedule were affected by the very limited and restricted mobility and travels. Exploratory sourcing was likewise limited. Demand became highly unpredictable, which resulted in decline or increase in production.<br><br>**What are the Opportunity/ies Identified?**<br><br>In 2020, there was an opportunity to review and evaluate existing micro raw materials and explore new alternatives. The pandemic also saw the opportunities for the development of skills and for the adoption a more proactive mindset. | | In 2020, the company had intensive online meetings and frequent supplier phone discussions in order to maintain good relationship with local suppliers. Market updates by suppliers were also being asked. Intensive monitoring and feedback with suppliers, LGUs and the procurement team were also conducted in 2020 to manage the risks brought about by COVID-19 pandemic. The procurement team also joined webinars and conferences to better understand factors affecting fluctuation of prices local and abroad.<br><br>The company also explored alternatives, made constant price analysis/buying recommendations of local and global markets, looked for means to better understand the market's behavior and the factors affecting such behavior. |

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 0 | % |
| Percentage of directors and management that have received anti-corruption training | 0 | % |

| | | |
|---|---|---|
| Percentage of employees that have received anti-corruption training | 0 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Training on anti-corruption policies and procedures contribute to having arms-length transactions with the suppliers. It also promotes competition among the suppliers to help them improve their own businesses, which would also translate to more income and more tax payments from the suppliers and the company as well. Further, it helps parties dealing with the company to conduct their businesses in a legal, moral, and ethical manner. It also upholds laws and company policies. It also has an impact on the company's business operations, supply chain, and goodwill.<br><br>However, while this is a material topic for Vitarich as integrity is one of the company's core values and it conducts its business in an honest, legal, moral and ethical manner, its anti-corruption policy at present is limited to the prohibitions and penalties for conflicts of interests as indicated in the Company Rules and Regulations. There is no comprehensive and separate anti-corruption policy yet. As such, there is no available data yet on the extent of the impact of this material topic. | Since Vitarich's anti-corruption policy at present is limited to prohibition on conflict of interest, the stakeholders affected so far are the employees, suppliers and customers. | Vitarich commits to institutionalize and conduct trainings on its anti-corruption policy and procedure as well as to communicate the same to the employees, directors, officers, business partners, suppliers, and the public. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Since the only anti-corruption policy in place is conflict of interest and there had been no regular | These identified risks will affect Vitarich's employees, customers, | In addition to those mentioned above, Vitarich commits to strengthen its control procedures to ensure that business |

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| trainings regarding this policy, the following are the risks identified relative to this topic:<br><br>1. Employees, particularly those involved in procurement, sales, and collection may not be able to draw the line between a mere accommodation given to a customer or a supplier or those given to Vitarich and an act amounting to a conflict of interest.<br>2. Failure to draw the line between a mere accommodation given to Vitarich or those given to suppliers and customers and an act that is corrupt, dishonest, or unethical.<br>3. Decline of confidence of customers, suppliers and any external business partners.<br>4. Lack of basis for issuing fines and penalties involving corruptions within and outside the organization.<br>5. Possible legal suits against the company, its directors, officers, or employees.<br>6. Lost income opportunities or decrease in revenue.<br>7. Demoralization of employees.<br>8. Company's reputation may be tainted.<br>9. Decline in the company's market value.<br>10. Abusive transactions/contracts or those where the terms and conditions are not arms-length. | suppliers, business partners, directors, officers, and even shareholders.<br><br>Erring employees, officers, and directors may not only lose their jobs in the company but may also face criminal prosecution. If found guilty, they may even suffer the penalty of imprisonment.<br><br>Should confidence in the company decline as a result of corrupt acts and practices, shareholders' investments may be affected, especially if the market value of the company becomes too low. | operations are conducted and profits are earned in a legal, moral, and ethical manner. |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| If anti-corruption policies and procedures are communicated to the stakeholders and trainings have been given to them, Vitarich's business operations will be more profitable as it need not spend for fines and penalties on account of | Shareholders would have peace of mind about their investments in the company.<br><br>Business partners are assured of a continuing | Vitarich reiterates the management approach disclosures made above and, in addition, it plans to study the possibility of partnerships with the government and its agencies and to analyze the extent of the contributions it will make and benefits it may derive from such |

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| corrupt practices and acts. The company also need not spend for legal actions against employees, officers, directors, and business partners who are proven to commit corrupt practices and act.<br><br>Employees will be more motivated to work and they will be more efficient. There will be a very minimal employee turnover rate because fewer employees will resign and no employee will be dismissed due to corrupt practices and act.<br><br>Once anti-corruption policy is promoted and implemented strictly, it will provide positive image to external business partners, potential investors, potential employees and others.<br><br>A corrupt-free business operations will also pave the way for tie-ups and partnerships with the government, its agencies and adjunct departments.<br><br>Long term partnerships with existing business partners is also seen. In addition to this, Vitarich may be able to gain new customers.<br>In terms of financing, there is a high possibility of getting low interest rates as Vitarich's exposure to closure and legal suits are avoided or at least maintained at a very minimal level. | business relations with Vitarich.<br><br>Suppliers are given the opportunity to compete for every requirement.<br><br>Employees are more secured in their employment and they are more motivated to work.<br><br>Career growth is a high possibility for the employees. They also need not worry about legal suits against them for corrupt practices that amount to criminal acts under our laws.<br><br>The government will earn the correct and right amount of taxes from Vitarich.<br><br>The government's partnership with Vitarich will also help the government enrich the lives of more people. | partnerships. |

## Incidents of Corruption

| Disclosure | Quantity | Units |
|---|---|---|
| Number of incidents in which directors were removed or disciplined for corruption | | # |
| Number of incidents in which employees were dismissed or disciplined for corruption | | # |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| | | |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| | | |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| | | |

# ENVIRONMENT

## Resource Management

### Energy consumption within the organization:

| Disclosure | Quantity | Units |
|---|---|---|
| Energy consumption (renewable sources) | 0 | GJ |
| Energy consumption (SFO) | Visayas – 4,691.10<br>Mindanao - 0 | GJ |
| Energy consumption (gasoline) | 0 | GJ |
| Energy consumption (LPG) | 0 | GJ |
| Energy consumption (diesel) | Visayas – 792<br>Mindanao – 11,988.89 | GJ |
| Energy consumption (electricity) | Visayas – 1,779,250<br>Mindanao – 3,005,411.40 | kWh |

### Reduction of energy consumption

| Disclosure | Quantity | Units |
|---|---|---|
| Energy reduction (gasoline) | | GJ |
| Energy reduction (LPG) | | GJ |
| Energy reduction (diesel) | | GJ |
| Energy reduction (electricity) | | kWh |
| Energy reduction (gasoline) | | GJ |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| The data was based from the Iloilo and Davao feed mill plants and offices of Vitarich.<br><br>As can be seen, the company's SFO and electricity consumption in | The communities where the company operates, the employees, and the government. | Keeping the energy consumption in minimal to standard level balances industrialization and environmental impact and even lessens and/or minimizing adverse environmental impact of the company's operations. |

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| Visayas is within standard/usual consumption while the diesel consumption is low.<br><br>For Mindanao, the company no longer uses SFO in its broilers at the Davao feed mill plant. Its diesel and electricity consumption in Mindanao are within industry standards.<br>The company's energy consumption in its Iloilo and Davao Feed Mill plants and offices in Visayas and Mindanao had minimal adverse impacts on the environment, particularly in the areas where it operates, as the consumption is within regulatory standards.<br><br>Furthermore, Vitarich was able to significantly reduce the level of its Nitrogen Oxide Concentration, Sulfur Oxide Concentration and Particulate Matter contributions when it converted the fuels of its Davao Feed mill's broilers and generators from SFO to diesel.<br><br>**What are the Risk/s Identified?**<br><br>An increase in energy consumption may result in higher air pollution contribution, thus, increasing negative impacts to the environment.<br><br>Increase in energy consumption may also lead to shortage or scarcity of non-renewable sources.<br><br>Legal and health risks are also seen should energy consumption increase significantly.<br><br>**What are the Opportunity/ies Identified?**<br><br>Maintaining the energy consumption at a minimal may result in decreasing negative | | Vitarich commits to further lower its energy consumption by strengthening its energy saving tips awareness. Furthermore, the company plans to install solar panels to partially source some of its electricity requirements from this system.<br><br>The company also continuously looks at the possibility of shifting to renewable sources of energy for use in its business operations. It also looks at different means to improve energy consumption and efficiency. |

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| impacts to the environment.<br><br>Reduction in energy consumption may help in preventing shortage or scarcity of non-renewable sources as well as in preventing health and/or legal risks. | | |

## Water consumption within the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Water withdrawal | Visayas – 5,736<br>Mindanao – 2,008 | Cubic meters |
| Water consumption | Visayas – 5,736<br>Mindanao – 1,962 | Cubic meters |
| Water recycled and reused | Visayas – 0<br>Mindanao – 2 | Cubic meters |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Data was based from water consumption in the Iloilo and Davao Feed mill plants and offices of the company.<br><br>As can be seen, the company's water withdrawal and consumption are within standard/usual consumption.<br><br>On the other hand, its recycled and/or re-used water is very low.<br><br>The company's water consumption and withdrawal had a very minimal adverse impact on the environment, particularly in the areas where it operates, as the consumption has only minimal wastewater discharge. | The communities where the company operates, the employees, and the government. | Keeping the water consumption in minimal to standard level balances industrialization and environmental impact and even lessens and/or minimizing adverse environmental impact of the company's operations.<br><br>The company also continuously improves its efficiencies in order to lower its water consumption.<br><br>Vitarich commits to further lower its water consumption by strengthening its water conservation tips awareness.<br><br>Should there be a significant increase in the water consumption, Vitarich shall also look into water recycling and/or water re-use in order to minimize adverse impact of significant increase in water consumption. |
| **What are the Risk/s Identified?** | | |
| An increase in water consumption may result in higher water pollution contribution, thus, | | |

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| increasing negative impacts to the environment.<br><br>Increase in water consumption may also lead to shortage or scarcity of water.<br><br>Legal and health risks are also seen should water consumption increase significantly. | | |
| **What are the Opportunity/ies Identified?** | | |
| Maintaining the water consumption at a minimal may result in decreasing negative impacts to the environment.<br><br>Reduction in water consumption may help in preventing shortage or scarcity of water as well as in preventing health and/or legal risks. | | |

## Materials used by the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Materials used by weight or volume | | |
| ➢ Renewable | 200,712,600 | Kilo |
| ➢ Non-renewable | 3,887,400 | Kilo |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | 0 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| As a feed and poultry company, Vitarich relies heavily on raw, manufactured and processed materials in order to manufacture, market and sell its products.<br><br>As can be seen, however, while it uses more renewable materials than non-renewable materials, it does not use recycled materials in | One of the stakeholders affected are the communities in which Vitarich has business operations as they bear the company's contributions to pollution and wastes. The suppliers of non-renewable materials are affected as | Vitarich opts to use more renewable and/or recyclable materials in the manufacturing and selling of its products in order to minimize, if not totally avoid, the use of non-renewable materials.<br><br>Vitarich continuously looks for ways and means to further minimize the use of non-renewable materials. |

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| its production. Moreover, since the company still uses non-renewable materials, it is still contributing to waste generation and pollution. | they may, over a period of time, suffer shortage or scarcity of materials to be supplied to the company. The customers are also affected because the prices of the products of the company depend also on the costs of production. | |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | |
| The company's continuous demand for non-renewable materials may result in the shortage or scarcity of any of these materials. The scarcity or shortage of these materials will hamper or delay the company's operations.<br><br>It also increases the company's contribution to pollution and generation of waste. | The suppliers of non-renewable resources will be affected by the shortage or scarcity of the non-renewable materials. The customers will also affected because the prices of the products also depend on the prices and availability of the materials. The communities where the company operate will be affected by the increase in the contribution to pollution and waste. | |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | |
| The use of renewable materials will decrease the company's contributions to pollution and waste. It also conserves non-renewable materials so that these may be used for a longer time.<br><br>In addition, renewable materials may be more cost efficient than non-renewable ones. | The communities where Vitarich has operations will be affected because the decrease in pollution and waste would mean a healthier environment for them. The suppliers of non-renewable materials will be affected in the sense that Vitarich's orders will decrease. On the other hand, suppliers of renewable sources will benefit from the shift to the use of renewable sources, albeit gradually. Customers will be | |

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| | affected as the use of renewable materials may be more cost efficient on the part of the company, thus, making the company’s products more affordable to the customers. | |

## Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| **Disclosure** | **Quantity** | **Units** |
|---|---|---|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | (identify all sites) | |
| Habitats protected or restored | | Ha |
| IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations | (list) | |

| **What is the impact and where does it occur? What is the organization’s involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| | | |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| | | |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| | | |

# Environmental impact management

## Air Emissions

### *GHG*

| **Disclosure** | **Quantity** | **Units** |
|---|---|---|
| Direct (Scope 1) GHG Emissions | Iloilo Feedmill - 0.08MT/year<br><br>Davao Feedmill (CO emission only for broiler 1 and 2 respectively) - 2.9/yr and 3.1/yr, respectively | Tonnes $CO_2e$ |
| Energy indirect (Scope 2) GHG Emissions | 0 | Tonnes $CO_2e$ |
| Emissions of ozone-depleting substances (ODS) | 0 | Tonnes |

| **What is the impact and where** | **Which stakeholders are** | **Management Approach** |
|---|---|---|

[4] International Union for Conservation of Nature

| does it occur? What is the organization's involvement in the impact? | affected? | |
|---|---|---|
| While Vitarich neither has indirect GHG emissions nor ozone depleting substances emissions, its feedmill operations in Iloilo and Davao still contribute to GHG emissions as a necessary consequence of its operations, albeit in a very low level compared to the thresholds allowed per Department of Environment and Natural Resources ("DENR") standards.<br><br>While the impact to the environment is very low, this topic is still material for the company as the company's air emissions are highly significant for the stakeholders. | The communities where the Iloilo and Davao feed mills are located are affected by these emissions. In addition, the government is also affected because of regulatory measures in place. | Vitarich regularly maintains its feed mills and equipment and checks its emissions at least once a month and ensures that emissions are within the threshold allowed by law. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| The possible increase in GHG emissions, health risks of the community, and legal action and/or liability against the company and/or its directors, officers, or employees due to increase in GHG emissions are the risks associated with this topic. | The stakeholders who may be affected are the communities where the feed mills are located, the government, the company's directors, officers or employees. | Aside from those mentioned above, Vitarich does continuous research on more eco-friendly machines and equipment and even replace old machines to new ones which are more environment friendly to maintain emissions within threshold allowed by law or better, to even reduce the emissions. |
| **What are the Opportunity/ies Identified?** | | |
| Maintaining its GHG emissions to a very low level and even reducing it will reduce health risks of the community as well as exposure to legal action and/or liability of the company, its directors, officers or employees. | | |

*Air pollutants*

| Disclosure | Quantity | Units |
|---|---|---|
| $NO_x$ | Iloilo Feedmill -348<br><br>Davao Feedmill -98.6 | ave. |

| | | |
|---|---|---|
| | (Genset), 107(Boiler No. 1), 78.6 (Boiler No. 2) | concentration in mg/Nm³ |
| $SO_x$ | Iloilo Feedmill – 605 (as SO2)<br><br>Davao Feedmill – 22.5 (Boiler No. 1), 26.7 (Boiler No. 2) | ave. concentration in mg/Nm³ |
| Persistent organic pollutants (POPs) | 0 | Kg |
| Volatile organic compounds (VOCs) | 0 | Kg |
| Hazardous air pollutants (HAPs) | 0 | Kg |
| Particulate matter (PM) | Iloilo Feedmill – 62.47<br><br>Davao Feedmill – 5.8 (Boiler No. 1) 4.5 (Boiler No. 2) | concentration in mg/Nm³ |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Which stakeholders are affected?** | **Management Approach** |
|---|---|---|
| For the year 2020, except for NOx emitted by Broiler No. 2 in Davao feedmill and Particulate Matter in Iloilo feedmill, Vitarich's feedmill operations' NOx, Sox and Particulate Matter emissions were lower versus that in 2019.<br><br>The impact to the environment is very low considering that over-all, Vitarich was able to further reduce its air pollutant emissions in 2020, this topic is still material because the company's contribution to air pollution is highly significant for the stakeholders, especially the government and the communities where Vitarich operates. | The stakeholders affected are the communities where these feedmills operate, the employees in the feedmills and the government. | Vitarich has pollution control devices, including dust collectors, in its feedmills in order to minimize, if not totally avoid, contribution to air pollution. These pollution control devices and all other equipment are continuously and regularly monitored and maintained.<br><br>To protect its employees and even third persons, biosecurity measures are in place and the company also provides them with personal protective equipment ("PPE"). The company also conducts an annual maintenance/servicing for its boilers.<br><br>In addition to these, biosecurity measures were further strengthened considering the current pandemic. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | |
| The risks identified with respect to the air pollutants being emitted by the company's feedmills in Iloilo | The stakeholders who may be affected are the communities where the | |

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| and Davao are: (a) increase in contribution air pollution; (b) health risks on the part of the employees and the communities where the feedmills operate; and (c) legal action and/or liability on the company, directors, officers, or employees due to increase in air pollution contribution. | feed mills are located, the government, the company's directors, officers or employees. | |
| **What are the Opportunity/ies Identified?** | | **Management Approach** |
| Decrease in air pollution contribution, thereby reducing health risks of the community and reducing exposure to legal action and/or liability of the company, its directors, officers or employees. | | In addition to the foregoing, Vitarich is continuously researching and finding means to further reduce its contribution to air pollution, including the possibility of replacing its Gen. Set. in 2021 to improve operational efficiencies and minimize further air pollutants generated. |

## Solid and Hazardous Wastes

*Solid Waste*

| Disclosure (include office) | Quantity | Units |
|---|---|---|
| Total solid waste generated | Iloilo -1,700/month<br><br>Davao - 2,500/month | Kg |
| Reusable | Iloilo – 200/month<br><br>Davao – 500/month | kg |
| Recyclable | Iloilo – 250/month<br><br>Davao – 300/month | kg |
| Composted | Iloilo – 100/month<br><br>Davao – 700/month | kg |
| Incinerated | 0 | kg |
| Residuals/Landfilled | Iloilo – 1150/month<br><br>Davao – 1000/month | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| For the year 2020, total solid, | The stakeholders affected | Vitarich's permanent Materials Recovery |

| | | |
|---|---|---|
| reusable and recyclable wastes generated in Iloilo were lower versus 2019. On the other hand, composted waste and residual waste generated in Iloilo for the year 2020 were higher than that in 2019. Over-all, solid waste generated in its Iloilo operations can be considered low.<br><br>On the other hand, solid, reusable, recyclable, composted and residual waste generated in Davao in 2020 were the same as in 2019 although production volume in 2020 decreased. | would be the employees involved in the feed mill operations, the communities where the feedmills operate as well as the communities near the landfills where the residual wastes go and the government. | Facility ("MRF") in Iloilo contributed to the reduction of solid wastes generated in 2020. Lower volume of production in Iloilo in 2020 contributed to the reduction of reusable and recyclable wastes. Increase in awareness of waste segregation contributed to higher composted and residual wastes generated in Iloilo in 2020.<br>Vitarich collects sweepings (assorted wastes collected through the process of sweeping) to be reprocessed/included in formulation of feeds, reuses and recycles all that may be reused or recycled, as the case may be, and keeps its residual solid wastes within the allowed threshold.<br><br>In addition, Vitarich continuously reiterated and strengthened its campaign for proper waste segregation to its employees. The company further commits to continuously strengthen its awareness campaign and implementation of waste segregation policy as well as the use of reusable and/or recyclable materials, particularly, utensils and food containers.<br><br>Moreover, the company also reuses packaging materials (sacks) in its operations. |
| **What are the Risk/s Identified?** | | **Management Approach** |
| Increase in residual wastes may harm the communities where the feedmills operate and those near the landfills.<br><br>Legal action and legal liability on the company's part as well as its directors, officers, or employees should the solid wastes go beyond the threshold allowed by law.<br><br>Collection of sweepings could result in health risks to employees, such as infections. | | In addition to the foregoing, the company regularly evaluates the sweepings to make sure that it would not cause infections. It also provides the employees with PPEs and the biosecurity measures in place are strictly implemented. Vitarich also continuously looks for solutions to further reduce its solid wastes, if not totally eliminate them. |
| **What are the Opportunity/ies Identified?** | | |

| | | |
|---|---|---|
| Reduction in residual wastes as well as elimination of the same may reduce health risks to communities where the feedmills operate and those near the landfills. It may also reduce exposure of the company, its directors, officers and employees to legal action and legal liability.<br><br>Increase in volume of sweepings to be reprocessed to reduce use of raw materials. | | |

*Hazardous Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total weight of hazardous waste generated | Iloilo Feedmill:<br><br>Used oil – 275/year<br><br>Busted lamps – 51/year<br><br>Davao Feedmill:<br><br>Used oil – 900/year<br><br>Busted lamps - none | <br><br>liters<br><br>kg<br><br><br><br>liters<br><br>kg |
| Total weight of hazardous waste transported | Iloilo Feedmill – 0<br><br>Davao Feedmill – 0 | kg<br><br>kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| As can be seen in the table above, the company's business operations in its Iloilo and Davao Feedmills generate hazardous wastes in the form of used oil and busted lamps, which, if not disposed properly, may result in harmful effects to the environment and even to human | The stakeholders who may be affected are the people living nearby, the employees of the organization, and the government. | The company has a designated Materials Recovery Facility ("MRF") to properly store used oil and busted lamps. It also makes sure that the proper waste disposals prescribed under existing laws and regulations are strictly followed.<br><br>Vitarich continuously improves its |

| | | |
|---|---|---|
| beings.<br><br>Used oil generated for 2020 was higher than those generated in 2019. On the other hand, busted lamps generated decreased in 2020 versus 2019.<br><br>While there was an increase in used oil generated, the volume of hazardous waste may still be considered minimal. Thus, there is no need to transport the same yet and there is also no hazardous waste transporter that would cater the very minimal volume. The same are properly kept within the vicinity. | | preventive maintenance program/schedule in order to minimize used oil. To minimize busted lamps, the company is converting all lights into led lamps/bulbs, which have a higher life span. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Improper disposal of these wastes may lead to: (a) health risks of employees and people living nearby; (b) fire; (c) air and/or water pollution; and (d) legal action and liability on the company, its directors, officers, and employees. | The stakeholders who may be affected are the people living nearby, the government, and the company's directors, officers, and employees. | In addition to the foregoing measures, the company monitors consumption of oils and lamps so that the waste is kept within the threshold and that these hazardous wastes are segregated from the non-hazardous wastes. It also strictly implements its "No Smoking" policy and provides employees working in its feedmills PPEs, which they are also required to wear within the premises. |
| **What are the Opportunity/ies Identified?** | | |
| The opportunities seen are: (a) reduction or even elimination of health risks of employees and people living nearby; (b) prevention of fire; (c) prevention of air and/or water pollution; and (d) prevention of legal action and liability on the company, its directors, officers, and employees. | | |

## Effluents

| Disclosure | Quantity | Units |
|---|---|---|
| Total volume of water discharges | Iloilo Feedmill – 80/month<br><br>Davao Feedmill - 0/month | Cubic meters |
| Percent of wastewater recycled | 0 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
| --- | --- | --- |
| In 2020, while there was a significant decrease in the water discharge in Davao, there was an increase in the water discharge in Iloilo, although the waste water discharge was still very minimal. 95% of the water consumption is used for its feeds production while 5% goes to domestic use – handwashing, cleaning, and even flushing the toilets. This 5% waste water goes directly to the septic tanks. | The communities where feedmills operate as well as the government are the stakeholders affected by the company's effluents. | The discontinuance of the use of SFO in Davao Feed mill's broilers contributed to eliminating waste water discharge and the use of recycled water in its Davao operations as recycled water was used only in the broiler's water scrubber.<br><br>Vitarich complies with MRF and waste water requirements as well as the proper waste water disposal prescribed under the law and regulations. It also makes sure that it operates within the thresholds allowed by law. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| Increase in effluents may result in scarcity of water resources in the areas where the feedmills operate as well as legal action and/or liability on the part of the company, its directors, officers, and employees.<br><br>Improper waste water disposal may cause: (a) health risks to the employees and the communities where the feedmills operaete; (b) water pollution; (c) legal action and/or liability on the company, its officers, directors, and employees; or (d) closure by DENR and/or LGU. | The stakeholders who may be affected are the communities where feedmills operate, the government, as well as the company's directors, officers, and employees. | In addition to the foregoing, Vitarich commits to look for solutions to further reduce waste water. |
| **What are the Opportunity/ies Identified?** | | |
| Decrease in effluents help in the conservation of the water resources in the areas where the feedmills operate and avoidance of legal action and/or liability on the part of the company, its directors, officers, and employees. | | |

| | | |
|---|---|---|
| Recycling of water, treatment of water, and implementation of rain water catcher system would not only reduce waste water but would also: (a) prevent or reduce health risks to the employees and the communities where the feedmills operate; (b) prevent or reduce contribution to water pollution; (c) prevent legal action and/or liability on the company, its officers, directors, and employees; and (d) prevent closure by DENR and/or LGU. | | |

## Environmental compliance

Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|---|---|---|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | 0.00 | PhP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | 0 | # |
| No. of cases resolved through dispute resolution mechanism | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Full and complete compliance with environmental laws and regulations not only helped the environment and the communities where Vitarich operates but also ensured its business continuity. | The stakeholders affected are Vitarich's business partners, the government and the communities where Vitarich operates. | Vitarich strengthened its regulatory requirements' compliance and monitoring. It likewise continuously upgrades and regularly maintains its facilities to ensure efficiencies and maintain pollution contribution to a minimum. |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| The risks involved in non-compliance with environmental laws and regulations are as follows: (a) imposition of sanctions in the form of fine, cease and desist order, or closure of operation; (b) civil, criminal, or administrative liability on the part of the erring employee; (c) high contribution to air, water, or land pollution; (d) shortage of resources; (e) health risks of employees, customers, and | The stakeholders who may be affected are the: (a) company's stockholders, directors, officers, and employees; (b) customers; (c) business partners; (d) the communities where the company has operations; (e) suppliers; and (f) government, especially the regulators. | Vitarich strictly monitors compliance with environmental laws and regulations, including securing all permits and licenses needed for the continued operation of its business. As mentioned above, it operates within the thresholds allowed by law and it regularly monitors and maintains its equipment. It also continuously looks for solutions to further lessen its wastes, air emissions and air pollutants. |

| | | |
|---|---|---|
| animals fed with the company's feeds; and (f) taint in the reputation/goodwill of the company. | | |
| **What are the Opportunity/ies Identified?** | | |
| Compliance with environmental laws and regulations not only avoids harm to the people in the communities where Vitarich has business operations, its customers and to the animals fed with its feeds, but also ensures business continuity and peaceful relationship with the communities where it operates and the government. Compliance with environmental laws and regulations also prevent liabilities on the part of the company, its directors, officers, or employees. | | |

# SOCIAL

## Employee Management

### Employee Hiring and Benefits

*Employee data*

| Disclosure | Quantity | Units |
|---|---|---|
| Total number of employees[5] | 963 | |
| a. Number of female employees | 293 (national) | # |
| b. Number of male employees | 670 (national) | # |
| Attrition rate[6] | 16.54% | Rate |
| Ratio of lowest paid employee against minimum wage | None | Ratio |

*Employee benefits*

| List of Benefits | Y/N | # of female employees who availed for the year | # of male employees who availed for the year |
|---|---|---|---|
| SSS | Y | 47 | 82 |
| PhilHealth | Y | 8 | 28 |
| Pag-ibig | Y | 37 | 57 |
| Parental leaves | Y | 5 | 5 |
| Vacation leaves | Y | 182 | 307 |
| Sick leaves | Y | 146 | 262 |

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

| | | | |
|---|---|---|---|
| Medical benefits (aside from PhilHealth) | Y | 53 | 70 |
| Housing assistance (aside from Pag-ibig) | N | 0 | 0 |
| Retirement fund (aside from SSS) | Y | 1 | 2 |
| Further education support | N | 0 | 0 |
| Company stock options | N | 0 | 0 |
| Telecommuting | Y | 26 | 7 |
| Flexible-working hours | Y | 41 | 85 |
| (Others) | N | | |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| With operations in Luzon, Visayas, and Mindanao, Vitarich contributes to labor and employment both on localized and nationwide scopes, especially during this time of the pandemic. It helps promote local hiring in Bulacan, Iloilo, and Davao. Since it has 528 employees as of 2020, who mostly reside in the localities where the company operates, Vitarich aids in addressing congestion and overpopulation in Metro Manila. In addition, the company also gives the employees compensation and benefits that are greater than what the law provides. | Vitarich not only abides by the country's labor standards laws but also gives the employees additional benefits such as medical allowance, personal protective equipment, uniform, medical benefits, dental benefits, rice subsidy, seniority pay, personal accident assurance, transportation and meal allowances (when applicable), leave credits over and above the service incentive leave pay, hazard pay for entitled employees, and funeral assistance. It also ensures the timely processing and payments of government contributions not only to comply with laws and regulations but also to ensure timely release of benefits.<br><br>Vitarich continues to take care and empower its employees through its Employee Lifetime Profitable Partnership ("employee LPP") program, which was launched in 2020. |
| **What are the Risk/s Identified?** | **Management Approach** |
| In 2020, the COVID-19 pandemic posed not only economic risks but also health risks on the employees. It also resulted in the lay-off of some employees, thereby contributing to unemployment and possible hunger.<br><br>In addition, higher turn-over rate may result from resignation of demoralized employees. The ageing workforce due to the unattractive-ness of the agriculture industry to young professionals is also seen as a risk. | In addition to the foregoing measures, Vitarich conducted a massive information awareness campaign to its employees regarding COVID-19 prevention and management. In order to protect the health of the employees, it resorted to a combination of telecommuting and flexible working hours even though it may operate at 100% capacity amidst the pandemic. It provided COVID-19 health care essentials to its employees and made its offices safe and sanitized to ensure that employees are safe from the virus. All laid-off employees were properly compensated according to what the law prescribes. The company also implemented cost saving measures |
| **What are the Opportunity/ies Identified?** | |
| | |

| | |
|---|---|
| High retention rate due to competitive salary and benefits package and the culture of taking care of employees' well-being. In addition, there is an opportunity to attract and encourage young professionals to join Vitarich. | in order to ensure the continued employment of the employees.<br><br>In order to attract and encourage young professionals to join Vitarich, the company partnered with schools, such as CLSU, UPLB College of Engineering and Agro Industrial Technology, DLS – Araneta, Central Phil. University and NGOs. |

## Employee Training and Development

| Disclosure | Quantity | Units |
|---|---|---|
| Total training hours provided to employees | | |
| a. Female employees | 1,250 | Hours |
| b. Male employees | 2,295.50 | Hours |
| Average training hours provided to employees | | |
| a. Female employees | 6.0 | hours/employee |
| b. Male employees | 6.3 | hours/employee |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| Vitarich's training and development programs, whether internal or external, for its employees contribute to employee's personal and professional growth and efficiency in the performance of their tasks. | Vitarich provides both in-house and external skills/technical, behavioral, or compliance trainings. In-house trainings are provided/facilitated either by the training team, a consultant or an expert in the field. External trainings are sponsored in full by the company.<br><br>Since the Employee Training & Development program is geared toward creating relevance, work efficiency, productivity, and growth, Vitarich measures the effectiveness of the training and development program as well as the types of the trainings and/or seminars being attended through regular employee performance evaluations. Should a specific training be proven ineffectual, an alternative training and/or approach will be given and/or implemented. |
| **What are the Risk/s Identified?** | **Management Approach** |
| In 2020, Vitarich had lesser trainings and seminars versus 2019 because of the pandemic. Lesser trainings may mean lesser opportunities for growth and development, which may result in stagnancy and non-attainment of targets.<br><br>Non-achievement of the targeted result of the seminar due to the unavailability of third-party provider to do onsite training due to the pandemic. | Given the limited number of persons that may be accommodated in face-to-face trainings, management ensured that key persons were able to attend these trainings. Proper coordination and alignment of personnel availability was taken into account when scheduling training sessions. Trainings were also recorded and presentation materials were made available for the attendees to access/review in their own time. |

| | |
|---|---|
| There are more distractions in online trainings versus on-site trainings at the office.<br><br>The unreliability of internet connection affected the delivery and quality of training.<br><br>Training effectiveness and/or comprehension cannot be measured as trainings are done in lecture format.<br><br>**What are the Opportunity/ies Identified?**<br><br>Investing on employees' trainings and development will result in the professional and personal growth of the employees, which, in turn, may yield to higher employee retention and better productivity results.<br><br>For 2020, Vitarich was able to maximize external training opportunity at a lower cost. Likewise, trainings may be done at any given time due to the availability of different online platforms. | Management was supportive in the work from home arrangement and encouraged employees to gain knowledge and personal improvement by participating in online webinars and training sessions. The use of the Zoom platform was maximized as the move during this time was for online learning.<br><br>In addition to those provided above, Vitarich manages the risks and opportunities associated with employee training and development by making sure that most, if not all, the trainings are industry-related. |

## Labor-Management Relations

| Disclosure | Quantity | Units |
|---|---|---|
| % of employees covered with Collective Bargaining Agreements | 77 (national) | % |
| Number of consultations conducted with employees concerning employee-related policies | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| With 77% of its employees covered by Collective Bargaining Agreements ("CBA"), Vitarich contributes to the empowerment of its employees. Through their union, employees are represented and their concerns are taken into consideration in the preparation and implementation of policies, wages, and benefits. However, for the year 2020, the company deemed it best to forego with consultations with employees as there was a need to think and act fast to survive and weather the pandemic.<br><br>**What are the Risk/s Identified?**<br><br>In 2020, the COVID-19 pandemic posed the risks of unemployment, labor unrest, and/or strike should economic provisions under the CBA will have to be deferred or let go in order to ensure business continuity, especially since no consultations were made with the employees regarding policies that may | Vitarich regularly and constantly communicates with the employees and their union and upholds the terms and conditions in the CBA for as long the organization can sustain. However, for the obligations that Vitarich cannot meet or provide, the company explains the reasons and rationale for postponing/deferring compliance with the obligations. Moreover, the company practices full transparency in informing its employees and their union of the company's financial performance. |

| | |
|---|---|
| affect them. | |
| **What are the Opportunity/ies Identified?** | |
| Strengthened relationship with the union and union cooperation may result from the company's full transparency on its financial performance and condition.<br><br>In 2020, the union helped the company in disposing the company's products when market consumption went down as a result of the lockdown in Luzon from mid-March up to mid-May. The union continued to work diligently despite the pandemic, thereby, helping the company keep the jobs of the employees. | |

## Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|---|---|
| % of female workers in the workforce | 293 | 30.43% |
| % of male workers in the workforce | 670 | 69.57% |
| Number of employees from indigenous communities and/or vulnerable sector* | None | # |

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| Vitarich contributes to the empowerment and employment of women. It provides equal opportunity for all persons, regardless of sex and gender. | While the number of male employees are higher than the female employees, it does not mean that there is gender preference in the selection and hiring of employees. In fact, Vitarich has always upheld and commits to continue to uphold meritocracy in the selection, employment and promotion of all its employees. Vitarich does not and will never include in its list of qualifications a gender preference for each position – from the lowest rank up to the top rank. Moreover, female employees are given the opportunity not only to be employed in the company but also to handle supervisorial, managerial and even executive positions. The company's management committee is composed of both male and female officers. |
| **What are the Risk/s Identified?** | **Management Approach** |
| Work interruptions due to availment of maternity leave for women employees and solo parent leave for solo parents. | Vitarich determines if there is a need to hire a reliever in order not to over-burden the other employees. If there is none, it distributes in the meantime the workload of the employee on |

| | |
|---|---|
| Increase in costs due to the requirement in the Expanded Maternity Leave Law for shoulder part of the benefits and hiring of relievers.<br><br>Work interruptions and increase in costs due to gynecological-related diseases for women. | leave. Otherwise, it hires a reliever in order to prevent work interruptions and overloading the work of other employees. To address the possibility of increase in costs due to availment of maternity leave and due to gynaecological-related diseases for women, Vitarich has a regular family planning and women's health seminars. |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| Since Vitarich has no gender preference for every position in the company, it may become more attractive to the workforce and it creates a more conducive working environment for women. | As mentioned above, Vitarich had always upheld and commits to continue to uphold meritocracy in the selection, employment, and promotion of its employees. It does not look at gender, age, or status as a qualification for hiring or promotion. |

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

| Disclosure | Quantity | Units |
|---|---|---|
| Safe Man-Hours | | Man-hours |
| No. of work-related injuries | | # |
| No. of work-related fatalities | | # |
| No. of work-related ill-health | | # |
| No. of safety drills | | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| | |
| **What are the Risk/s Identified?** | **Management Approach** |
| | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| | |

### Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|---|---|
| No. of legal actions or employee grievances involving forced or child labor | None | # |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **Yes but it is limited in scope.**

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| Forced labor | N | |
| Child labor | Y | This is one of the provisions in the Company Hiring Policy |
| Human Rights | Y | One human right being upheld in the Company Rules and Regulations is the right of employees against |

| | | |
|---|---|---|
| | | sexual harassment. |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| Vitarich contributes to the government's policy against forced and child labor and to the promotion of human rights in the work place. Thus, by upholding the laws and public policies, Vitarich contributes to peace and order in society as well as to the growth of employment rate. Since it upholds human rights in the workplace, it promotes a healthy and harmonious working relationship among the employees. | At the outset, while there is no specific provision on the Company Hiring Policy and Company Rules and Regulations prohibiting forced labor, the company, as a matter of practice, **does not** engage in forced labor. As mentioned above, all its employees were hired based on their qualifications, skills, and credentials and their all the employees voluntarily applied for their jobs. All of them are receiving the compensation packages agreed upon with the company. Employees are also free to leave the company should they wish to do so, subject only to the notice and clearance requirements under the company's policies and under the laws.<br><br>In addition, Vitarich also strictly adheres to the provisions of the labor laws and CBA. Furthermore, the company commits to revisit its Company Hiring Policy and Company Rules and Regulations in order to fill in gaps in its policies and rules and maintain a conducive working environment. |
| **What are the Risk/s Identified?** | |
| The absence of prohibition on forced labor may be misconstrued by the public and other employees that the company allows the same.<br><br>Likewise, the lack of provisions regarding human rights in the company's rules and regulations may result in impunity for acts or omissions constituting violations of human rights, which, in turn, will lead to higher turn-over rate of employees. | |
| **What are the Opportunity/ies Identified?** | |
| Higher retention rate of employees due to explicit protection of human rights on the company's rules and regulations.<br><br>Justice for victims of violations for labor laws and human rights in the workplace due to established policies and procedures. | |

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
**Yes**. However, Vitarich cannot attach the policy in the report as there are confidential matters (relating to trade secrets and strategies) in the policy.

Do you consider the following sustainability topics when accrediting suppliers?

| Topic | Y/N | If Yes, cite reference in the supplier policy |
|---|---|---|
| Environmental performance | Y | *Please see explanation in the Management Approach Column* |
| Forced labor | Y | |
| Child labor | Y | |
| Human rights | Y | |
| Bribery and corruption | Y | |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| Vitarich's supplier accreditation requirements contribute not only to ensuring that its business operates within the bounds of law but also ensures that its suppliers conduct their businesses within the bounds of law. It contributes to the government in terms of compliance with laws and public policies. It helps the government save money on pursuing administrative and/or criminal action/s against erring corporations.<br><br>**What are the Risk/s Identified?**<br><br>Business disruptions, unhealthy competition among the suppliers, or even unethical and/or illegal acts may happen due to deviations from supplier accreditation policy may happen out of convenience.<br><br>Supply constraints, logistics lockdowns, increased demand and lack of manpower due to COVID-19 management and prevention.<br><br>**What are the Opportunity/ies Identified?**<br><br>Having an established and separate procurement policy is seen to contribute to the growth of the suppliers as they will also be able to embed sustainability in their businesses. Helping or contributing to suppliers' growth will, in turn, lead the company to a stronger relationship with all suppliers. | In 2020, Vitarich has institutionalized its supplier accreditation policy.<br><br>Likewise, the company has been following the standards in the ISO Manual and in the list of requirements in its Supplier Accreditation Form. It requires suppliers to submit their Business Permit, Certification of Registration, Income Tax Return, Audited Financial Statement, among others.<br><br>Environmental performance is considered through the requirement of submission of applicable environmental permits together with their business permits. It ensures also that the suppliers are not engaged in forced labor and child labor and that it upholds human rights through their certificates of registration and supporting documents thereof such as the number and profile of manpower are declared. Bribery and corruption are considered by also looking at the suppliers' income tax returns, audited financial statements and sample purchase orders. The company also makes sure that it deals with an authorized person by the supplier by requiring a Board/Partnership resolution/authorization letter from proprietor, as the case may be, authorizing its representative. Further, the company commits to complete its supplier accreditation policy.<br><br>In 2020, the company made adjustments on its schedules to comply with the needs of the supply chain management. It maximized the use of technology in order to manage the company's supply chain and ensure business continuity and health and safety of its employees. |

## Relationship with Community

### Significant Impacts on Local Communities

| Operations with significant (positive or negative) impacts on local communities | Location | Vulnerable groups (if applicable)* | Does the particular operation have impacts on indigenous people (Y/N)? | Collective or individual rights that have been identified that or particular concern for the community | Mitigating measures (if negative) or enhancement measures (if positive) |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **(exclude CSR projects; this has to be business operations)** | | | | | |
| For the year 2020, Vitarich continued to conduct a Veterinary Medical Mission nationwide – in and near the areas where it operates. This program contributes to raising awareness, job and livelihood creation, sharing of water resource to the community, and in generating business taxes in the locality. However, due to the COVID-19 related protocols, the same was done from house-to-house. Thus, there were only few missions conducted. | | Farmers more than 65 years old. | N | Aside from its contributions, there is no collective or individual right that has been identified as a concern in the community. | To increase its contributions to employees, business partners, and the community, Vitarich commits to maintain and improve its communications with the community. |
| As part of its poultry operations, the company also conducts pocket seminars on Animal Raising & Management nationwide – in and near the areas where it operates. These seminars contribute not only to raising awareness on how to properly raise and manage poultry and livestock but also in job and livelihood creation and in the growth of poultry and hog raisers in the area. | | Farmers more than 65 years old. | N | | |
| The company's poultry operations - Broiler Contract Growing, Broiler Breeder Contract to Buy (Hatching Eggs & Day Old Chicks), and | It conducts these operations nationwide, particularly in Central Luzon, Bicol, Iloilo/Western Visayas, Cagayan De Oro / Iligan, Davao Del Sur/ Del Norte / City / | Farmers from the country side | N | Apart from its positive impacts like job and livelihood creation, empowerment of farmers and increase in local business taxes in the community, these business operations unfortunately | To mitigate the concerns and at the same ensure the continued positive contributions to the community, Vitarich practices a Comprehensive & Holistic Pest Control & Pollution Management, employs Farm |

| | | | | | |
|---|---|---|---|---|---|
| Broiler Contract To Buy (Live Chicken) contribute positively and negatively to the communities where they operate. | Compostella Valley, Caraga / Surigao Del Sur, General Santos /South Cotabato | | | raise concerns on pest / fly infestation and foul odor / air pollution within the community. | Best Practices / Management, as well as Chemical and Biological Approaches in the conduct of these operations. |
| Vitarich's feedmill operations both have positive and negative impacts on the environment. | Iloilo<br>Davao | | N | The company's feedmill operations contribute to job creation and employment. However, as disclosed under the various topics on impacts on Environment above, these operations also contribute to pollution and production of wastes, although in a very minimal level. | Vitarich ensures that all its equipment are regularly maintained and that all laws, regulations, and company policies are followed. It also operates within the allowable threshold. All wastes are properly segregated, those that may be recycled or re-used are either recycled or re-used. Those that may not be recycled or re-used are disposed of properly. As disclosed above, Vitarich continuously looks for solutions to further reduce its air emissions, air pollutants, and wastes. |

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

| Certificates | Quantity | Units |
|---|---|---|
| FPIC process is still undergoing | | # |
| CP secured | | # |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| | |

## Customer Management

*Customer Satisfaction*

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|---|---|---|
| Customer satisfaction | First Quarter of 2020 (Feeds only) :<br><br>Product (physical appearance, bulk and price at the market) – 3.5/5.0 (average – nationwide)<br><br>Performance of feeds – 3.52/5 (average – nationwide)<br><br>Sales and technical services provided to customers – 3.86/5 (average – nationwide)<br><br>Marketing Support – 3.13/5 (average – nationwide) | N |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| Customer satisfaction contributes not only to building a lifetime partnership with the customer and to the continuous improvement of the company's products and processes but also to the morale and productivity | For 2020, Vitarich's nutrition team was able to conduct a customer satisfaction survey with the company's feeds customers only on the 1st quarter of the year. The same was discontinued |

| | |
|---|---|
| of the employees and to Vitarich's relationship with its suppliers as well. In addition to that, customer satisfaction also contributes to the financial growth of Vitarich's business partners. | because of the limited movement due to the pandemic.<br><br>The company commits to continuously conduct an assessment on customers' satisfaction with its products in order to further improve its products and its customer services.<br><br>Further, Vitarich continues to strengthen and improve the implementation of its LPP program for its customers and business partners. |
| **What are the Risk/s Identified?** | **Management Approach** |
| Poor customer satisfaction may result in customer shift to competitors and bad public perception towards the company. This, in turn, may result in decrease in revenue for the company. It may also decrease revenue of customers for failure to attend to their concerns/complaints within reasonable time. | In addition to the foregoing and in order to mitigate the adverse effects of the pandemic, Vitarich brought its products closer to its customers by tapping other sales channels. It also created the Cook's Playbook for its products to address the changing customer and consumer needs. |
| **What are the Opportunity/ies Identified?** | |
| A good customer satisfaction leads to a carefully calculated growth focused on the company's LPP programs rather than merely increasing sales. It may also result in higher customer retention and will also contribute to customer's growth and expansion. | |

*Health and Safety*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on product or service health and safety* | 0 | # |
| No. of complaints addressed | 0 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| For the year 2020, there was no substantiated complaint against the health and safety of Vitarich's products. Since there was no substantiated complaint, the company was not exposed to any legal and/or unnecessary financial risks in 2020. | The company applies its best practices and continuously evaluates, researches ways to improve, and actually improves its products and services to ensure their health and safety. Likewise, as a matter of policy and practice, the company verifies a product complaint immediately upon receipt of such complaint. Once a complaint has been verified/substantiated to be valid, Vitarich takes the appropriate measure/s to address the complaint. |
| **What are the Risk/s Identified?** | |
| Failure to timely address a customer complaint may lead to the shift of customers to the competitors and | |

| | |
|---|---|
| bad public perception on the company's products. This, in turn, may result in decrease in revenue.<br><br>Failure to keep the products safe may result in a legal liability on the part of the corporation, its officers, employees or even business partners.<br><br>Death or sickness on the animals may occur if the feeds are not kept healthy and safe. Likewise, death or sickness may occur should the chickens sold by the company are not kept healthy and safe. | |
| **What are the Opportunity/ies Identified?** | |
| Maintaining the health and safety of the company's products and immediate actions on customer complaints may increase customer retention and generate more income. In addition, the company avoids exposure to legal liability. It also does not expose its business partners to any legal liability. | |

*Marketing and labelling*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on marketing and labelling* | | # |
| No. of complaints addressed | | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| | |
| **What are the Risk/s Identified?** | **Management Approach** |
| | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| | |

*Customer privacy*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on customer privacy* | | # |
| No. of complaints addressed | | # |
| No. of customers, users and account holders whose information is used for secondary purposes | | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| | |
| **What are the Risk/s Identified?** | **Management Approach** |
| | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| | |

## Data Security

| Disclosure | Quantity | Units |
|---|---|---|
| No. of data breaches, including leaks, thefts and losses of data | | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| | |
| **What are the Risk/s Identified?** | **Management Approach** |
| | |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| | |

# UN SUSTAINABLE DEVELOPMENT GOALS

## Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value / Contribution to UN SDGs | Potential Negative Impact of Contribution | Management Approach to Negative Impact |
|---|---|---|---|
| Animal Feeds<br><br>Animal Health Care<br><br>Live and Dressed Chicken | Vitarich's products contribute to the UN Sustainable Development Goals ("SDGs") through:<br><br>1. Job creation and equal opportunity for all persons not only in terms of hiring but also with respect to promotions (SDGs 1, 2, 5, 8 and 10).<br><br>2. Compensation and benefits package higher than what the law provides (SDGs 1, 2, 5, 8 and 10). | The potential negative impacts of the contributions to the SDGs are:<br><br>1. Shortage of natural resources.<br><br>2. Pollution.<br><br>3. Increase in water waste, solid and hazardous wastes. | As disclosed in the previous topics, Vitarich shall continue to operate within the parameters of law, regulations, its ECC and it shall continue to look for solutions to further reduce its contributions to pollution as well as to further reduce the wastes it generates/produces from its operations. It shall continue to regularly maintain its equipment. It shall also look into the possibility of using renewable materials in order to conserve natural resources. |

| | | | |
|---|---|---|---|
| | 3. Harmonious working relationship environment and promotion of labor and human rights in the workplace (SDGs 3 and 8).<br><br>4. Continuous provision of food for animals and people, thereby increasing sales volume of its feeds and dressed chicken (SDGs 2 and 8).<br><br>5. Strict compliance and implementation of biosecurity and sanitation measures (SDGs 3 and 12)<br><br>6. Implementation of employee LPP in 2020 (SDGs 1, 3 and 8).<br><br>7. Operations are within the parameters and thresholds of the company's ECC (SDGs 12 and 13).<br><br>8. Lifetime profitable partnerships with the company's business partners, suppliers, and customers (SDGs 1 and 8).<br><br>9. Taxes paid to the government. | | |

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

# ANNEX A: BUSINESS MODEL

**Brand Purpose:** FORGING LIVELIHOOD, NOURISHING LIVES.

**VISION**

VITARICH will continue being the pioneer, agribusiness partner, and innovator in the feeds industry and will be the backbone of every Filipino farmer's success by providing the best solutions through its products and services.

**MISSION**

- To Continuously adopt new business development programs and technological advancement that will enhance quality of products and services.
- To empower employees and customers by imparting knowledge and innovations in agribusiness
- To Provide comprehensive solutions through products and services in raising the standard of the Philippine Agribusiness Industry
- To build partnerships with our suppliers and customers to achieve long term profitability and sustainability and increase shareholders' value

| INPUTS | BUSINESS ACTIVITIES / PROCESSES | OUTPUTS | OUTCOMES |
|---|---|---|---|
| Financial Capital consists of money/cash generated from payments of stockholders for their subscriptions or from trading of shares in the PSE. It also includes money generated from its business operations and loans from banks and other financial institutions. | Manufacturing and distribution of various animal feeds. | Vitarich has several lines of hogs and poultry feeds, which cater to different types of customers. | 70 years of feeds manufacturing and distribution |
| Manufactured Capital includes office supplies, feedmill/dressing plant and its equipment, office building, vehicles, office equipment, phones and laptops. | Poultry integration. | Vitarich has also produced dressed chicken and value added chicken products under the brand "Cook's". | Continued contribution to the government through the taxes that the Corporation pays. |
| Intellectual Capital includes feeds formulations, dressed chicken formulation, business strategies and plans, goodwill and reputation of the Corporation, logo, product lines, and brand names such as "Cook's" brand. | Production and distribution of dressed chicken | It is also a business partner and supplier of dressed chicken to rotisseries, restaurants, distributors and other small to medium scale enterprises. | Long term business partnerships with its growers, broilers, and hog raisers as well as with the farmers from whom the Corporation buys its raw materials. |
| Human Capital includes hard working and efficient employees, consultants, management team, directors and officers. | Production and distribution of animal health products. | Its animal health products are used by its growers, broilers, and hog raisers in their operations. These products are likewise available to the public, even if they are not Vitarich's growers, broilers, or hog raisers. | Business partnerships with its tollers. |
| Social Capital includes the Corporation's business partners, customers, and suppliers. | | | Providing employment in the areas where it operates. |
| Natural Capital includes Vitarich's raw materials for its feeds, day old chicks and hatching eggs for its poultry operations as well as water, and land where its offices and plants are located. | | | |

**VALUES**

LEADERSHIP WITH INTEGRITY | EXCELLENCE | CARE FOR OTHERS

# PARENT COMPANY AUDITED FINANCIAL STATEMENT

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 0 | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 1 | 3 | 4 |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

VITARICH CORPORATION

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

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

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AASFS | CRMD | N/A |

**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) |
|---|---|---|
| 4,132 | 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) 848 2258 |

**CONTACT PERSON's ADDRESS**

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

***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.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Vitarich Corporation
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

### Report on the Audit of the Parent Company Financial Statements

### Opinion

We have audited the parent company financial statements of Vitarich Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019 and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

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

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

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Building a better working world



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

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

**Auditor's Responsibilities for the Audit of the Parent Company Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 33 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vitarich Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Christine G. Vallejo.

SYCIP GORRES VELAYO & CO.

Christine G. Vallejo
Partner
CPA Certificate No. 99857
SEC Accreditation No. 1402-AR-2 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 206-384-906
BIR Accreditation No. 08-001998-105-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8534377, January 4, 2021, Makati City

April 12, 2021

## VITARICH CORPORATION
## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2020** | 2019 (As restated - see Note 5) |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash (Note 4) | **₱176,981,054** | ₱179,322,043 |
| Trade and other receivables (Note 5) | **928,228,679** | 1,136,244,198 |
| Due from related parties (Note 23) | **816,362** | 816,362 |
| Inventories and livestock (Note 6) | **502,928,504** | 566,738,049 |
| Other current assets (Note 7) | **240,756,038** | 286,232,278 |
| Total Current Assets | **1,849,710,637** | 2,169,352,930 |
| **Noncurrent Assets** | | |
| Receivable from insurance (Note 8) | **101,889,912** | 101,889,912 |
| Property, plant and equipment (Note 10): | | |
| At revalued amount | **906,718,914** | 891,287,820 |
| At cost | **29,714,145** | 33,586,026 |
| Investment properties (Note 11) | **931,375,980** | 802,266,589 |
| Right-of-use assets (Note 12) | **32,551,359** | 187,664,899 |
| Other noncurrent assets (Note 12) | **16,078,041** | 18,100,256 |
| Total Noncurrent Assets | **2,018,328,351** | 2,034,795,502 |
| | **₱3,868,038,988** | ₱4,204,148,432 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Note 13) | **₱1,634,481,229** | ₱1,607,180,485 |
| Current portion of loans payable (Note 14) | **156,844,958** | 384,132,265 |
| Current portion of lease liabilities (Note 26) | **18,497,266** | 86,981,626 |
| Total Current Liabilities | **1,809,823,453** | 2,078,294,376 |
| **Noncurrent Liabilities** | | |
| Cash bond deposits (Note 15) | **40,097,279** | 40,954,787 |
| Net retirement liability (Note 21) | **132,205,929** | 91,516,839 |
| Loans payable - net of current portion (Note 14) | **123,118,899** | 148,202,912 |
| Lease liabilities - net of current portion (Note 26) | **17,140,191** | 106,953,936 |
| Net deferred tax liabilities (Note 22) | **83,674,140** | 81,075,807 |
| Total Noncurrent Liabilities | **396,236,438** | 468,704,281 |
| Total Liabilities | **2,206,059,891** | 2,546,998,657 |
| **Equity** | | |
| Capital stock (Note 24) | **1,160,646,925** | 1,160,646,925 |
| Additional paid-in capital (Note 24) | **1,470,859** | 1,470,859 |
| Retained earnings | **180,913,080** | 167,861,395 |
| Other comprehensive income (Note 24) | **318,948,233** | 327,170,596 |
| Total Equity | **1,661,979,097** | 1,657,149,775 |
| | **₱3,868,038,988** | ₱4,204,148,432 |

*See accompanying Notes to Parent Company Financial Statements.*

## VITARICH CORPORATION

## PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **REVENUE** | | |
| Sale of goods, net of discount (Notes 16 and 23) | **₱7,682,430,958** | ₱8,438,897,411 |
| Fair value adjustment on biological assets (Notes 3 and 16) | **199,489,329** | 479,569,099 |
| | **7,881,920,287** | 8,918,466,510 |
| **COST OF GOODS SOLD** (Note 17) | | |
| Cost of goods sold | **(7,125,724,162)** | (7,729,616,389) |
| Fair value adjustment on biological assets (Notes 3 and 16) | **(184,396,574)** | (471,362,481) |
| | **(7,310,120,736)** | (8,200,978,870) |
| **GROSS PROFIT** | **571,799,551** | 717,487,640 |
| Operating expenses (Note 18) | **(536,760,257)** | (588,305,146) |
| Other operating income (Note 19) | **43,970,861** | 29,398,993 |
| | **(492,789,396)** | (558,906,153) |
| **OPERATING PROFIT** | **79,010,155** | 158,581,487 |
| **OTHER INCOME (EXPENSES)** | | |
| Interest expense (Notes 14, 23 and 26) | **(34,454,582)** | (81,909,050) |
| Gain on fair value changes in investment properties (Note 11) | **4,053,232** | 158,346,757 |
| Interest income (Note 4 and 5) | **202,303** | 2,331,885 |
| Other income (charges) - net (Note 20) | **(23,384,095)** | (94,170,945) |
| | **(53,583,142)** | (15,401,353) |
| **INCOME BEFORE INCOME TAX** | **25,427,013** | 143,180,134 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 22) | | |
| Current | **11,629,665** | 28,333,100 |
| Deferred | **4,509,242** | (8,244,016) |
| | **16,138,907** | 20,089,084 |
| **NET INCOME** | **9,288,106** | 123,091,050 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | |
| *Items not to be reclassified to profit or loss:* | | |
| Revaluation increase on property, plant and equipment - net of deferred income tax (Note 10) | **15,421,851** | – |
| Actuarial gain (loss) - net of deferred income tax (Note 21) | **(19,880,635)** | 19,220,596 |
| | **(4,458,784)** | 19,220,596 |
| **TOTAL COMPREHENSIVE INCOME** | **₱4,829,322** | ₱142,311,646 |
| **EARNINGS PER SHARE - BASIC AND DILUTED** (Note 25) | **₱0.003** | ₱0.040 |

*See accompanying Notes to Parent Company Financial Statements.*

## VITARICH CORPORATION
## PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

| | Years Ended December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **CAPITAL STOCK -** ₱1 par value (Note 24) | **₱1,160,646,925** | ₱1,160,646,925 |
| **ADDITIONAL PAID-IN CAPITAL** (Note 24) | **1,470,859** | 1,470,859 |
| **RETAINED EARNINGS** | | |
| Balance at beginning of year | **167,861,395** | 39,572,410 |
| Net income | **9,288,106** | 123,091,050 |
| Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 10) | **3,763,579** | 5,197,935 |
| Balance at end of year | **180,913,080** | 167,861,395 |
| **OTHER COMPREHENSIVE INCOME** (Note 24) | | |
| Balance at beginning of year | **327,170,596** | 313,147,935 |
| Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 10) | **(3,763,579)** | (5,197,935) |
| Revaluation increase on property, plant and equipment, net of deferred income tax (Note 10) | **15,421,851** | – |
| Actuarial gain (loss), net of deferred income tax (Note 21) | **(19,880,635)** | 19,220,596 |
| Balance at end of year | **318,948,233** | 327,170,596 |
| | **₱1,661,979,097** | ₱1,657,149,775 |

*See accompanying Notes to Parent Company Financial Statements.*

## VITARICH CORPORATION
## PARENT COMPANY STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | **₱25,427,013** | ₱143,180,134 |
| Adjustments for: | | |
| Depreciation and amortization (Notes 10 and 12) | **162,610,786** | 160,937,330 |
| Interest expense (Notes 14 and 26) | **34,454,582** | 81,909,050 |
| Gain on fair value on biological assets (Note 16) | **(15,092,755)** | (8,206,618) |
| Retirement expense (Note 21) | **14,327,563** | 19,571,098 |
| Gain on fair value changes of investment properties (Note 11) | **(4,053,232)** | (158,346,757) |
| Pre-termination of lease contracts (Note 20 and 25) | **(3,424,542)** | – |
| Loss (gain) on disposal of property, plant and equipment, investment properties, and right-of-use assets (Note 10, 11, 12 and 20) | **2,269,651** | (410,176) |
| Interest income (Note 4 and 5) | **(202,303)** | (2,331,885) |
| Operating income before working capital changes | **216,316,763** | 236,302,176 |
| Decrease (increase) in: | | |
| Trade and other receivables | **208,015,519** | (92,096,091) |
| Inventories | **78,902,300** | 377,996,391 |
| Due from related parties | **–** | 4,912,894 |
| Other current assets | **45,476,240** | 142,841,408 |
| Other noncurrent assets related to operations | **(1,655,887)** | (23,377,794) |
| Increase (decrease) in: | | |
| Trade and other payables | **28,174,240** | (127,160,976) |
| Cash bond deposits | **(857,508)** | 611,230 |
| Net cash generated from operations | **574,371,667** | 520,029,238 |
| Income tax paid | **(11,629,665)** | (13,355,257) |
| Retirement benefits paid (Note 21) | **(2,039,380)** | (2,176,723) |
| Interest received | **202,303** | 218,654 |
| Net cash provided by operating activities | **560,904,925** | 504,715,912 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Property, plant and equipment (Note 10) | **(70,403,848)** | (94,213,429) |
| Investment properties (Note 11) | **(125,303,374)** | (14,035,188) |
| Proceeds from sale of property, plant and equipment | – | 4,942,927 |
| Net cash used in investing activities | **(195,707,222)** | (103,305,690) |
| **CASH FLOW FROM A FINANCING ACTIVITY** | | |
| Availment of loans (Note 14) | **457,507,642** | 1,069,496,769 |
| Payment of loans (Note 14) | **(709,878,962)** | (1,359,641,576) |
| Interest paid | **(35,328,078)** | (82,819,923) |
| Payment of lease liability (Note 25) | **(79,839,294)** | (61,107,034) |
| Net cash provided by (used in) financing activities | **(367,538,692)** | (434,071,764) |
| **NET DECREASE IN CASH** | **(2,340,989)** | (32,661,542) |
| **CASH AT BEGINNING OF YEAR** | **179,322,043** | 211,983,585 |
| **CASH AT END OF YEAR** (Note 4) | **₱176,981,054** | ₱179,322,043 |

*See accompanying Notes to Parent Company 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 are registered with the Philippine Stock Exchange on February 8, 1995.

The details of the Company's subsidiaries are as follows:

| | Line of Business | **2020** | 2019 |
|---|---|---|---|
| Gromax, Inc. (Gromax) | Manufacturing | **100%** | 100% |
| Philippines Favorite Chicken, Inc. (PFCI) | | | |

**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 24).

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 will be applied to eliminate the Company deficit of ₱2.3 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 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. In 2018, the Company recognized an impairment loss of ₱40.8 million which pertains to due from related parties 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 parent company financial statements as at and for the years ended December 31, 2020 and 2019, were approved and authorized for issue by the BOD on April 12, 2021.

## 2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company 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), and investment properties and biological assets which are stated at fair value.

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

Summary of Significant Accounting Policies

Current versus Non-Current Classification

The Company presents assets and liabilities in the parent company 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 parent company 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 parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing 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 (excluding transportation equipment and construction in-progress) 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 re-assessed 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 cash 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 marketplace (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 (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 as of December 31, 2020 and 2019.

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 December 31, 2020 and 2019.

*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 5, *Trade and Other Receivables*

The Company recognizes an allowance for expected credit loss (ECLs) 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*
ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses 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 losses 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 ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs 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 payables (excluding statutory payables), loans payable, cash bond deposit and lease liabilities as of December 31, 2020 and 2019.

*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 parent company 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 December 31, 2020 and 2019.

*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 parent company 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 December 31, 2020 and 2019.
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 parent company 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 parent company statement 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 parent company statement 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 parent company statement 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 parent company statement 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.

Inventories
The Company recognizes inventories when the risk and rewards are transferred to the Company usually upon receipt for local suppliers and upon delivery of the goods to the carrier for 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 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 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 current Assets
Other current assets consist of creditable withholding tax (CWT), prepayments and 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 taxation authority is included as part of "Other current assets" in the parent company statement of financial position.

Other noncurrent assets consist of right-of-use-asset, security deposits (disclosed under financial instrument), project development costs 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 parent company statement 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 parent company statement 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 parent company statement of comprehensive income.

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained Earnings" under the equity section in the parent company statement 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 parent company statement of comprehensive income in the year the item is derecognized.

Investment Properties

Investment properties, accounted for under the fair value model, are properties 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 parent company statement 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 parent company statement 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 parent company statement 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.

Investment in Subsidiaries
The Company's investment in subsidiaries is accounted for using the cost method. The investment is carried in the Company's parent company statement of financial position at cost less any impairment in value. The Company recognizes dividends received from its subsidiary in profit or loss when its right to receive the dividend is established.

A subsidiary is an entity that is controlled by the parent. Control is established when the Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Impairment of Nonfinancial Assets
Nonfinancial assets consisting of property, plant and equipment, investment in subsidiaries, 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 parent company statement 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 parent company 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.* Retained earnings 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 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 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.

*Tolling.* Revenue is recognized over time when the performance of contractually agreed tasks have 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 December 31, 2020 and 2019, 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 December 31, 2020 and 2019, 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 parent company statements of comprehensive income upon consumption of goods, utilization of the services or at the date these are incurred.

Leases

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 – building | 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 warehouses, 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 13$^{th}$ 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 parent company statement 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 parent company financial statements do not differ materially from the amounts that would be determined at the reporting date.

Borrowing Costs
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.

All other borrowing costs 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 parent company 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 parent company statement 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; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. 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 parent company financial statements. These are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the parent company financial statements but disclosed in the notes to parent company 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.

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 parent company financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to parent company financial statements when material.

## 3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the Company's parent company 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.

<u>Judgment</u>
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 parent company financial statements:

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

*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.

<u>Estimates and Assumptions</u>
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 parent company 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 ECLs is a significant estimate. The amount of ECLs 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 ECLs on the Company's receivables is disclosed in Note 5.

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 ₱10.7 million and ₱23.1 million in 2020 and 2019, respectively, (Notes 5 and 20).

The carrying value of trade and other receivables amounted to ₱928.2 million and ₱1,136.2 million as at December 31, 2020 and 2019, respectively. Allowance for impairment of receivables as at December 31, 2020 and 2019 amounted to ₱284.1 million and ₱P273.5 million, respectively (see Note 5).

*Estimating ECL of Receivable from Insurance.* As discussed in Note 8, 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 receivable from insurance 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 receivable 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 December 31, 2020 and December 31, 2019. Allowance for impairment loss related to receivable from insurance amounted to ₱39.7 million as at December 31, 2020 and December 31, 2019 (see Note 8).

*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 | Inclusive of:<br>▪ Estimated future sale price of day-old chicks<br>▪ Estimated hatchability and mortality rate | The estimated fair value would increase (decrease) if:<br>▪ the estimated sale price was higher (lower); |

| Description | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|---|
| | 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. | ▪ Estimated volume of production<br>▪ Estimated costs to be incurred in the hatching process | ▪ the estimated cash inflows based on forecasted sales were higher (lower);<br>▪ the estimated hatchability rate was higher (lower); or<br>▪ the estimated costs to be incurred in the hatching process were lower (higher). |
| 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:<br>▪ Estimated future sale price of dressed chicken<br>▪ Estimated mortality rate<br>▪ Estimated volume of production<br>▪ Estimated costs to be incurred in the growing process | The estimated fair value would increase (decrease) if:<br>▪ the estimated sale price was higher (lower);<br>▪ the estimated cash inflows based on forecasted sales were higher (lower);<br>▪ the estimated mortality rate was lower (higher); or<br>▪ 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 ₱199.5 million and ₱479.6 million for the years ended December 31, 2020 and 2019, respectively, and under cost of goods sold amounting to ₱184.4 million and ₱471.4 million for the years ended December 31, 2020 and 2019, respectively (see Note 16).

As at December 31, 2020 and 2019, the carrying value of biological assets amounted to ₱42.3 million and ₱51.3 million, respectively. The changes in fair value of biological assets recognized on livestock amounted to ₱15.1 million and ₱8.2 million as at December 31, 2020 and 2019, respectively (see Notes 6 and 16).

*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 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 December 31, 2020 and 2019 amounted to ₱460.6 million and ₱515.4 million, respectively. Allowance for inventory obsolescence as at December 31, 2020 and 2019 amounted to ₱0.9 million and ₱4,039, respectively (see Note 6).

*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 parent company statements of comprehensive income. In addition, the Company measures property, plant and equipment (excluding transportation equipment and construction in-progress) at revalued amounts, with changes in fair value being recognized in OCI. For these assets (except for land), 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 (except land in Bulacan dressing plant), 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 of 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 non-financial 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, 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 before tax effect (see Note 10). No revaluation was made in 2019.

In 2020 and 2019, 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 and ₱158.3 million respectively (see Note 11).

The carrying value of property, plant and equipment at revalued amount amounted to ₱906.7 million and ₱P891.3 million as at December 31, 2020 and 2019, respectively (see Note 10).

The carrying value of property, plant and equipment at cost amounted to ₱29.7 million and ₱33.6 million as at December 31, 2020 and 2019, respectively (see Note 10).

The carrying value of investment properties amounted to ₱931.4 million and ₱802.3 million as at December 31, 2020 and 2019 respectively (see Note 11).

*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 and computer software.

The carrying amount of property, plant and equipment, right-of-use asset and computer software as at December 31, 2020 and 2019 follows:

| | 2020 | 2019 |
|---|---|---|
| Property, plant and equipment (Note 10)* | **₱479,209,334** | ₱523,318,623 |
| Right-of-use asset (Note 12) | **32,551,359** | 187,664,899 |
| Computer software (Note 12) | **6,349,023** | 7,540,538 |
| | **₱518,109,716** | 718,524,060 |

**Excluding the carrying amount of land amounting to ₱439.7 million and ₱386.8 million as at December 31, 2020 and 2019, respectively and construction in progress amounting to P17.5 million and ₱14.8 million as at December 31, 2020 and 2019.*

*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 a 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 ₱35.6 million and ₱193.9 million as of December 31, 2020 and 2019, respectively (see Note 26).

*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 December 31, 2020 and 2019 amounted to ₱975.3 million and ₱1,120.1 million (see Notes 10 and 12).

*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 21.

The estimated present value of defined benefit obligation amounted to ₱136.2 million and P95.3 million as at December 31, 2020 and 2019, respectively, while fair value of plan assets amounted to ₱3.9 million and ₱3.8 million as at December 31, 2020 and 2019, respectively (see Note 21).

*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 and ₱1.2 million as at December 31, 2020 and 2019, respectively (see Note 22). Management has assessed that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized.

Deferred tax assets recognized by the Company amounted to P137.8 million and ₱126.2 million as at December 31, 2020 and 2019, respectively (see Note 22).

## 4. Cash

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Cash on hand | **₱2,379,620** | ₱2,861,645 |
| Cash in banks | **174,601,434** | 176,460,398 |
| | **₱176,981,054** | ₱179,322,043 |

Cash in banks earn interest at prevailing bank deposit interest rate of 0.1% to 1.3% in 2020 and 2019. Interest income on cash in banks amounted to ₱0.2 million in 2020 and 2019.

## 5. Trade and Other Receivables

Trade and Other Receivables

This account consists of:

| | 2020 | 2019 (As restated) | 2018 (As restated) |
|---|---|---|---|
| Trade: | | | |
| Third parties | **₱743,191,117** | ₱940,180,516 | ₱952,072,297 |
| Related parties (see Note 23) | **195,651,548** | 228,610,377 | 79,017,445 |
| Advances to officers and employees | **12,000,448** | 12,276,664 | 12,215,763 |
| Nontrade (see Note 23) | **206,234,301** | 197,102,414 | 208,113,323 |
| Short-term deposits | **11,694,606** | 12,150,424 | 22,109,432 |
| Receivable from government | **4,046,563** | 3,538,405 | 3,062,221 |
| Others | **39,551,157** | 15,853,302 | 15,787,337 |
| | **1,212,369,740** | 1,409,712,102 | 1,292,377,818 |
| Allowance for impairment loss | **(284,141,061)** | (273,467,904) | (250,342,943) |
| | **₱928,228,679** | ₱1,136,244,198 | ₱1,042,034,875 |

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

Advances to officers and employees are unsecured, noninterest-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 13 and 23).

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.

Trade and other receivables collected after due date earned an interest income amounting to nil, and ₱2.1 million in 2020 and 2019, respectively.

Movements in the allowance for impairment losses account as at December 31 are shown below:

| | Trade | Others | Total |
|---|---|---|---|
| Balance as at January 1, 2020 | **₱150,777,196** | **₱122,690,708** | **₱273,467,904** |
| Provision (see Note 20) | **10,349,026** | **324,131** | **10,673,157** |
| Balance as at December 31, 2020 | **₱161,126,222** | **₱123,014,839** | **₱284,141,061** |

| | Trade | Others | Total |
|---|---|---|---|
| Balance as at January 1, 2019 | ₱149,295,343 | ₱101,047,600 | ₱250,342,943 |
| Provision (Note 20) | 1,481,853 | 21,643,108 | 23,124,961 |
| Balance as at December 31, 2019 | ₱150,777,196 | ₱122,690,708 | ₱273,467,904 |

Prior period adjustments

In 2020, the Company reclassified the receivable from insurance amounting to ₱101.9 million from current asset to noncurrent asset to reflect the expected timing of collection of the receivable based on the current status of the case. Accordingly, the 2019 and 2018 balances were also restated to conform with the 2020 presentation.

In 2020, the Company reclassified its advances to suppliers recorded under "Trade and other receivables" account to "Other current assets" account to reflect its proper account classification (see Note 7). The reclassification only pertains to account category within the current assets.

The following show the effect of the adjustments made by the Company on the ending balances of trade and other receivables, current assets and noncurrent assets:

| | **2019** | 2018 |
|---|---|---|
| Trade and other receivables, net of allowance, as previously stated | **₱1,452,197,353** | ₱1,468,843,098 |
| Reclassification of Advances to suppliers to Other current assets (see Note 7) | **(214,063,243)** | (324,918,311) |
| Reclassification of Receivable from insurance to Noncurrent assets (see Note 8) | **(101,889,912)** | (101,889,912) |
| Trade and other receivables, net of allowance, as restated | **₱1,136,244,198** | ₱1,042,034,875 |

| | **2019** | 2018 |
|---|---|---|
| Total current assets, as previously stated | **₱2,271,242,842** | ₱2,727,239,136 |
| Reclassification (see Note 8) | **(101,889,912)** | (101,889,912) |
| Total current assets, as restated | **₱2,169,352,930** | ₱2,625,349,224 |

| | **2019** | 2018 |
|---|---|---|
| Total noncurrent assets, as previously stated | **₱1,932,905,590** | ₱1,610,093,510 |
| Reclassification (see Note 8) | **101,889,912** | 101,889,912 |
| Total noncurrent assets, as restated | **₱2,034,795,502** | ₱1,711,983,422 |

Except for the reclassification of receivable from insurance which decreased total current assets and increased total noncurrent assets by ₱101.9 million, the prior period adjustments did not have any other effect on the balances of other accounts in the statements of financial position, statements of comprehensive income, statements of changes in equity, and statements of cash flows, and basic and diluted earnings per share for the years ended December 31, 2019 and 2018.

## 6. Inventories and Livestock

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Inventories: | | |
| At net realizable value - | | |
| Finished goods | **₱109,898,787** | ₱167,731,381 |
| At cost: | | |
| Raw materials and feeds supplement | **240,102,927** | 267,896,005 |
| Supplies and animal health products | **73,190,787** | 47,470,598 |
| | **423,192,501** | 483,097,984 |
| Livestock: | | |
| At fair value: | | |
| Day-old chicks | **42,005,522** | 48,994,621 |
| Broilers | **326,945** | 2,305,960 |

(Forward)

| | 2020 | 2019 |
|---|---|---|
| At cost: | | |
| Hatching eggs | **₱31,212,283** | ₱25,469,649 |
| Finished goods | **6,191,253** | 6,869,835 |
| | **79,736,003** | 83,640,065 |
| | **₱502,928,504** | ₱566,738,049 |

Inventories are valued at lower of cost and NRV as at December 31, 2020 and 2019. The cost of finished goods carried at NRV, amounted to ₱110.8 million and ₱167.7 million as of December 31, 2020 and 2019, respectively. Inventories charged to cost of goods sold amounted to ₱5,982.6 million and ₱6,650.6 million in 2020 and 2019, respectively (see Note 17).

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 carried at fair value

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

| Day-old Chicks | 2020 | 2019 |
|---|---|---|
| Opening balance | **₱48,994,621** | ₱66,559,169 |
| Increase due to production | **880,495,092** | 926,188,243 |
| Fair value adjustment due to production | **(45,479,772)** | 212,922,640 |
| Decrease due to sales, harvest and mortality | **(902,811,242)** | (949,707,276) |
| Fair value adjustment due to sales, harvest and mortality | **60,806,823** | (206,968,155) |
| | **₱42,005,522** | ₱48,994,621 |

| Broilers | 2020 | 2019 |
|---|---|---|
| Opening balance | **₱2,305,960** | ₱3,405,059 |
| Increase due to production | **2,007,801,563** | 2,948,648,335 |
| Fair value adjustment due to production | **244,969,101** | 266,646,459 |
| Decrease due to sales, harvest and mortality | **(2,009,546,281)** | (2,951,999,567) |
| Fair value adjustment due to sales, harvest and mortality | **(245,203,398)** | (264,394,326) |
| | **₱326,945** | ₱2,305,960 |

Movements in the allowance for inventory obsolescence account as at December 31 are shown below:

| | 2020 | 2019 |
|---|---|---|
| Balance at beginning of year | **₱4,039** | ₱2,386,863 |
| Provision | **892,276** | |
| Reversal | **–** | (2,382,824) |
| | **₱896,315** | ₱4,039 |

## 7. Other Current Assets

This account consists of:

| | 2020 | 2019 (As restated - see Note 5) | 2018 (As restated - see Note 5) |
|---|---|---|---|
| Advances to suppliers (see Note 5) | **₱140,877,487** | ₱214,063,243 | ₱324,918,311 |
| CWT | **77,860,449** | 59,694,733 | 58,014,551 |
| Prepayments | **22,018,102** | 12,237,781 | 45,810,260 |
| Input VAT | **3,091,532** | 3,328,053 | 3,422,096 |
| | **243,847,570** | 289,323,810 | 432,165,218 |
| Allowance for impairment losses | **(3,091,532)** | (3,091,532) | (3,091,532) |
| | **₱240,756,038** | ₱286,232,278 | ₱ 429,073,686 |

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.

## 8. 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 December 31, 2020 and 2019 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 December 31, 2020 and 2019.

As discussed in Note 5, the Company reclassified the receivable from insurance amounting to ₱101.9 million from current asset to noncurrent asset to reflect the expected timing of collection of the receivable based on the current status of the case.

## 9. Investments in a Subsidiary

The components of the carrying values of investments in subsidiaries as at December 31, 2020 and 2019 that are accounted for under the cost method are as follows:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **% Interest Held** | **Amount** | % Interest Held | Amount |
| Gromax | 100% | **₱49,973,544** | 100% | ₱49,973,544 |
| PFCI | **–** | **–** | – | – |
| | | **49,973,544** | | 49,973,544 |
| Allowance for impairment loss | | **(49,973,544)** | | (49,973,544) |
| | | **₱–** | | ₱– |

The Company's management has assessed that the investments in Gromax may not be recovered as the subsidiary has already discontinued its business operations. Accordingly, the investments were provided with full valuation allowance.

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. Accordingly, PFCI ceased to be a subsidiary of the Company and the Company deconsolidated PFCI.

## 10. Property, Plant and Equipment

<u>Property, plant and equipment - at revalued amount</u>

The composition and movements in this account are shown below:

| | **December 31, 2020** | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Machinery and Equipment** | **Buildings** | **Leasehold and Land Improvements** | **Office Furniture, Fixtures and Equipment** | **Total** |
| **Cost** | | | | | | |
| Balance at beginning of year | **₱386,767,894** | **₱521,415,893** | **₱210,211,827** | **₱32,189,597** | **₱64,486,178** | **₱1,215,071,389** |
| 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 | **439,712,887** | **569,729,900** | **167,127,587** | **29,939,642** | **82,558,444** | **1,289,068,460** |
| | | | | | | |
| **Accumulated Depreciation, and Amortization** | | | | | | |
| Balance at beginning of year | – | **207,564,305** | **54,865,526** | **13,521,636** | **47,832,102** | **323,783,569** |
| Depreciation and amortization (see Notes 17 and 18) | – | **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** | – | **246,977,446** | **65,170,245** | **12,605,328** | **57,596,527** | **382,349,546** |
| **Net carrying amount** | **₱439,712,887** | **₱322,752,454** | **₱101,957,342** | **₱17,334,314** | **₱24,961,917** | **₱906,718,914** |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Machinery and Equipment | Buildings | Leasehold and Land Improvements | Office Furniture, Fixtures and Equipment | Total |
| **Cost** | | | | | | |
| Balance at beginning of year | ₱385,294,702 | ₱470,452,525 | ₱141,722,138 | ₱17,460,394 | ₱55,605,397 | ₱1,070,535,156 |
| Additions | 1,930,000 | 44,436,137 | 24,691,301 | 4,401,454 | 9,453,340 | 84,912,232 |
| Reclassification | (456,808) | 6,527,231 | 43,798,388 | 10,327,749 | (572,559) | 59,624,001 |
| Disposals | – | – | – | – | – | – |
| Balance at end of year | 386,767,894 | 521,415,893 | 210,211,827 | 32,189,597 | 64,486,178 | 1,215,071,389 |
| **Accumulated Depreciation, and Amortization** | | | | | | |
| Balance at beginning of year | – | 157,083,556 | 45,494,244 | 12,328,581 | 36,585,415 | 251,491,796 |
| Depreciation and amortization | | | | | | 70,357,023 |
| (see Notes 18 and 19) | – | 45,237,337 | 12,024,117 | 1,395,759 | 11,699,810 | |
| Reclassifications | – | 5,243,412 | (2,652,835) | (202,704) | (453,123) | 1,934,750 |
| Disposals | – | – | – | – | – | |
| **Balance at end of year** | – | 207,564,305 | 54,865,526 | 13,521,636 | 47,832,102 | 323,783,569 |
| **Net carrying amount** | ₱386,767,894 | ₱313,851,588 | ₱155,346,301 | ₱18,667,961 | ₱16,654,076 | ₱891,287,820 |

If the property, plant and equipment under revaluation were measured at cost model, the carrying amounts would be as follows:

| | **December 31, 2020** | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Machinery and Equipment** | **Buildings** | **Leasehold and Land Improvements** | **Office Furniture, Fixtures and Equipment** | **Total** |
| Cost as at year end | **₱19,702,490** | **₱484,411,926** | **₱184,106,786** | **₱28,696,138** | **₱73,147,281** | **₱790,064,621** |
| Accumulated depreciation and impairment | **–** | **(230,714,608)** | **(54,063,595)** | **(9,452,634)** | **(52,946,926)** | **(347,177,763)** |
| Net carrying amount | **₱19,702,490** | **₱253,697,318** | **₱130,043,191** | **₱19,243,504** | **₱20,200,355** | **₱442,886,858** |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Machinery and Equipment | Buildings | Leasehold and Land Improvements | Office Furniture, Fixtures and Equipment | Total |
| Cost as at year end | ₱21,902,549 | ₱450,917,464 | ₱180,318,786 | ₱28,032,757 | ₱59,127,265 | ₱740,298,821 |
| Accumulated depreciation and impairment | (2,200,059) | (196,381,685) | (44,077,444) | (10,435,847) | (43,093,348) | (296,188,383) |
| Net carrying amount | ₱19,702,490 | ₱254,535,779 | ₱136,241,342 | ₱17,596,910 | ₱16,033,917 | ₱444,110,438 |

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 22) | Net (see Note 24) |
|---|---|---|---|
| Balance as at January 1, 2020 | **₱447,177,383** | **(₱134,153,215)** | **₱313,024,168** |
| 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 | **₱463,832,056** | **(₱139,149,616)** | **₱324,682,440** |
| Balance as at January 1, 2019 | ₱454,603,004 | (₱136,380,901) | ₱318,222,103 |
| Transfer to retained earnings of revaluation reserve on property, plant and equipment realized through depreciation | (7,425,621) | 2,227,686 | (5,197,935) |
| Balance as at December 31, 2019 | ₱447,177,383 | (₱134,153,215) | ₱313,024,168 |

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:

| | | | Range | |
|---|---|---|---|---|
| | Valuation Technique | Significant Unobservable Inputs | **2020** | 2019 |
| Land | Sales Comparison Approach | Price per square meter | **₱1,000-₱4,800** | ₱1,493-₱1,857 |
| | | 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 useful life |
|---|---|---|---|
| Machinery and Equipment | Cost of Reproduction Approach | Replacement cost less accrued depreciation | 3 - 5 years remaining useful life |
| Buildings | Cost of Reproduction Approach | Replacement cost less accrued depreciation | 7 - 25 years remaining useful life |
| Land Improvements | Cost of Reproduction Approach | Replacement cost less accrued depreciation | 2 - 4 years remaining useful life |
| Office Furniture, Fixtures and Equipment | Cost of Reproduction Approach | Replacement cost less accrued depreciation | 2 - 4 years remaining useful life |
| Leasehold Improvements | Cost of Reproduction Approach | Replacement cost less accrued depreciation | 2 - 4 years remaining useful 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, 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:

| | 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** |
| Reclassification | **(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** |

| | December 31, 2019 | | |
|---|---|---|---|
| | Transportation Equipment | Construction in-Progress | Total |
| **Cost** | | | |
| Balance at beginning of year | ₱128,335,677 | ₱74,039,319 | ₱202,374,996 |
| Additions | 8,652,567 | 648,630 | 9,301,197 |
| Reclassification | (72,426,329) | (59,900,620) | (132,326,949) |
| Disposals | (6,667,888) | – | (6,667,888) |
| Balance at end of year | 57,894,027 | 14,787,329 | 72,681,356 |
| **Accumulated Depreciation, and Amortization** | | | |
| Balance at beginning of year | 54,475,904 | – | 54,475,904 |
| Depreciation and amortization (see Notes 18 and 19) | 22,522,996 | – | 22,522,996 |
| Reclassifications | (35,768,440) | – | (35,768,440) |
| Disposals | (2,135,130) | – | (2,135,130) |
| **Balance at end of year** | 39,095,330 | – | 39,095,330 |
| **Net carrying amount** | ₱18,798,697 | ₱14,787,329 | ₱33,586,026 |

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 December 31, 2020 and 2019, there are no significant contractual commitments entered into by the Company.

## 11. 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:

| | **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** |

| | December 31, 2019 | | |
|---|---|---|---|
| | Land | Building | Total |
| Balance at beginning of year | ₱390,276,582 | ₱239,608,062 | ₱629,884,644 |
| Gain on fair value changes | 154,851,585 | 3,495,172 | 158,346,757 |
| Additions | – | 14,035,188 | 14,035,188 |
| Balance at end of year | ₱545,128,167 | ₱257,138,422 | ₱802,266,589 |

The composition of investment properties as at December 31 are as follows:

| | **2020** | 2019 |
|---|---|---|
| Cost | **₱556,927,732** | ₱431,871,573 |
| Cumulative gain on fair value changes | **374,448,248** | 370,395,016 |
| | **₱931,375,980** | ₱802,266,589 |

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

Rental income earned from the dressing plant in Bulacan amounted to ₱11.9 million and ₱11.2 million for the periods ended December 31, 2020 and 2019, respectively (see Note 19).

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, presented as "Gain on fair value changes of investment properties". 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 | Range 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 useful life |
|---|---|---|---|
| Buildings | Cost Reproduction Approach | Replacement cost less accrued depreciation | 7 - 33 years remaining useful 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.

## 12. Right-of-Use and Other Noncurrent Assets

Right-of-use Assets

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

| | 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 | **₱21,455,220** | **₱73,847,259** | **₱174,905,773** | **₱270,208,252** |
| Pre-termination of lease contract (see Note 26) | **(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 26) | **(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** | **₱6,515,593** | **₱26,035,766** | **₱–** | **₱32,551,359** |

| | December 31, 2019 | | | |
|---|---|---|---|---|
| | Right-of-use asset Building | Right-of-use asset Transportation equipment | Right-of-use asset Machineries | Total |
| **Cost** | | | | |
| Balance at beginning of year | ₱12,065,911 | ₱– | ₱– | ₱12,065,911 |
| Reclassification | – | 72,399,412 | – | 72,399,412 |
| Additions | 11,337,309 | 1,447,847 | 174,905,773 | 187,690,929 |
| Pre-termination of lease contract | (1,948,000) | – | – | (1,948,000) |
| Balance at end of year | 21,455,220 | 73,847,259 | 174,905,773 | 270,208,252 |
| **Accumulated Amortization** | | | | |
| Balance at beginning of year | – | 18,586,210 | – | 18,586,210 |
| Depreciation | 6,426,192 | 14,226,574 | 43,726,443 | 64,379,209 |
| Pre-termination of lease contract | – | (422,066) | – | (422,066) |
| Balance at end of year | 6,426,192 | 32,390,718 | 43,726,443 | 82,543,353 |
| Net carrying value | ₱15,029,028 | ₱41,456,541 | ₱131,179,330 | ₱187,664,899 |

Other Noncurrent Assets

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Project development costs | **₱31,368,396** | ₱31,368,396 |
| Security deposits | **9,729,018** | 10,559,718 |
| Computer software | **6,349,023** | 7,540,538 |
| | **47,446,437** | 49,468,652 |
| Allowance for impairment losses | **(31,368,396)** | (31,368,396) |
| | **₱16,078,041** | ₱18,100,256 |

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 ₱31.4 million was provided with full valuation allowance as at December 31, 2020 and 2019.

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:

| | **2020** | 2019 |
|---|---|---|
| Cost | | |
| Balance at beginning of year | **₱23,867,955** | ₱22,457,587 |
| Additions | **2,486,587** | 1,410,368 |
| Balance at end of year | **26,354,542** | 23,867,955 |
| Accumulated Depreciation and Amortization | | |
| Balance at beginning of year | **16,327,417** | 12,649,315 |
| Amortization | **3,678,102** | 3,678,102 |
| Balance at end of year | **20,005,519** | 16,327,417 |
| Net carrying value | **₱6,349,023** | ₱7,540,538 |

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

## 13. Trade and Other Payables

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Trade payable | | |
| Third parties | **₱1,202,401,796** | ₱1,134,798,500 |
| Related parties (Note 23) | **41,918,534** | 93,848,569 |
| Accrued expenses | | |
| Selling and administrative expenses | **79,318,075** | 109,779,105 |
| Outside services | **77,195,148** | 68,929,976 |
| Others | **40,985,958** | 59,819,932 |
| Nontrade payable | **145,102,863** | 99,433,288 |
| Customers' deposits | **27,670,921** | 27,797,415 |
| Others | **19,887,934** | 12,773,700 |
| | **₱1,634,481,229** | ₱1,607,180,485 |

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

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 year.

## 14. **Loans Payable**

This account consists of the following:

| | **2020** | 2019 |
|---|---|---|
| Current portion | **₱156,844,958** | ₱384,132,265 |
| Noncurrent portion | **123,118,899** | 148,202,912 |
| | **₱279,963,857** | ₱532,335,177 |

In 2020 and 2019, 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. ₱86.9 million promissory note

On October 31, 2018, Vitarich Corporation ("the Company") entered into an aggregate of ₱86.9 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 ₱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. ₱86.9 million promissory note

On December 6, 2018, Vitarich Corporation ("the Company") entered into an aggregate of ₱86.9 million, eight-year loan with Chinabank Savings ("CBS") payable in 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 ₱0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

Short term loans

a. ₱5.4 million commercial loan

On September 21, 2020, Vitarich Corporation ("the Company") entered into an aggregate of ₱5.4 million, 4 month loan with Asia United Bank ("AUB") payable at the end of the term with an interest of 6.00% per annum.

b. ₱50.0 million commercial loan

On December 23, 2020, Vitarich Corporation ("the Company") entered into an aggregate of ₱50.0 million, 3 month loan with Asia United Bank ("AUB") payable at the end of the term with an interest of 6.00% per annum.

In 2020, the Company also obtained short-term loan amounting to ₱87.4 million from one of its stockholders bearing an interest rate of 3% per annum (see Note 23).

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

Total availment of loans payable amounted to ₱457.5 million and ₱1,609.5 million in 2020 and 2019, respectively. Total payments of loans payable amounted to ₱709.9 million and ₱1,359.6 million in 2020 and 2019, respectively

Interest expense on loans payable amounted to ₱23.4 million and ₱60.7 million in 2020 and 2019, respectively.

Future repayment of the principal follows:

| | **2020** | 2019 |
|---|---|---|
| Within one year | **₱156,844,958** | ₱384,132,265 |
| After one year but not more than five years | **98,297,470** | 98,560,054 |
| Beyond five years | **24,821,429** | 49,642,858 |
| | **₱279,963,857** | ₱532,335,177 |

## 15. **Cash Bond Deposits**

Cash bond deposits amounting to ₱40.1 million and ₱41.0 million as at December 31, 2020 and 2019, 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.

## 16. **Revenue**

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Sales: | | |
| Feeds | **₱4,218,925,663** | ₱4,027,789,349 |
| Foods | **3,133,270,647** | 4,046,782,155 |
| Farms | **462,852,599** | 477,343,897 |
| Sales discount, returns and allowances | **(132,617,951)** | (113,017,990) |
| | **7,682,430,958** | 8,438,897,411 |
| Changes in fair values of biological assets | **199,489,329** | 479,569,099 |
| | **₱7,881,920,287** | ₱8,918,466,510 |

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

| | 2020 | 2019 |
|---|---|---|
| Cost of sales | **₱184,396,574** | ₱471,362,481 |
| Livestock (see Note 6) | **15,092,755** | 8,206,618 |
| | **₱199,489,329** | ₱479,569,099 |

## 17. Cost of Goods Sold

This account consists of:

| | 2020 | 2019 |
|---|---|---|
| Inventories used (Note 6) | **₱5,982,643,379** | ₱6,650,598,455 |
| Outside services | **785,219,089** | 783,154,116 |
| Changes in fair values of biological assets (see Note 16) | **184,396,574** | 471,362,481 |
| Depreciation (see Notes 10 and 12) | **128,319,828** | 122,958,110 |
| Contractual services | **92,865,024** | 40,779,898 |
| Salaries and employee benefits (Note 18) | **63,574,816** | 78,170,496 |
| Communication, light and water | **45,151,999** | 39,894,661 |
| Repairs and maintenance | **25,618,917** | 9,665,810 |
| Others | **2,331,110** | 4,394,843 |
| | **₱7,310,120,736** | ₱8,200,978,870 |

## 18. Operating Expenses

Operating expenses are classified in the parent company statements of comprehensive income as follows:

| | 2020 | 2019 |
|---|---|---|
| Selling and distribution expenses | **₱275,792,670** | ₱302,276,938 |
| Administrative expenses | **260,967,587** | 286,028,208 |
| | **₱536,760,257** | ₱588,305,146 |

The details of operating expenses by nature are shown below:

| | 2020 | 2019 |
|---|---|---|
| Transportation, travel, freight and handling | **₱193,871,823** | ₱164,130,588 |
| Salaries and employee benefits (see Note 23) | **146,160,261** | 189,624,710 |
| Depreciation and amortization (see Notes 10 and 12) | **34,290,958** | 37,979,220 |
| Professional fees | **22,931,396** | 21,522,711 |
| Rentals | **21,106,429** | 21,626,674 |
| Contractual services | **20,539,027** | 20,175,914 |
| Advertising and promotions | **17,087,198** | 23,013,540 |
| Taxes and licenses | **14,632,394** | 30,794,775 |

(Forward)

| | 2020 | 2019 |
|---|---|---|
| Commissions | **₱9,748,116** | ₱15,298,296 |
| Communication, light and water | **8,774,538** | 9,693,809 |
| Repairs and maintenance | **8,272,443** | 4,141,570 |
| Representation and entertainment | **5,243,696** | 16,688,758 |
| Supplies | **4,629,887** | 4,479,922 |
| Insurance | **4,364,799** | 4,483,422 |
| Others | **25,107,292** | 24,651,237 |
| | **₱536,760,257** | ₱588,305,146 |

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

Employee Benefits

Costs and expenses recognized as employee benefits are presented below:

| | 2020 | 2019 |
|---|---|---|
| Salaries and wages | **₱182,391,552** | ₱233,914,570 |
| Retirement benefits (Note 21) | **14,327,563** | 19,571,098 |
| Other short-term benefits | **13,015,962** | 14,309,538 |
| | **₱209,735,077** | ₱267,795,206 |

Salaries and employee benefits are allocated as follows:

| | 2020 | 2019 |
|---|---|---|
| Cost of goods sold (Note 17) | **₱63,574,816** | ₱78,170,496 |
| Operating expenses: | | |
| Administrative expenses | **105,090,755** | 101,155,581 |
| Selling and distribution expenses | **41,069,506** | 88,469,129 |
| | **146,160,261** | 189,624,710 |
| | **₱209,735,077** | ₱267,795,206 |

Depreciation and Amortization

Depreciation and amortization are allocated as follows (see Notes 9 and 12):

| | 2020 | 2019 |
|---|---|---|
| Cost of goods sold (Note 17) | **₱128,319,828** | ₱122,958,110 |
| Operating expenses: | | |
| Administrative expenses | **16,996,891** | 18,825,040 |
| Selling and distribution expenses | **17,294,067** | 19,154,180 |
| | **34,290,958** | 37,979,220 |
| | **₱162,610,786** | ₱160,937,330 |

Depreciation and amortization expense follow:

| | **2020** | 2019 |
|---|---|---|
| Property, plant and equipment: | | |
| At revalued amount | **₱72,201,667** | ₱70,357,023 |
| At cost | **7,692,669** | 22,522,996 |
| Right-of-use asset (see Note 12) | **79,038,348** | 64,379,209 |
| Computer software (see Note 12) | **3,678,102** | 3,678,102 |
| | **₱162,610,786** | ₱160,937,330 |

## 19. Other Operating Income

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Sale of scrap materials | **₱19,449,045** | ₱18,161,672 |
| Tolling services | **12,626,140** | – |
| Rentals (Note 23) | **11,895,676** | 11,237,321 |
| | **₱43,970,861** | ₱29,398,993 |

## 20. Other Income (Charges)

This account consists of:

| | **2020** | 2019 |
|---|---|---|
| Deficiency tax settlement | **(₱15,073,202)** | (₱56,116,731) |
| Impairment losses on: | | |
| Receivables (see Note 7) | **(10,673,157)** | (23,124,961) |
| Inventory (see Note 8) | **(892,276)** | – |
| Gain on pre-termination of lease contracts (see Note 26) | **3,424,542** | – |
| Foreign exchange gain | **2,455,497** | 1,516,060 |
| Gain (loss) on disposal of property, plant and equipment, and investment property | **(2,269,651)** | 410,176 |
| Professional fees | **–** | (57,720,854) |
| Gain on reversal of long-outstanding payables | **–** | 34,264,507 |
| Recovery of accounts written-off | **–** | 5,295,695 |
| Gain on reversal of allowance for inventory losses | **–** | 2,382,824 |
| Others – net | **(355,848)** | 1,077,661 |
| | **(₱23,384,095)** | (₱94,170,945) |

Deficiency tax settlement pertains to the Company's payments to Bureau of Internal Revenue to settle tax assessments.

Professional expense pertains to one-time consultancy made during 2019. This pertains to payments to local and international consultants for the operational efficiency of the Company.

21. **Net Retirement Liability**

The Company maintains a partially funded, tax-qualified, 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 benefit 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 parent company statement of comprehensive income is as follows:

| | **2020** | 2019 |
|---|---|---|
| Current service costs | **₱9,321,592** | ₱11,749,402 |
| Interest expense | **5,215,260** | 8,096,322 |
| Interest income | **(209,289)** | (274,626) |
| | **₱14,327,563** | ₱19,571,098 |

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

| | **2020** | 2019 |
|---|---|---|
| Present value of the obligation | **₱136,150,631** | ₱95,342,964 |
| Fair value of plan assets | **(3,944,702)** | (3,826,125) |
| | **₱132,205,929** | ₱91,516,839 |

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

| | **2020** | 2019 |
|---|---|---|
| Balance at beginning of year | **₱95,342,964** | ₱105,147,035 |
| Remeasurement loss (gain) recognized in OCI | **28,310,195** | (27,473,071) |
| Current service costs | **9,321,592** | 11,749,402 |
| Interest expense | **5,215,260** | 8,096,322 |
| Benefits paid | **(2,039,380)** | (2,176,724) |
| Balance at end of year | **₱136,150,631** | ₱95,342,964 |

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

| | **2020** | 2019 |
|---|---|---|
| Balance at beginning of year | **₱3,826,125** | ₱3,566,577 |
| Interest income | **209,289** | 274,626 |
| Remeasurement loss | **(90,712)** | (15,078) |
| Balance at end of year | **₱3,944,702** | ₱3,826,125 |

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:

| | **2020** | 2019 |
|---|---|---|
| Cash and cash equivalents | **₱1,631,262** | ₱1,271,994 |
| Equity instruments | **501,924** | 543,660 |
| Debt instruments | **1,801,697** | 1,999,512 |
| Others | **9,819** | 10,959 |
| | **₱3,944,702** | ₱3,826,125 |

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.

| | **2020** | 2019 |
|---|---|---|
| Less than one year | **₱8,067,134** | ₱7,488,413 |
| Between one and five years | **41,849,209** | 30,426,386 |
| Over five years | **74,331,793** | 68,538,125 |
| | **₱124,248,136** | ₱106,452,924 |

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

| | **2020** | 2019 |
|---|---|---|
| Discount rate | **3.81%** | 5.47% |
| 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** | 35 |

The weighted average duration of the present value of defined benefit obligation is 9.8 years 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 is shown below (amounts in thousands):

| | | Impact on Defined Benefit Obligation | |
|---|---|---|---|
| | Change in Assumptions | **2020** | 2019 |
| Discount rate | +100 bps | **(₱12,335)** | (₱9,699) |
| | -100 bps | **14,346** | 9,700 |
| Salary rate | +100 bps | **14,026** | 9,648 |
| | -100 bps | **(12,314)** | (8,498) |

## 22. Provision for (Benefit from) Income Tax

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

| | 2020 | 2019 |
|---|---|---|
| *Reported in Profit and Loss:* | | |
| Current income tax expense | | |
| RCIT at 30% | **₱–** | ₱28,333,100 |
| MCIT at 2% | **₱11,629,665** | – |
| Deferred income tax expense (benefit from) relating to origination and reversal of temporary differences | **4,509,242** | (8,244,016) |
| | **₱16,138,907** | ₱20,089,084 |

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

| | 2020 | 2019 |
|---|---|---|
| Income (benefit from) tax at statutory tax rate | **₱7,628,104** | ₱42,954,040 |
| Change in unrecognized deferred tax asset | **6,146,121** | (14,977,843) |
| Tax effects of: | | |
| Nondeductible expenses | **4,310,506** | 35,410,669 |
| Depreciation on investment on investment properties at cost | **(1,885,133)** | – |
| Nontaxable income | **–** | (49,966,013) |
| Income already subjected to final tax | **(60,691)** | (65,596) |
| Reversal of deferred tax asset | – | 6,733,827 |
| | **₱16,138,907** | ₱20,089,084 |

The components of the recognized net deferred tax assets and liabilities as at December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Deferred tax assets: | | |
| Allowance for impairment losses on: | | |
| Trade and other receivables | **₱86,420,270** | ₱83,218,323 |
| Product development costs | **9,410,519** | 9,410,519 |
| Property, plant and equipment | **5,392,850** | 5,392,850 |
| Inventory | **268,895** | 1,212 |
| Retirement liability | **39,075,932** | 26,257,391 |
| Excess of lease liability over right-of use asset | **(2,775,761)** | 1,881,199 |
| | **137,792,705** | 126,161,494 |
| Deferred tax liabilities: | | |
| Revaluation reserve on property, plant and equipment | **(139,149,616)** | (134,153,213) |
| Changes in fair value of investment properties | **(71,838,070)** | (70,622,102) |
| Changes in fair value of biological assets | **(9,451,797)** | (2,461,986) |
| Gain on pre-termination of contract | **(1,027,362)** | – |
| | **(221,466,845)** | (207,237,302) |
| Net deferred tax liabilities | **(₱83,674,140)** | (₱81,075,807) |

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

| Year | Beginning Balance | Incurred | Usage | Expired | 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 | ₱– | (₱14,977,843) | ₱6,146,121 | ₱– | |

The amount of MCIT and other deductible temporary differences as at the end of 2020 and 2019 for which the related deferred tax assets have not been recognized are shown below.

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Amount** | **Amount** | Amount | Tax Effect |
| MCIT | **₱6,146,121** | **₱6,146,121** | ₱– | ₱– |
| Retirement liability | **3,992,203** | **1,197,661** | 3,992,203 | 1,197,661 |
| | **₱10,138,324** | **₱7,343,782** | ₱3,992,203 | ₱1,197,661 |

23. **Related Parties**

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 are made thru cash.

<u>Payable to a Stockholder</u>
*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 ₱3.2 billion acquired by Kormasinc (including interest of ₱200.0 million), ₱2.4 billion was converted to equity in 2013.

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱P1.52 a share. Consequently, Kormasinc’s ownership interest increased from 69.20% to 71.90% (see Notes 1 and 24).

<u>Due to and from related parties</u>
*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 parent company 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 13).

*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 5 and 13):

| Related Parties | Nature of Transactions | **2020** Amount of Transactions | **2020** Outstanding Balances | 2019 Amount of Transactions | 2019 Outstanding Balances |
|---|---|---|---|---|---|
| **Trade and other receivables** | | | | | |
| Entities under common control | Sales | **₱1,072,194,796** | | ₱843,138,904 | |
| | Collections | **(1,105,153,625)** | **₱195,651,548** | (640,264,819) | ₱228,610,377 |
| **Trade and other payables** | | | | | |
| Entities under common control | Purchases | **₱1,429,424,720** | | ₱1,591,869,921 | |
| | Payments | **(1,481,354,755)** | **₱41,918,534** | (1,501,864,550) | ₱93,848,569 |
| **Operating lease** | | | | | |
| Entities under common control | Rental income | **₱11,895,676** | | ₱11,237,321 | |
| | Collection | **(11,895,676)** | **₱–** | (11,237,321) | ₱– |

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 ₱89.9 million from one of the Company's stockholders.

| Related Party | Nature of Transactions | **2020** Amount of Transactions | **2020** Outstanding Balances | 2019 Amount of Transactions | 2019 Outstanding Balances |
|---|---|---|---|---|---|
| Stockholder | Advances for working capital | **₱89,905,000** | | (₱85,726,435) | |
| | Interest | **407,532** | **₱76,633,329** | 13,378,992 | ₱– |

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 | **2020** Amount of Transactions | **2020** Outstanding Balances | 2019 Amount of Transactions | 2019 Outstanding Balances |
|---|---|---|---|---|---|
| Advances to officers and employees | Net transactions | **(₱137,572)** | **₱536,026** | ₱126,867 | ₱673,599 |

Compensation of Key Management Personnel

The compensation includes the following:

| | **2020** | 2019 |
|---|---|---|
| Short-term employee benefits | **₱41,524,264** | ₱38,616,323 |
| Retirement benefits | **2,984,183** | 3,909,370 |
| Others | **2,303,769** | 2,201,141 |
| | **₱46,812,216** | ₱44,726,834 |

24. **Equity**

**Capital Stock**

As of December 31, 2020, the Company has authorized capital stock of 3.5 billion shares at ₱0.38 par value equivalent to ₱1.3 billion. Details of authorized and issue and outstanding shares are as follows:

| | **2020** | 2019 |
|---|---|---|
| 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 | 3,000,000,000 | 267,836,113 |
| October 16, 2013 | 3,000,000,000 | 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 |
| 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 ₱407.1 million to Kormasinc at ₱1.52 a share. Consequently, Kormasinc's ownership interest increased from 69.20% to 71.90% (see Note 1).

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

The following summarizes the information on the Company's issued and outstanding shares as at December 31, 2020:

| | Number of shares issued and outstanding | Percentage of shares |
|---|---|---|
| Issued and outstanding | 3,054,334,014 | 100.00% |
| | | |
| Listed shares: | | |
| Owned by related parties | 2,178,892,604 | 71.34% |
| Owned by public | 799,289,412 | 26.17% |
| Owned by directors and officers | 76,151,998 | 2.49% |
| Total | 3,054,334,014 | 100.00% |

Of the total shares owned by the public, 121.7 million and 131.9 million shares are foreign-owned as at December 31, 2020 and 2019.

The total number of shareholders of the Company is 4,132 as at December 31, 2020 and 2019.

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

| | Revaluation Reserve (see Note 10) | Accumulated Actuarial Gains (Loss) (see Note 21) | Total |
|---|---|---|---|
| Balance as at January 1, 2020 | **₱313,024,168** | **₱14,146,428** | **₱327,170,596** |
| Revaluation increased 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 | **₱324,682,440** | **(₱5,734,207)** | **₱318,948,233** |
| | | | |
| Balance at January 1, 2019 | ₱318,222,103 | (₱5,074,168) | ₱313,147,935 |
| Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax | (5,197,935) | – | (5,197,935) |
| Actuarial gain, net of tax | – | 19,220,596 | 19,220,596 |
| Balance as at December 31, 2019 | ₱313,024,168 | ₱14,146,428 | ₱327,170,596 |

As of December 31, 2020, there are no available amounts for dividend declaration based on Company balances.

## 25. Earnings Per Share

Basic and diluted earnings per share were computed as follows:

| | **2020** | 2019 |
|---|---|---|
| Net income for the year | **₱9,288,106** | ₱123,091,050 |
| Divided by the weighted average number of outstanding shares | **3,054,334,014** | 3,054,334,014 |
| Earnings per share - basic and diluted | **₱0.003** | ₱0.040 |

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

## 26. 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 five to ten 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 ₱11.9 million and ₱11.2 million in 2020 and 2019, respectively, and are shown as part of “Other operating income” account in the parent company statements of comprehensive income (see Note 19).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

| | 2020 | 2019 |
|---|---|---|
| Within one year | **₱9,806,597** | ₱6,293,571 |
| After one year but not more than five years | **14,644,000** | 13,713,571 |
| | **₱24,450,597** | ₱20,007,142 |

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 ₱P9.7 million and ₱10.6 million as at December 31, 2020 and 2019, respectively. Rent expense amounted to ₱21.1 million and ₱21.6 million in 2020 and 2019, respectively (see Note 18). Future minimum lease payments under the lease agreements follow:

| | 2020 | 2019 |
|---|---|---|
| Within one year | **₱9,708,177** | ₱13,825,942 |
| More than one year but not more than five years | **90,000** | 8,646,597 |
| | **₱9,798,177** | ₱22,472,539 |

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 December 31,2020 and 2019, details of the account follow:

| | 2020 | 2019 |
|---|---|---|
| Current | **₱15,557,762** | ₱13,920,213 |
| Noncurrent | **12,933,963** | 42,813,390 |
| | **₱28,491,725** | ₱56,733,603 |

Lease Liabilities
The following are the amounts recognized in the statement of comprehensive income:

| | 2020 | 2019 |
|---|---|---|
| Depreciation expense of right-of-use assets included in other noncurrent assets | **₱79,038,348** | ₱64,379,210 |
| Interest expense on lease liabilities | **11,098,247** | 7,854,616 |
| Expenses relating to short-term leases (see Note 18) | **21,106,429** | 21,626,674 |
| Total amount recognized in the 2020 parent company statement of comprehensive income | **₱111,243,024** | ₱93,860,500 |

The rollforward analysis of lease liabilities follows:

| | **2020** | 2019 |
|---|---|---|
| As at January 1, as previously reported | **₱193,935,562** | ₱– |
| Effect of adoption of PFRS 16 | **–** | 68,799,514 |
| At January 1, as restated | **193,935,562** | 68,799,514 |
| Additions | **–** | 186,243,082 |
| Interest expense | **11,098,247** | 7,854,616 |
| Payments | **(90,937,541)** | (68,961,650) |
| Pre-termination of lease contract | **(78,458,811)** | – |
| As at December 31 | **₱35,637,457** | ₱193,935,562 |

In 2020, the Company pre-terminated its lease of the Sahara and Kiya David warehouses and the Sahara feedmill which resulted to a gain on pre-termination of ₱3.4 million, recorded under Other Income (Charges) account (see Note 20)**.**

As at December 31, 2020, the details of the lease liabilities follow:

| | **2020** | 2019 |
|---|---|---|
| Current | **₱18,497,266** | ₱86,981,626 |
| Noncurrent | **17,140,191** | 106,953,936 |
| | **₱35,637,457** | ₱193,935,562 |

Future minimum lease payments under these lease agreements as of December 31, 2020 and 2019 are as follows:

| | **2020** | 2019 |
|---|---|---|
| Within one year | **₱18,908,405** | ₱86,981,626 |
| More than one year but not more than five years | **17,342,279** | 129,453,835 |
| | **₱36,250,684** | ₱216,435,461 |

Tolling Agreements

The Company have 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.

As a result of adoption of PFRS 16, the Company evaluated whether there are tolling agreements 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 Corporation's Davao Dressing Plant for a period of five (5) years beginning January 2018 in consideration for the capital investment by LAVI for the additional dressing line and improvement amounting to approximately ₱68.0 million.

## 27. Note to Statements of Cash Flows

The Company had no material non-cash investing nor non-cash financing activity-related transactions for the years ended December 31, 2020 and 2019.

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

| | January 1, 2020 | Proceeds | Payments | Interest expense | Pre-termination of lease contract | December 31, 2020 |
|---|---|---|---|---|---|---|
| Loans payable | **₱532,335,177** | **₱457,507,642** | **(₱709,878,962)** | **₱–** | **₱–** | **₱279,963,857** |
| Accrued interest payable | **2,325,176** | **–** | **(35,328,078)** | **34,454,582** | **–** | **1,451,680** |
| Lease liabilities | **193,935,562** | **–** | **(79,839,294)** | **–** | **(78,458,811)** | **35,637,457** |
| Total liabilities from financing activities | **₱728,595,915** | **₱457,507,642** | **(₱825,046,334)** | **₱34,454,582** | **(₱78,458,811)** | **₱317,052,994** |

| | January 1, 2019 | Proceeds | Payments | Interest Expense | Additions | December 31, 2019 |
|---|---|---|---|---|---|---|
| Loans payable | ₱822,479,984 | ₱1,069,496,769 | (₱1,359,641,576) | ₱– | ₱– | ₱532,335,177 |
| Accrued interest payable | 3,236,049 | – | (82,819,923) | 81,909,050 | – | 2,325,176 |
| Lease liabilities* | 56,733,603 | – | (61,107,034) | – | 198,308,993 | 193,935,562 |
| Total liabilities from financing activities | ₱882,449,636 | ₱1,069,496,769 | (1,503,568,533) | ₱81,909,050 | ₱198,308,993 | ₱728,595,915 |

**Presented in the beginning balance is the transition adjustment upon the adoption of PFRS 16. The leases previously classified as finance lease and operating lease amounting to ₱56.7 million and ₱12.6 million, respectively.*

The Company's noncash transactions consist of the pre-termination of lease contracts amounting to ₱78.5 million and additions to lease liabilities and right-of use assets amounting to and ₱198.3 million for the years ended December 31, 2020 and 2019, respectively.

## 28. 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.

## 29. Fair Value Information

The carrying values and fair values of the categories of financial assets and liabilities presented in the parent company statements of financial position are shown below:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Carrying Values** | **Fair Values** | Carrying Values | Fair Values |
| **Financial Assets** | | | | |
| Cash in banks | **₱174,601,434** | **₱174,601,434** | ₱176,460,398 | ₱176,460,398 |
| Trade and other receivables | **928,228,679** | **928,228,679** | 1,136,244,198 | 1,136,244,198 |
| Due from related parties | **816,362** | **816,362** | 816,362 | 816,362 |
| Security deposits | **9,729,018** | **9,729,018** | 10,559,718 | 10,559,718 |
| Receivable from insurances | **101,889,912** | **101,889,912** | 101,889,912 | 101,889,912 |
| | **₱1,215,265,405** | **₱1,215,265,405** | ₱1,425,970,588 | ₱1,425,970,588 |

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Carrying Values** | **Fair Values** | Carrying Values | Fair Values |
| **Financial Liabilities** | | | | |
| Trade and other payables* | **₱1,614,593,295** | **₱1,614,593,295** | ₱1,594,756,591 | ₱1,594,756,591 |
| Loans payable | **279,963,857** | **279,963,857** | 532,335,177 | 532,335,177 |
| Lease liabilities | **35,637,457** | **35,637,457** | 193,935,562 | 197,598,911 |
| Cash bond deposits | **40,097,279** | **40,097,279** | 40,954,787 | 40,954,787 |
| | **₱1,970,291,888** | **₱1,970,291,888** | ₱2,361,982,117 | ₱2,365,645,466 |

**Excluding statutory liabilities amounting to ₱19.8 million and ₱12.4 million as at December 31, 2020 and 2019, 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 December 31, 2020, the fair value of long-term debt approximates is 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 December 31, 2020 and 2019.

*Cash in banks, trade and other receivables, security deposits, and trade and other payables.* As at December 31, 2020 and 2019, the carrying amounts of these financial instruments approximate their fair values due to the short-term nature of these accounts.

As at December 31, 2020 and 2019, 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 2020 and 2019.

## 30. 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.

<u>Foreign Currency Risk</u>
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 since purchases denominated in foreign currency are kept at a minimum.

Interest Rate Risk
As at December 31, 2020 and 2019, 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 values of the financial assets as shown on the face of the parent company statements of financial position (or in the detailed analysis provided in the notes to the parent company financial statements, as summarized below.

| | **2020** | 2019 |
|---|---|---|
| Cash in banks | **₱174,601,434** | ₱176,460,398 |
| Trade and other receivables | **928,228,679** | 1,136,244,198 |
| Due from related parties | **816,362** | 816,362 |
| Security deposits | **9,729,018** | 10,559,718 |
| Receivable from insurances | **101,889,912** | 101,889,912 |
| | **₱1,215,265,405** | ₱1,425,970,588 |

The Company continuously monitors defaults of counterparties, identified either individually or by Company, and incorporates this information into its credit risk controls. Where 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 or past due for each reporting periods are of good credit quality.

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

| | **December 31, 2020** | | | | | |
|---|---|---|---|---|---|---|
| | **Neither Past Due nor Impaired** | | | | | |
| | **High Grade** | **Standard Grade** | **Total** | **Past Due but not Impaired** | **Impaired** | **Total** |
| Cash in banks | **₱174,601,434** | **₱–** | **₱174,601,434** | **₱–** | **₱–** | **₱174,601,434** |
| Trade and other receivables | **587,333,429** | **–** | **587,333,429** | **340,895,250** | **284,141,061** | **1,212,369,740** |
| Due from related parties | **816,362** | **–** | **816,362** | | | **816,362** |
| Receivable from insurances | **101,889,912** | **–** | **101,889,912** | **–** | **39,774,671** | **141,664,583** |
| Security deposits | **9,729,018** | **–** | **9,729,018** | **–** | **–** | **9,729,018** |
| | **₱874,370,155** | **₱–** | **₱874,370,155** | **₱340,895,250** | **₱323,915,732** | **₱1,539,181,137** |

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | | | | | |
| | High Grade | Standard Grade | Total | Past Due but not Impaired | Impaired | Total |
| Cash in banks | ₱176,460,398 | ₱– | ₱176,460,398 | ₱– | ₱– | ₱176,460,398 |
| Trade and other receivables | 1,041,681,139 | – | 1,041,681,139 | 94,563,059 | 273,467,904 | 1,409,712,102 |
| Due from related parties | 816,362 | – | 816,362 | | – | 816,362 |
| Receivable from insurances | 101,889,912 | – | 101,889,912 | – | 39,774,671 | 141,664,583 |
| Security deposits | 10,559,718 | – | 10,559,718 | – | – | 10,559,718 |
| | ₱1,331,407,529 | ₱– | ₱1,331,407,529 | ₱94,563,059 | ₱313,242,575 | ₱1,739,213,163 |

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 receivables using a provision matrix:

| **As of December 31, 2020** | **Trade Receivables (in millions)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Days past due | | | | | | | | |
| | **Current** | **<30 days** | **30-60 days** | **61-90 days** | **91-120 days** | **More than 120 days** | **Total** | **Accounts with full provision** | **Total** |
| **Expected credit loss rate** | **0.00%** | **0.01%** | **0.04%** | **0.07%** | **0.10%** | **5.43%** | | | |
| **Estimated total gross carrying amount at default** | **₱620.4** | **₱114.0** | **₱12.2** | **₱6.6** | **₱2.3** | **₱7.4** | **₱762.9** | **₱160.6** | **₱923.5** |
| **Expected credit loss** | **₱0.01** | **₱0.01** | **₱0.00** | **₱0.00** | **₱0.00** | **₱0.4** | **₱0.4** | **₱160.6** | **₱161.1** |

| As of December 31, 2019 | Trade Receivables (in millions) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Days past due | | | | | | | | |
| | Current | <30 days | 30-60 days | 61-90 days | 91-120 days | More than 120 days | Total | Accounts with full provision | Total |
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 2.93% | | | |
| Estimated total gross carrying amount at default | ₱733.8 | ₱188.0 | ₱29.4 | ₱14.3 | ₱6.3 | ₱47.8 | ₱1019.6 | ₱149.3 | ₱1,168.3 |
| Expected credit loss | ₱0.02 | ₱0.02 | ₱0.02 | ₱0.01 | ₱0.01 | ₱1.40 | ₱1.5 | ₱149.3 | ₱150.8 |

<u>Cash Deposits</u>

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 its long−term debt as this fall due by maintaining sufficient cash from operations. The Company maintains cash to meet its liquidity requirements for up to 30−day periods.

As at December 31, 2020 and 2019 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* | **₱1,614,593,215** | **₱–** | **₱–** | **₱–** |
| 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 | **5,699,276** | **5,286,964** | **24,731,796** | **–** |
| | **₱1,774,180,938** | **₱30,698,487** | **₱176,922,217** | **₱24,821,429** |

**Excluding statutory liabilities amounting to ₱19.8 million in December 31, 2020.*

As at December 31, 2019 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* | ₱1,594,756,491 | ₱– | ₱– | ₱– |
| Loans payable | 371,848,523 | 12,283,742 | 98,560,054 | 49,642,858 |
| Lease liabilities | 43,490,813 | 43,490,813 | 106,953,936 | – |
| Cash bond deposits | – | – | 40,954,787 | – |
| Future interest on long term debt | 5,699,276 | 5,286,964 | 24,731,796 | – |
| | ₱2,015,795,103 | ₱61,061,519 | ₱271,200,573 | ₱49,642,858 |

**Excluding statutory liabilities amounting to ₱12.4 million in December 31, 2019.*

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.

## 31. 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 2.11 in 2016 to 1.22 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 as at December 31, 2020 are shown below.

| | **2020** | 2019 |
|---|---|---|
| Total liabilities | **₱2,206,059,891** | ₱2,546,998,657 |
| Total equity | **1,661,979,097** | 1,657,149,775 |

## 32. 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 parent company 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 parent company 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*

## 33. Supplementary Information Required by the Bureau of Internal Revenue

On November 25, 2010, the BIR issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses paid or accrued during the year.

The Company reported and/or paid the following types of taxes for the year:

VAT

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT registered individuals or corporations are subject to input VAT.

Details of the Company's net sales/receipts, output VAT and input VAT accounts follow:

a. Output VAT

| | Gross Amount of Revenues | Output VAT |
|---|---|---|
| Exempt Sales | **₱7,645,012,916** | **₱–** |
| Sales subject to 12% VAT | **81,388,903** | **9,766,668** |
| Total | **₱7,726,401,819** | **₱9,766,668** |
| Applied Input VAT | | **(7,442,818)** |
| VAT payments | | **(2,288,065)** |
| | | **₱35,785** |

b. Input VAT

| | Amount |
|---|---|
| Beginning balance | **₱236,520** |
| Add: Current year's domestic purchases / payments for: | |
| Goods other than capital goods | **7,206,298** |
| Domestic purchase of services | **–** |
| Claims for tax credit / refund and other adjustments | **–** |
| Applied against Output VAT | **(7,442,818)** |
| Balance at the end of the year | **₱–** |

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees:

| | |
|---|---|
| Business Permits | **₱7,631,568** |
| Real Property Tax | **3,175,937** |
| Fringe Benefit Tax | **354,161** |
| Documentary Stamp Tax | **1,705,841** |
| | **₱12,867,507** |

The above local and national taxes (except fringe benefits tax) are classified under "Taxes and licenses" in "Operating expenses." Fringe benefits tax is presented as part of "Salaries and employee benefits" under "Operating expenses" account in the statement of comprehensive income.

Withholding Taxes
The amount of withholding taxes paid/accrued for the year amounted to:

| | Paid | Accrued |
|---|---|---|
| Expanded Withholding Tax | **₱72,049,796** | **₱12,453,782** |
| Withholding tax on compensation | **13,871,532** | **5,521,528** |
| | **₱85,921,328** | **₱17,975,310** |

Tax Assessment
On December 19, 2020, the Company paid deficiency Income Tax (₱641,828), Value-Added Tax (₱3,004,039), Expanded Withholding Tax (₱4,744,886), Documentary Stamp Tax (₱567,450) and Miscellaneous taxes (₱115,000) inclusive of increments for taxable year ended December 31, 2019 pursuant to Letter of Authority No. LOA-116-2020-00000430 dated July 20, 2020 and LOA-LTV-2020-00000457 dated July 6, 2020.

Tax Cases
The Company has no pending tax case in courts or other regulatory bodies outside of the BIR as at and for the year ended December 31, 2020.

# ANNEX C

Interim Financial Statements for the Quarter ended March 31, 2021

# C O V E R   S H E E T
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 1 | 3 | 4 |

**C O M P A N Y   N A M E**

VITARICH CORPORATION AND SUBSIDIARIES

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

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

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AACFS | CRMD | N/A |

**C O M P A N Y   I N F O R M A T I O N**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| agdanque@vitarich.com | (+632) 8843-3033 | (0918) 848 2800 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 4,129 | 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 | nsgarcia@vitarich.com | (+632) 8843-3033 | (0918) 8482258 |

**CONTACT PERSON's ADDRESS**

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

***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 **March 31, 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 |
|---|---|
| **Common Stock** | **3,054,334,014** |

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)

March 31, 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 March 31, 2021 (with comparative figures as of December 31, 2020) and for the period ended March 31, 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 if 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 March 30, 2012, the SEC approved the extension of its corporate life for another 50 years. 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: Ready for 2021**

Last month, Vitarich released its Audited Financial Statement for 2020, showing a Net Income of ₱9,288,476.00. Even if net income and other numbers went down, Vitarich's Net Cash generated from operations actually increased marginally from ₱514,614,065 in 2019 to ₱574,372,033 in 2020. In an economic climate where businesses are struggling to stay afloat, this is a welcome sight. Vitarich has been grateful to its business partners, suppliers, and employees in meeting the challenges of Covid -19.

**For the first quarter, Vitarich posted a record-breaking Net income of 186.5 million, which is 200% of same period last year of ₱93.1 million, the highest single quarter performance the company has achieved since it exited corporate rehabilitation in 2016.**

Gross profit for the first quarter amounted to ₱374 million, higher by ₱85 million or 30% up from ₱289 million of same quarter last year. The improvement was brought by better selling price of chicken in the market, coupled with lower raw materials and production costs. Other operating income of ₱7.6 million for the first quarter of 2021 increased by 45% versus same period last year.

Feeds sales fulfilled the requirements of customers left by competitors who had to scale down. Vitarich has provided valuable support necessary to its business partners in these difficult times to earn their patronage.

Part of the pandemic measures in 2020 was to cull and lower day-old chicken production last year to cut on cost considering the uncertain market. This had negative effect on the supply of Day-Old-Chickens, that in turn adversely affected consolidated sale of goods of ₱2.0 billion, which is lower by 14% from ₱2.3 billion of same quarter last year. Fortunately, Vitarich increased its efficiencies by lowering expenses and increasing the customer value of its products.

Operating expenses was at ₱135.1 million, 6% lower versus the same period of last year of ₱143.5 million. Other charges of ₱7.9 million for the first quarter of 2021 decreased by 55% against its balance for the same period last year because of the decrease in the interest expense related to lower loan availment.

It appears that Vitarich is back on track, as the first two months of 2020 prior to the Covid 19 lockdown last year were already exceptional. No one can ever be prepared for something like the Covid-19 pandemic but Vitarich came together and is in the right direction.

Vitarich will continue to focus on quality and efficiency as it rebuilds breeder capacity and Day-Old-Chicken production. Quality maximizes value as preferred choice for hotels, restaurants and institutional (HRI) clientele. It will continue to increase its food market base through new sales channels including direct community selling, penetration of additional HRI accounts, and tapping selected supermarkets. Efficiency means being more conscious on priorities, and where to put our resources for their best use with maximum possible returns.

The foregoing is based on the ***Lifetime Profitable Partnership™***, which Vitarich will continue in the years to come. The LPP is founded on Vitarich's culture of win-win engagements among stakeholders. Thankfully, Vitarich is currently sized right to be agile and dynamic enough to closely deal with business partners and suppliers, tap new markets, and maximize customer value for its products. Strategies to cope with Covid-19, including the right cost controls, increasing efficiencies, and health protocols to ensure the safety of its employees, have worked so far. The roadmap and strategies continuously adjust to the evolving challenges it faces.

Hopefully, the government continues its success in fighting off the Avian Flu, creating a road map for corn and repopulating the hog industry. It is hoped that the public would continue to patronize local products. Vitarich is happy and thankful that government is putting in more initiatives in carefully calibrating and monitoring importation. In any case, Vitarich produced chickens will always taste better for sure.

Vitarich is growing despite the pandemic. It is optimistic that this momentum will continue as business partners are regaining ground and are getting back on their feet. To date, COVID-19 cases among employees have been minimal. Remote working arrangements have not sacrificed productivity, and in some cases even increased efficiencies. If this continues by year end, Vitarich plans to reward its employees for their loyalty, hard work and diligence. However, the goal really is to be profitable enough to declare dividends to shareholders, silent partners who stayed with Vitarich through thick and thin. Groundwork has been laid with the reduction in par value in 2018, and its continuous and incessant efforts for profitability. After all, Lifetime Profitable Partnership™ means that absolutely everyone grows with Vitarich.

**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 March 31, 2021 vs. audited December 31, 2020

The Company's consolidated total assets as at March 31, 2021 is at ₱3,805 million lower than December 31, 2020 level of ₱3,868 million. Total current assets decreased from ₱1,850 million as at December 31, 2020 to ₱1,804 million as at March 31, 2021.

Cash balance increased to ₱208 million as at March 31, 2021 from ₱177 million as at December 31, 2020. The increase in cash was attributed to higher collection efficiency, lower acquisition of property, plant and equipment and lower repayment of loans due to minimal loan availment.

Trade and other receivables account decreased by 13% in relation to higher collection efficiency.

Inventories amounting to ₱554 million as at March 31, 2021 increased from ₱503 million as at December 31, 2020 due to increased Feeds volume productions and livestock inventories.

Other current assets of ₱234 million as at March 31, 2021 was decreased as compared to 241 million as at December 31, 2020. Other non-current assets also decreased by ₱14.9 million as compared to ₱16.1 million as at December 31, 2020.

Total current liabilities as at March 31, 2021 amounted to ₱1,564 million, lower by 13% as compared to its balance as at December 31, 2020, mainly due to partial payment of long-outstanding payables to major suppliers and minimal loan availment.

Stockholders' equity increased from ₱1,667 million to ₱1,854 million, due to remarkable net income posted for the first quarter of 2021.

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

| | Unaudited Mar 2021 | Unaudited Mar 2020 |
|---|---|---|
| Revenue (₱ million) | | |
| Sale of goods | ₱2,003 | ₱2,338 |
| Fair value adjustment on biological assets | 204 | – |
| Cost Contribution (₱ million) | | |
| Cost of goods sold | 1,649 | 2,049 |
| Fair value adjustment on biological assets | 184 | – |
| Gross Profit Rate (%) | 17% | 12% |
| Operating Income (₱ million) | 247 | 151 |

1) Sales Volume, Price, and Revenue Growth

Consolidated revenue composed of feeds, day old chicks, chicken, and animal health products sales amounted to ₱2,003 million for the first quarter of 2021, which is lower than the sales from the same period last year of ₱2,338 million, mainly because of the shortage of Day-Old Chicks (DOC) production. Fair value adjustments on biological assets is ₱204 million as at March 31, 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 March 2021** | Audited December 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash (Note 6) | **₱207,607,160** | ₱177,304,767 |
| Trade and other receivables (Note 7) | **808,926,477** | 928,721,700 |
| Inventories and livestock (Note 8) | **553,570,174** | 502,928,504 |
| Other current assets (Note 9) | **233,738,195** | 240,756,038 |
| Total Current Assets | **1,803,842,006** | 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 | **890,985,768** | 906,718,914 |
| At cost | **28,908,560** | 29,714,145 |
| Investment properties (Note 12) | **935,643,239** | 931,375,980 |
| Right-of-use assets (Note 13) | **28,576,849** | 32,551,359 |
| Other noncurrent assets (Note 13) | **14,891,050** | 16,078,041 |
| Total Noncurrent Assets | **2,000,895,378** | 2,018,328,351 |
| | **₱3,804,737,384** | ₱3,868,039,360 |

| | | |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Note 14) | **₱1,439,995,208** | ₱1,629,159,192 |
| Loans payable (Note 15) | **106,663,313** | 156,844,958 |
| Current portion of lease liabilities (Note 27) | **17,421,842** | 18,497,266 |
| Total Current Liabilities | **1,564,080,363** | 1,804,501,416 |
| **Noncurrent Liabilities** | | |
| Loans payable - net of current portion (Note 15) | **116,913,542** | 123,118,899 |
| Cash bond deposits (Note 16) | **41,660,656** | 40,097,279 |
| Lease liabilities - net of current portion (Note 27) | **13,288,549** | 17,140,191 |
| Net retirement liability (Note 22) | **132,781,513** | 132,205,929 |
| Net deferred tax liabilities (Note 23) | **82,188,486** | 83,674,140 |
| Total Noncurrent Liabilities | **386,832,746** | 396,236,438 |
| Total Liabilities | **1,950,913,109** | 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 | **374,915,194** | 186,235,489 |
| Other comprehensive income (Notes 11 and 25) | **316,791,297** | 318,948,233 |
| Total Equity | **1,853,824,275** | 1,667,301,506 |
| | **₱3,804,737,384** | ₱3,868,039,360 |

*See accompanying Notes to Interim Consolidated Financial Statements.*

## VITARICH CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | For the Three Months Ended | |
|---|---|---|
| | **Unaudited Jan-Mar 2021** | Unaudited Jan-Mar 2020 |
| **REVENUE** | | |
| Sale of goods, net of discount (Notes 17 and 24) | **₱2,003,345,077** | ₱2,337,993,581 |
| Fair value adjustment on biological assets (Notes 3 and 17) | **203,800,256** | – |
| | **2,207,145,333** | 2,337,993,581 |
| **COST OF GOODS SOLD** (Note 18) | | |
| Cost of goods sold | **(1,648,509,808)** | (2,049,073,968) |
| Fair value adjustment on biological assets (Notes 3 and 17) | **(184,301,928)** | – |
| | **(1,832,811,736)** | (2,049,073,968) |
| **GROSS PROFIT** | **374,333,597** | 288,919,613 |
| Operating expenses (Note 19) | **(135,128,249)** | (143,510,767) |
| Other operating income (Note 20) | **7,632,536** | 5,275,739 |
| | **(127,495,713)** | (138,235,028) |
| **OPERATING PROFIT** | **246,837,884** | 150,684,585 |
| **OTHER INCOME (EXPENSES)** | | |
| Interest expense (Notes 15,24, and 27) | **(5,131,394)** | (13,673,244) |
| Interest income (Notes 6 and 7) | **51,962** | 2,555 |
| Other income (charges) – net (Note 21) | **(2,816,831)** | (4,021,486) |
| | **(7,896,263)** | (17,692,175) |
| **INCOME (LOSS) BEFORE INCOME TAX** | **238,941,621** | 132,992,410 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 21) | | |
| Current | **60,050,627** | 39,786,848 |
| Deferred | **(7,631,775)** | 110,425 |
| | **52,418,852** | 39,897,273 |
| **NET INCOME (LOSS)** | **186,522,769** | 93,095,137 |
| **OTHER COMPREHENSIVE INCOME** | | |
| *Items not to be reclassified to profit or loss:* | | |
| 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)** | **₱186,522,769** | ₱93,095,137 |
| **EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED** (Note 24) | **₱0.061** | ₱0.030 |

*See accompanying Notes to Interim Consolidated Financial Statements.*

## VITARICH CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | For the Three Months Ended | |
|---|---|---|
| | **Unaudited March 2021** | Unaudited March 2020 |
| **CAPITAL STOCK** (Note 25) | | |
| Balance at beginning of year | **₱1,160,646,925** | ₱1,160,646,925 |
| Quasi-reorganization (Note 1) | **–** | – |
| Balance at end of year | **1,160,646,925** | 1,160,646,925 |
| **ADDITIONAL PAID - IN CAPITAL** | | |
| Balance at beginning of year | **1,470,859** | 1,470,859 |
| Quasi-reorganization (Note 1) | **–** | – |
| Reduction in par value (Note 1) | **–** | – |
| Balance at end of year | **1,470,859** | 1,470,859 |
| **RETAINED EARNINGS** | | |
| Balance at beginning of year | **186,235,489** | 173,183,434 |
| Net income | **186,522,769** | 93,095,137 |
| Transfer to retained earnings of revaluation reserve realized through Depreciation, net of deferred income tax (Note 11) | **2,156,936** | – |
| Balance at end of year | **374,915,194** | 266,278,571 |
| **OTHER COMPREHENSIVE INCOME** (Note 25) | | |
| Balance at beginning of year | **318,948,233** | 327,170,596 |
| Transfer to retained earnings (deficit) of revaluation reserve realized through depreciation, net of deferred income tax (Note 11) | **(2,156,936)** | – |
| Balance at end of year | **316,791,297** | 327,170,596 |
| | **₱1,853,824,275** | ₱1,755,566,951 |

*See accompanying Notes to Interim Consolidated Financial Statements.*

## VITARICH CORPORATION AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Three Months Ended | |
|---|---|---|
| | **Unaudited March 2021** | Unaudited March 2020 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | **₱238,941,621** | ₱132,992,410 |
| Adjustments for: | | |
| Depreciation and amortization (Notes 11, 13 and 19) | **28,174,755** | 8,726,453 |
| Interest expense (see Note 15 and 27) | **5,131,394** | 13,673,244 |
| Gain on fair value of biological assets (Note 17) | **(19,498,328)** | – |
| Retirement benefit expense (Note 22) | **1,149,695** | 1,570,000 |
| Impairment loss on trade and other receivables (Note 7) | **2,147,242** | 2,564,950 |
| Interest income (see Notes 6) | **(51,962)** | (2,555) |
| Operating income before working capital changes | **255,994,417** | 159,524,502 |
| Decrease (increase) in: | | |
| Trade and other receivables | **117,647,981** | (93,263,685) |
| Inventories and livestock | **(31,143,342)** | (61,459,883) |
| Other current assets | **7,017,843** | 31,409,132 |
| Other noncurrent assets related to operations | **12,710** | 6,085,664 |
| Increase (decrease) in: | | |
| Trade and other payables | **(189,163,984)** | 155,937,907 |
| Cash bond deposits | **1,563,377** | 428,496 |
| Net cash generated from (used for) operations | **161,929,002** | 198,662,132 |
| Income tax paid | **(53,904,506)** | (39,786,848) |
| Retirement benefits paid (Note 22) | **(574,111)** | (751,888) |
| Interest received | **51,962** | 2,555 |
| Net cash provided by (used in) operating activities | **107,502,347** | 158,125,951 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Property, plant and equipment (Note 11) | **(7,172,575)** | (24,000,327) |
| Investment properties (Note 12) | **(4,267,259)** | (2,794,290) |
| Proceeds from sale of property, plant and equipment | – | 120,215 |
| Net cash used in investing activities | **(11,439,834)** | (26,674,402) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Availment of loans (Note 15) | **36,714,384** | 119,258,000 |
| Payments of loans (Note 15) | **(93,101,386)** | (220,748,903) |
| Interest paid | **(5,131,394)** | (22,911,621) |
| Payments of principal lease liabilities (Note 27) | **(4,241,724)** | (9,733,105) |
| Net cash provided by (used in) financing activities | **(65,760,120)** | (134,135,629) |
| **NET DECREASE IN CASH** | **30,302,393** | (2,684,079) |
| **CASH AT BEGINNING OF YEAR** | **177,304,767** | 179,645,390 |
| **CASH AT END OF YEAR** | **₱207,607,160** | ₱176,961,311 |

*See accompanying 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:

| | | Percentage | |
|---|---|---|---|
| | Line of Business | **March 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%.

As at March 31, 2021, Kormasinc ownership interest increased from 48.28% to 48.43%.

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 May 17, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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.

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 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 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.

*Tolling.* Revenue is recognized over time when the performance of contractually agreed tasks have 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 March 31, 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 March 31, 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).

*Leases (Prior to January 1, 2019)*

Prior to adoption of PFRS 16, the determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

*Company as a Lessee*. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When the Company enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset and is dependent on the use of a specific asset or assets, the Company assesses whether the arrangement is, or contains, a lease. The Company does not have such arrangements.

*Company as a Lessor.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

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.

Borrowing Costs

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 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.

*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 ₱2.1 million and ₱2.6 million for the three months period ended March 31, 2021 and 2020, respectively, (see Notes 7 and 22).

The carrying value of trade and other receivables amounted to ₱808.9 million and ₱928.7 million as at March 31, 2021 and December 31, 2020, respectively. Allowance for impairment losses on trade and other receivables as at March 31, 2021 and December 31, 2020 amounted to ₱286.3 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 March 31, 2021 and December 31, 2020. Allowance for impairment loss related to insurance claims receivable amounted to ₱39.7 million as at March 31, 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:<br>▪ Estimated future sale price of day-old chicks<br>▪ Estimated hatchability and mortality rate<br>▪ Estimated volume of production<br>▪ Estimated costs to be incurred in the hatching process | The estimated fair value would increase (decrease) if:<br>▪ the estimated sale price was higher (lower);<br>▪ the estimated cash inflows based on forecasted sales were higher (lower);<br>▪ the estimated; hatchability rate was higher (lower);<br>▪ the estimated volume of production was higher (lower) or<br>▪ the estimated costs to be incurred in the hatching process were lower (higher). |
| 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 | Inclusive of:<br>▪ Estimated future sale price of dressed chicken<br>▪ Estimated mortality rate | The estimated fair value would increase (decrease) if:<br>▪ the estimated sale price was higher (lower); |

| Description | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|---|
| | 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. | ▪ Estimated volume of production<br>▪ Estimated costs to be incurred in the growing process | ▪ the estimated cash inflows based on forecasted sales were higher (lower);<br>▪ the estimated mortality rate was lower (higher);<br>▪ the estimated volume of production was higher (lower);or<br>▪ 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 ₱203.8 million and NIL for the period ended March 31, 2021 and 2020, respectively, and under cost of sales amounting to ₱184.3 million and NIL for the period ended March 31, 2021 and 2020, respectively (see Note 17).

The changes in fair value of biological assets recognized on livestock amounted to ₱19.5 million and ₱15.1 million as at March 31, 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 March 31, 2021 and December 31, 2020 amounted to ₱553.6 million and ₱502.9 million, respectively. Allowance for inventory obsolescence as at March 31, 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,lant 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 of 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 non-financial 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 P90.7 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 ₱891.0 million and ₱906.7 million as at March 31, 2021 and December 31, 2020, respectively (see Note 11).

The carrying value of property, plant and equipment at cost amounted to ₱28.9 million and ₱29.7 million as at March 31, 2021 and December 31, 2020, respectively (see Note 11).

The carrying value of investment properties amounted to ₱935.6 million and ₱931.4 million as at March 31, 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 March 31, 2021 and December 31, 2020, follows:

| | **Unaudited March 2021** | Unaudited December 2020 |
|---|---|---|
| Property, plant and equipment* (see Note 11) | **₱461,988,608** | ₱479,209,334 |
| Right-of-use assets (see Note 13) | **28,576,849** | 32,551,359 |
| Computer software (see Note 13) | **5,429,497** | 6,349,023 |
| | **₱495,994,954** | ₱518,109,716 |

**Excluding the carrying amount of land amounting to ₱439.7 million as at March 31, 2021 and December 31, 2020, respectively and construction in progress amounting to ₱18.2 million and ₱17.5 million as at March 31, 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 ₱30.7 million and ₱35.6 million as of March 31, 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 March 31, 2021 and December 31, 2020 amounted to ₱953.9 million and ₱975.3 million (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 ₱136.7million and ₱136.2 million as at March 31, 2021 and December 31, 2020, respectively, while fair value of plan assets amounted to ₱3.9 million as at March 31, 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 ₱7.3million as at March 31, 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 ₱139.8 million and ₱137.8 million as at March 31, 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):

| | March 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Foods** | **Feeds** | **Farms** | **Corporate & Others** | **Eliminations** | **Consolidated** |
| **REVENUES** | | | | | | |
| Sale of goods, net of discount | **₱917,768** | **₱950,333** | **₱135,243** | **₱–** | **₱–** | **₱2,003,345** |
| Fair value adjustment on biological assets | **–** | **–** | **203,800** | **–** | **–** | **203,800** |
| | **917,768** | **950,333** | **339,043** | **–** | **–** | **2,207,145** |
| **COST AND OTHER OPERATING EXPENSES** | | | | | | |
| Cost of goods sold excluding depreciation | **₱744,185** | **₱776,802** | **₱291,590** | **₱–** | **₱–** | **₱1,812,576** |
| Operating expenses excluding depreciation | **19,429** | **28,914** | **2,359** | **76,487** | **–** | **127,189** |
| Depreciation and amortization | **1,081** | **22,579** | | **4,515** | **–** | **28,175** |
| Other operating income | **–** | **(5,094)** | **–** | **(2,539)** | **–** | **(7,633)** |
| | **764,695** | **823,201** | **293,949** | **78,463** | **–** | **1,960,308** |
| **SEGMENT OPERATING PROFIT (LOSS)** | **₱153,073** | **₱127,133** | **₱45,095** | **(₱78,463)** | **₱–** | **₱246,838** |
| Other charges -net | | | | | | **(7,896)** |
| Income before income tax | | | | | | **238,941** |
| Tax expense | | | | | | **(52,419)** |
| Net income | | | | | | **₱186,522** |
| **ASSETS AND LIABILITIES** | | | | | | |
| Segment assets | **₱782,128** | **₱1,761,066** | **₱219,979** | **₱1,041,564** | **₱–** | **₱3,804,737** |
| Segment liabilities | **₱ 82,523** | **₱953,164** | **₱31,525** | **₱883,700** | **₱–** | **₱1,950,913** |
| **OTHER INFORMATION** | | | | | | |
| Capital expenditures | **₱4,267** | **₱4,844** | **₱–** | **₱2,329** | **₱–** | **₱11,440** |
| Non-cash expenses other than depreciation and impairment losses | **₱–** | **₱–** | **₱–** | **₱576** | **₱–** | **₱576** |

| | March 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Foods | Feeds | Farms | Corporate & Others | Eliminations | Consolidated |
| REVENUES | | | | | | |
| Sale of goods, net of discount | ₱1,002,093 | ₱1,165,812 | ₱170,089 | ₱– | ₱– | ₱2,337,994 |
| Fair value adjustment on biological assets | – | – | – | – | – | – |
| | 1,002,093 | 1,165,812 | 170,089 | – | – | 2,337,994 |
| COST AND OTHER OPERATIN EXPENSES | | | | | | |
| Cost of goods sold excluding depreciation | ₱900,531 | ₱883,738 | ₱233,265 | ₱– | ₱– | ₱2,017,534 |
| Operating expenses excluding depreciation | 6,002 | 14,396 | – | 113,896 | – | 134,294 |
| Depreciation and amortization | 1,084 | 17,580 | 91 | 22,003 | – | 40,758 |
| Other operating income | – | (3,702) | – | (1,573) | – | (5,275) |
| | 907,617 | 912,012 | 233,356 | 134,326 | – | 2,187,311 |
| SEGMENT OPERATING PROFIT (LOSS) | ₱94,476 | ₱253,800 | (₱63,267) | (₱134,326) | ₱– | ₱150,683 |
| Other charges -net | | | | | | (17,692) |
| Income before income tax | | | | | | 132,992 |
| Tax expense | | | | | | (39,897) |
| Net income | | | | | | ₱93,095 |
| ASSETS AND LIABILITIES | | | | | | |
| Segment assets | ₱890,757 | ₱2,005,658 | ₱250,532 | ₱1,186,226 | ₱– | ₱4,333,173 |
| Segment liabilities | ₱109,032 | ₱1,259,350 | ₱41,652 | ₱1,167,572 | ₱– | ₱2,577,605 |
| OTHER INFORMATION | | | | | | |
| Capital expenditures | ₱2,794 | ₱11,068 | ₱– | ₱12,932 | ₱– | ₱26,794 |
| Non-cash expenses other than depreciation and impairment losses | ₱– | ₱859 | ₱– | ₱711 | ₱– | ₱1,570 |

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 March 2021** | Audited December 2020 |
|---|---|---|
| Cash on hand | **₱ 2,383,284** | ₱2,379,620 |
| Cash in banks | **205,223,876** | 174,925,147 |
| | **₱207,607,160** | ₱177,304,767 |

Cash in banks earn interest at prevailing bank deposit interest rates of 0.1% to 1.3% in March 2021 and December 2020. Interest income on cash in banks amounted to ₱0.05 million, and ₱0.2 million in March 31, 2021 and December 2020, respectively.

## 7. Trade and Other Receivables

This account consists of:

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Trade: | | |
| Third parties | **₱668,498,782** | ₱743,684,138 |
| Related parties (see Note 24) | **158,018,735** | 195,651,548 |
| Advances to officers and employees (see Note 24) | **11,692,889** | 12,000,448 |
| Nontrade (see Note 24) | **225,089,158** | 206,234,301 |
| Short-term deposits | **11,914,606** | 11,694,606 |
| Receivable from government | **4,147,307** | 4,046,563 |
| Others | **15,853,303** | 39,551,157 |
| | **1,095,214,780** | 1,212,862,761 |
| Allowance for impairment losses | **(286,288,303)** | (284,141,061) |
| | **₱808,926,477** | ₱928,721,700 |

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 March 31, 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) | **2,147,242** | **–** | **2,147,242** |
| Balance as at March 31, 2021 | **₱163,273,464** | **₱123,014,839** | **₱286,288,303** |

| | 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 |

<u>Prior period adjustments</u>
In 2020, the Company reclassified the receivable from insurance amounting to ₱101.9 million from current asset to noncurrent asset to reflect the expected timing of collection of the receivable based on the current status of the case. Accordingly, the 2019 and 2018 balances were also restated to conform with the 2020 presentation.

In 2020, the Company also reclassified its advances to suppliers recorded under "Trade and other receivables" account to "Other current assets" account to reflect its proper account classification. (see Note 9). The reclassification only pertains to account category within the current assets.

The following reconciliations show the effect of the adjustments made by the Company on the ending balances of trade and other receivables, current assets and noncurrent assets:

| | **2019** | 2018 |
|---|---|---|
| Trade and other receivables, net of allowance, as previously stated | **₱1,451,787,414** | ₱1,467,699,472 |
| Reclassification of Advances to suppliers to Other current assets (see Note 9) | **(214,063,243)** | (324,918,311) |
| Reclassification of Receivable from insurance to Noncurrent assets (see Note 10) | **(101,889,912)** | (101,889,912) |
| Trade and other receivables, net of allowance, as restated | **₱1,135,834,259** | ₱1,040,891,249 |

| | **2019** | 2018 |
|---|---|---|
| Total current assets, as previously stated | **₱2,270,339,888** | ₱2,732,988,222 |
| Reclassification (see Note 10) | **(101,889,912)** | (101,889,912) |
| Total current assets, as restated | **₱2,168,449,976** | ₱2,631,098,310 |

| | **2019** | 2018 |
|---|---|---|
| Total noncurrent assets, as previously stated | **₱1,932,905,590** | ₱1,610,093,510 |
| Reclassification (see Note 10) | **101,889,912** | 101,889,912 |
| Total noncurrent assets, as restated | **₱2,034,795,502** | ₱1,711,983,422 |

Except for the reclassification of receivable from insurance which decreased total current assets and increased total noncurrent assets by ₱101.9 million, the prior period adjustments did not have any other effect on the balances of other accounts in the consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and basic and diluted earnings per share for the years ended December 31, 2019 and 2018.

## 8. Inventories and Livestock

Inventories

This account consists of:

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Inventories: | | |
| At net realizable value - | | |
| Finished goods | **₱ 125,469,730** | ₱109,898,787 |
| At cost: | | |
| Raw materials and feeds supplement | **284,909,945** | 240,102,927 |
| Supplies and animal health products | **28,273,476** | 73,190,787 |
| | **438,653,151** | 423,192,501 |
| Livestock: | | |
| Day-old chicks | **52,230,456** | 42,005,522 |
| Hatching eggs | **41,960,362** | 31,212,283 |
| Finished goods | **19,932,467** | 6,191,253 |
| Broilers | **793,738** | 326,945 |
| | **114,917,023** | 79,736,003 |
| | **₱ 553,570,174** | ₱502,928,504 |

Inventories are valued at lower of cost and NRV as at March 31, 2021 and December 31, 2020. The cost of finished goods carried at NRV, amounted to ₱126.4 million and ₱110.8 million as of March 31, 2021 and December 31, 2020, respectively. Inventories charged to cost of goods sold amounted to ₱1,371.9 million, and ₱1,764.5 million in March 31, 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.

| Day-old Chicks | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Opening balance | **₱42,005,522** | ₱48,994,621 |
| Increase due to production | **240,342,995** | 880,495,092 |
| Fair value adjustment due to production | **(38,708,656)** | (45,479,772) |
| Decrease due to sales, harvest and mortality | **(206,997,692)** | (902,811,243) |
| Fair value adjustment due to sales, harvest and mortality | **15,588,287** | 60,806,824 |
| | **₱52,230,456** | ₱42,005,522 |

| Broilers | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Opening balance | **₱326,945** | ₱2,305,960 |
| Increase due to production | **546,916,562** | 2,007,801,563 |
| Fair value adjustment due to production | **201,444,031** | 244,969,101 |
| Decrease due to sales, harvest and mortality | **(546,736,000)** | (2,009,546,281) |
| Fair value adjustment due to sales, harvest and mortality | **(201,157,800)** | (245,203,398) |
| | **₱ 793,738** | ₱326,945 |

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

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Balance at beginning of year | **₱896,315** | ₱4,039 |
| Provision | **–** | 892,276 |
| | **₱896,315** | ₱896,315 |

## 9. Other Current Assets

This account consists of:

| | Unaudited March 2021 | Audited December 2020 |
|---|---|---|
| Advances to suppliers (see Note 7) | **₱162,109,167** | ₱140,877,487 |
| CWT | **25,216,901** | 77,860,449 |
| Prepayments | **46,181,799** | 22,018,102 |
| Input VAT | **3,321,860** | 3,091,532 |
| | **236,829,727** | 243,847,570 |
| Allowance for impairment losses | **(3,091,532)** | (3,091,532) |
| | **₱ 233,738,195** | ₱240,756,038 |

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 March 31, 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 March 31, 2021 and December 31, 2020.

As discussed in Note 7, the Company reclassified the receivable from insurance amounting to ₱101.9 million from current asset to noncurrent asset to reflect the expected timing of collection of the receivable based on the current status of the case.

## 11. Property, Plant and Equipment

Property, plant and equipment - at revalued amount

The composition and movements of this account are presented below:

| | March 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Machinery and Equipment** | **Buildings** | **Leasehold and Land Improvements** | **Office Furniture, Fixtures and Equipment** | **Total** |
| **Cost** | | | | | | |
| Balance at beginning of year | **₱439,712,887** | **₱569,729,900** | **₱167,127,586** | **₱29,939,640** | **₱82,558,444** | **₱1,289,068,458** |
| Additions | – | **3,120,038** | – | **449,341** | **2,235,858** | **5,805,237** |
| Reclassification | – | **(10,842,383)** | **(874,508)** | **(187,643)** | **(60,675)** | **(11,965,209)** |
| Disposals | – | – | – | – | – | – |
| Balance at end of year | **₱439,712,887** | **₱562,007,555** | **₱166,253,078** | **₱30,201,338** | **₱84,733,627** | **₱1,282,908,486** |
| **Accumulated Depreciation, and Amortization** | | | | | | |
| Balance at beginning of year | **₱–** | **₱246,977,446** | **₱65,170,245** | **₱12,605,328** | **₱57,596,526** | **₱382,349,545** |
| Depreciation and amortization (see Notes 18 and 19) | – | **14,253,144** | **2,189,176** | **415,496** | **4,680,567** | **21,538,384** |
| Reclassification | – | **(10,842,384)** | **(874,508)** | **187,644** | **(60,675)** | **(11,965,211)** |
| Disposals | – | – | – | – | – | – |
| **Balance at end of year** | **₱–** | **₱250,388,206** | **₱66,484,912** | **₱12,833,180** | **₱62,216,420** | **₱391,922,718** |
| **Net carrying amount** | **₱439,712,887** | **₱311,619,348** | **₱99,768,166** | **₱17,368,158** | **₱22,517,208** | **₱890,985,768** |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Machinery and Equipment | Buildings | Leasehold and Land Improvements | Office Furniture, Fixtures and Equipment | Total |
| **Cost** | | | | | | |
| Balance at beginning of year | ₱386,767,894 | ₱521,415,893 | ₱210,211,827 | ₱32,189,597 | ₱64,486,178 | ₱1,215,071,389 |
| 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 | ₱439,712,887 | ₱569,729,900 | ₱167,127,587 | ₱29,939,642 | ₱82,558,444 | ₱1,289,068,460 |
| **Accumulated Depreciation, and Amortization** | | | | | | |
| Balance at beginning of year | ₱– | ₱207,564,305 | ₱54,865,526 | ₱13,521,636 | ₱47,832,102 | ₱323,783,569 |
| 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 | ₱– | ₱246,977,446 | ₱65,170,245 | ₱12,605,328 | ₱57,596,527 | ₱382,349,546 |
| Net carrying amount | ₱439,712,887 | ₱322,752,454 | ₱101,957,342 | ₱17,334,314 | ₱24,961,917 | ₱906,718,914 |

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

| | **March 31, 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 | **₱19,702,490** | **₱ 487,531,964** | **₱184,106,786** | **₱29,145,479** | **₱75,383,139** | **₱51,158,960** | **₱18,192,833** | **₱865,221,651** |
| Accumulated depreciation and impairment | **–** | **(224,245,318)** | **(73,980,342)** | **(12,497,278)** | **(55,711,439)** | **(40,443,234)** | **–** | **(406,877,611)** |
| Net carrying amount | **₱19,702,490** | **₱263,286,646** | **₱110,126,444** | **₱16,648,201** | **₱19,671,700** | **₱10,715,726** | **₱18,192,833** | **₱458,344,040** |

| | **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 | **₱19,702,490** | **₱484,411,926** | **₱184,106,786** | **₱28,696,138** | **₱73,147,281** | **₱51,158,960** | **₱17,510,838** | **₱858,734,419** |
| 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 | **₱19,702,490** | **₱274,419,752** | **₱112,315,620** | **₱16,614,356** | **₱22,116,410** | **₱12,203,307** | **₱17,510,838** | **₱474,882,773** |

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, 2020 | **₱447,177,383** | **(₱134,153,215)** | **₱313,024,168** |
| 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 | **₱463,832,056** | **(₱139,149,616)** | **₱324,682,440** |

| | Revaluation Reserve | Deferred Tax Liability (see Note 23) | Net (see Note 25) |
|---|---|---|---|
| Balance as at January 1, 2019 | ₱454,603,004 | (₱136,380,901) | ₱318,222,103 |
| Transfer to retained earnings of revaluation reserve on property, plant and equipment realized through depreciation | (7,425,621) | 2,227,686 | (5,197,935) |
| Balance as at December 31, 2019 | ₱447,177,383 | (₱134,153,215) | ₱313,024,168 |

In 2016, property, plant, and equipment with a net book value of ₱37.5 million that were subject to lease arrangements were reclassified to investment properties (see Note 12). The net carrying amount of ₱37.5 million becomes part of the cost of these investment properties. Related revaluation reserve of ₱17.7 million and deferred tax liabilities of ₱5.3 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:

| | | | Range | |
|---|---|---|---|---|
| | Valuation Technique | Significant Unobservable Inputs | **2020** | 2019 |
| Land | Sales Comparison Approach | Price per square meter | **₱1,000-₱4,800** | ₱1,493-₱1,857 |
| | | 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:

| | **March 31, 2021** | | |
|---|---|---|---|
| | **Transportation Equipment** | **Construction in Progress** | **Total** |
| **Cost** | | | |
| Balance at beginning of year | **₱51,158,960** | **₱17,510,838** | **₱68,669,798** |
| Additions | – | **681,996** | **681,996** |
| Reclassification | – | – | – |
| Disposals | – | – | – |
| Balance at end of year | **₱51,158,960** | **₱18,192,834** | **₱69,351,794** |
| **Accumulated Depreciation, and Amortization** | | | |
| Balance at beginning of year | **₱38,955,653** | – | **38,955,653** |
| Depreciation and amortization (see Notes 18 and 19) | **1,487,581** | – | **1,487,581** |
| Reclassification | – | – | – |
| Disposals | – | – | – |
| **Balance at end of year** | **₱40,443,233** | – | **40,443,234** |
| **Net carrying amount** | **₱10,715,726** | **₱18,192,834** | **₱28,908,560** |

| | 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 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Transportation Equipment | Construction in Progress | Total |
| **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 March 31, 2021 and December 31, 2020, there are no significant contractual commitments entered into by the Company.

Depreciation and amortization expense follow:

| | **Unaudited March 2021** | Unaudited March 2020 |
|---|---|---|
| Property, plant and equipment: | | |
| At revalued amount | **₱21,538,383** | ₱17,830,138 |
| At cost | **1,487,581** | 1,992,991 |
| Right-of-use asset (see Note 13) | **4,229,266** | 20,014,037 |
| Computer software (see Note 13) | **919,526** | 919,526 |
| | **₱28,174,756** | ₱40,756,692 |

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:

| | **March 31, 2021** | | |
|---|---|---|---|
| | **Land** | **Building** | **Total** |
| Balance at beginning of year | **₱554,272,573** | **₱377,103,407** | **₱931,375,980** |
| Gain on fair value changes | – | – | – |
| Additions | | **4,267,259** | **4,267,259** |
| Disposals | – | – | – |
| Balance at end of year | **₱554,272,573** | **₱381,370,666** | **₱935,643,239** |

| | 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 March 31, 2021 and December 31, 2020 are as follows:

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Cost | **₱561,194,991** | ₱556,927,732 |
| Cumulative gain on fair value changes | **374,448,248** | 374,448,248 |
| | **₱935,643,239** | ₱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 ₱4.3 million.

Rental income earned from Bulacan plants amounted to ₱2.5 million and ₱1.6 million as of the periods ended March 31, 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:

| | | | Range | |
|---|---|---|---|---|
| | Valuation Technique | Significant Unobservable Inputs | **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:

| | March 31, 2021 | | | |
|---|---|---|---|---|
| | **Right-of-use asset Building** | **Right-of-use asset Transportation equipment** | **Right-of-use asset Machineries** | **Total** |
| **Cost** | | | | |
| Balance at beginning of year | **₱12,065,912** | **₱71,138,213** | **₱–** | **₱83,204,125** |
| Reclassification | **–** | **254,756** | **–** | **254,756** |
| **Balance at end of year** | **12,065,912** | **71,392,969** | **–** | **83,458,881** |
| **Accumulated Amortization** | | | | |
| Balance at beginning of year | **5,550,319** | **45,102,447** | **–** | **50,652,766** |
| Depreciation | **723,955** | **3,505,311** | **–** | **4,229,266** |
| Disposals | **–** | **–** | **–** | **–** |
| **Balance at end of year** | **6,274,274** | **48,607,758** | **–** | **54,882,032** |
| **Net carrying value** | **₱5,791,638** | **₱22,785,211** | **₱–** | **₱28,576,849** |

| | 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 | ₱21,455,220 | ₱73,847,259 | ₱174,905,773 | ₱270,208,252 |
| Pre-termination of lease contract | (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 Depreciation** | | | | |
| Balance at beginning of year | 6,426,192 | 32,390,718 | 43,726,443 | 82,543,353 |
| Depreciation (Notes 18 and 19) | 7,226,572 | 14,379,852 | 57,431,924 | 79,038,348 |
| Pre-termination of lease contract | (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 | ₱6,515,593 | ₱26,035,766 | ₱– | ₱32,551,359 |

Other Noncurrent Assets

This account consists of:

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Project development costs | **₱31,368,396** | ₱31,368,396 |
| Security deposits | **9,461,553** | 9,729,018 |
| Computer software | **5,429,497** | 6,349,023 |
| | **46,259,445** | 47,446,437 |
| Allowance for impairment losses | **(31,368,396)** | (31,368,396) |
| | **₱14,891,050** | ₱16,078,041 |

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 ₱31.4 million was provided with full valuation allowance as at March 31, 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 March 2021** | Audited December 2020 |
|---|---|---|
| Cost | | |
| Balance at beginning of year | **₱26,354,542** | ₱23,867,955 |
| Additions | **–** | 2,486,587 |
| Balance at end of year | **26,354,542** | 26,354,542 |
| Accumulated Depreciation and Amortization | | |
| Balance at beginning of year | **20,005,519** | 16,327,417 |
| Depreciation and amortization | **919,526** | 3,678,102 |
| Balance at end of year | **20,925,045** | 20,005,519 |
| Net carrying amount | **₱5,429,497** | ₱6,349,023 |

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 March 2021** | Audited December 2020 |
|---|---|---|
| Trade payables | | |
| Third parties | **₱1,127,328,302** | ₱1,202,401,796 |
| Related parties (see Note 24) | **38,908,186** | 41,918,534 |
| Accrued expenses | | |
| Selling and administrative | **87,775,910** | 79,318,075 |
| Outside services | **79,172,461** | 77,195,148 |
| Others | **34,739,781** | 35,663,921 |
| Nontrade | **40,392,501** | 145,102,863 |
| Customers' deposits | **₱20,875,870** | ₱27,670,921 |
| Statutory liabilities | **10,802,197** | 19,887,934 |
| | **₱1,439,995,208** | ₱1,629,159,192 |

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 March 2021** | Audited December 2020 |
|---|---|---|
| Current portion | **₱106,663,313** | ₱156,844,958 |
| Noncurrent portion | **116,913,542** | 123,118,899 |
| | **₱223,576,855** | ₱279,963,857 |

In March 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. ₱86.9 million promissory note

On October 31, 2018, Vitarich Corporation ("the Company") entered into an aggregate of ₱86.9 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 ₱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. ₱86.9 million promissory note

On December 6, 2018, Vitarich Corporation ("the Company") entered into an aggregate of ₱86.9 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 ₱0.7 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 ₱87.4 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.

Total availment of loans payable amounted to ₱36.7 million and ₱459.5 million in March 31, 2021 and December 31, 2020, respectively. Total payments of loans payable amounted to ₱103.2 million and ₱709.9 million in March 31, 2021 and December 31, 2020, respectively.

Interest expense on loans payable amounted to ₱5.1 million and ₱13.7 million in March 2021 and March 2020, respectively.

Future repayment of the principal follows:

| | **Unaudited March 2021** | Unaudited December 2020 |
|---|---|---|
| Within one year | **₱74,464,287** | ₱156,844,958 |
| After one year but not more than five years | **68,258,929** | 98,297,470 |
| Beyond five years | – | 24,821,429 |
| | **₱142,723,216** | ₱279,963,857 |

## 16. **Cash Bond Deposits**

Cash bond deposits amounting to ₱41.7 million and ₱40.1 million as at March 31, 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 March 2021** | Unaudited March 2020 |
|---|---|---|
| Sales: | | |
| Feeds | **₱980,525,145** | ₱1,188,569,452 |
| Foods | **918,164,693** | 1,008,270,785 |
| Farms | **138,509,293** | 173,124,057 |
| Sales discount, returns and allowances | **(33,854,054)** | (31,970,713) |
| | **2,003,345,077** | 2,337,993,581 |
| Changes in fair values of biological assets | **203,800,256** | – |
| | **₱2,207,145,333** | ₱2,337,993,581 |

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

| | **Unaudited March 2021** | Unaudited March 2020 |
|---|---|---|
| Cost of sales | **₱161,002,555** | ₱– |
| Livestock (see Note 8) | **42,797,701** | – |
| | **₱203,800,256** | ₱– |

## 18. **Cost of Goods Sold**

This account consists of:

| | **Unaudited March 2021** | Unaudited March 2020 |
|---|---|---|
| Inventories used (see Note 8) | **₱1,371,912,871** | ₱1,764,543,174 |
| Outside services | **179,503,009** | 202,613,103 |
| Changes in fair values of biological assets (see Note 17) | **184,301,928** | – |
| Depreciation (see Notes 11 and 13) | **18,869,408** | 31,540,114 |
| Contractual services | **60,323,899** | 15,384,206 |
| Salaries and employee benefits (see Note 19) | **8,599,242** | 20,703,368 |
| Communication, light and water | **6,412,727** | 10,566,056 |
| Repairs and maintenance | **2,795,146** | 2,559,979 |
| Others | **93,506** | 1,163,968 |
| | **₱ 1,832,811,736** | ₱2,049,073,968 |

## 19. **Operating Expenses**

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

| | **Unaudited March 2021** | Unaudited March 2020 |
|---|---|---|
| Selling and distribution expenses | **₱54,125,806** | ₱73,737,236 |
| Administrative expenses | **81,002,443** | 69,773,531 |
| | **₱135,128,249** | ₱143,510,767 |

The details of operating expenses by nature are shown below:

| | **Unaudited March 2021** | Unaudited March 2020 |
|---|---|---|
| Salaries and employee benefits (see Note 24) | **₱41,093,463** | ₱45,146,274 |
| Transportation, travel and freight and handling | **39,622,299** | 42,814,163 |
| Professional fees | **9,397,285** | 7,677,975 |
| Depreciation and amortization (see Notes 11 and 13) | **9,305,347** | 9,216,578 |
| Advertising and promotions | **5,821,826** | 4,550,793 |
| Contractual services | **5,069,836** | 6,501,078 |
| Taxes and licenses | **3,921,686** | 3,646,448 |
| Commissions | **5,350,984** | 5,208,891 |
| Communications, light and water | **1,858,310** | 2,224,320 |
| Supplies | **1,674,440** | 455,204 |
| Repairs and maintenance | **1,363,055** | 1,403,423 |
| Insurance | **1,354,477** | 1,011,577 |
| Rentals | **1,246,612** | 3,102,563 |
| Representation and entertainment | **1,108,515** | 3,155,714 |
| Others | **6,940,114** | 7,395,766 |
| | **₱135,128,249** | ₱143,510,767 |

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 March 2021** | Unaudited March 2020 |
|---|---|---|
| Salaries and wages | **₱45,645,759** | ₱62,414,218 |
| Retirement benefits (see Note 22) | **1,149,695** | 1,570,000 |
| Other short-term benefits | **2,897,251** | 1,865,424 |
| | **₱49,692,705** | ₱65,849,642 |

Salaries and employee benefits is allocated as follows:

| | **Unaudited March 2021** | Unaudited March 2020 |
|---|---|---|
| Cost of goods sold (see Note 18) | **₱8,599,242** | ₱20,703,368 |
| Operating expenses: | | |
| Administrative expenses | **20,343,403** | 24,083,346 |
| Selling and distribution expenses | **20,750,060** | 21,062,928 |
| | **41,093,463** | 45,146,274 |
| | **₱49,692,705** | ₱65,849,642 |

Depreciation and Amortization

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

| | **Unaudited March 2021** | Unaudited March 2020 |
|---|---|---|
| Cost of goods sold (see Note 18) | **₱18,869,408** | ₱31,540,114 |
| Operating expenses: | | |
| Administrative expenses | **4,790,163** | 5,529,426 |
| Selling and distribution expenses | **4,515,184** | 3,687,152 |
| | **9,305,347** | 9,216,578 |
| | **₱28,174,755** | ₱40,756,692 |

## 20. Other Operating Income

This account consists of:

| | **Unaudited March 2021** | Unaudited March 2020 |
|---|---|---|
| Miscellaneous sales (scrap materials, etc.) | **₱2,943,396** | ₱3,702,346 |
| Tolling services | **2,150,315** | – |
| Rentals (see Notes 24 and 27) | **2,538,825** | 1,573,393 |
| Others | **–** | – |
| | **₱7,632,536** | ₱5,275,739 |

## 21. Other Income (Charges)

| | **Unaudited March 2021** | Unaudited March 2020 |
|---|---|---|
| Impairment losses on: | | |
| Receivables (see Note 7) | **(₱2,147,242)** | (₱2,564,950) |
| Foreign exchange gain | **1,903** | 1,746,210 |
| Others - net | **(671,492)** | (3,202,746) |
| | **(₱2,816,831)** | (₱4,021,486) |

## 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 March 2021** | Unaudited March 2020 |
|---|---|---|
| Current service costs | **₱9,321,592** | ₱11,749,402 |
| Interest expense | **5,215,260** | 8,096,322 |
| Settlement loss | **–** | – |
| Interest income | **(209,289)** | (274,626) |
| | **₱14,327,563** | ₱19,571,098 |

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

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Present value of the obligation | **₱136,726,215** | ₱136,150,631 |
| Fair value of plan assets | **(3,944,702)** | (3,944,702) |
| | **₱132,781,513** | ₱132,205,929 |

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

| | **Unaudited March 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 | **1,149,695** | 9,321,592 |
| Interest expense | **–** | 5,215,260 |
| Benefits paid | **(574,111)** | (2,039,380) |
| Balance at end of year | **₱136,726,215** | ₱136,150,631 |

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

| | **Unaudited March 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:

| | **2020** | 2019 |
|---|---|---|
| Cash and cash equivalents | **₱1,631,262** | ₱1,271,994 |
| Equity instruments | **501,924** | 543,660 |
| Debt instruments | **1,801,697** | 1,999,512 |
| Others | **9,819** | 10,959 |
| | **₱3,944,702** | ₱3,826,125 |

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.

| | **2020** | 2019 |
|---|---|---|
| Less than one year | **₱8,067,134** | ₱7,488,413 |
| Between one and five years | **41,849,209** | 30,426,386 |
| Over five years | **74,331,793** | 68,538,125 |
| | **₱124,248,136** | ₱106,452,924 |

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

| | **2020** | 2019 |
|---|---|---|
| Discount rate | **3.81%** | 5.47% |
| 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** | 35 |

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):

| | Change in Assumptions | Impact on Defined Benefit Obligation<br>**2020** | 2019 |
|---|---|---|---|
| Discount rate | +100 bps | **(₱12,335)** | (₱9,699) |
| | -100 bps | **14,346** | 9,700 |
| Salary rate | +100 bps | **14,026** | 9,648 |
| | -100 bps | **(12,314)** | (8,498) |

## 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 March 2021** | Unaudited March 2020 |
|---|---|---|
| Reported in the Consolidated Profit or Loss | | |
| RCIT at 25% / 30% | **₱60,050,627** | ₱39,786,848 |
| MCIT at 1% / 2% | – | – |
| Deferred income tax expense (benefit) | **(7,631,775)** | 110,425 |
| | **₱52,418,852** | ₱39,897,273 |

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 March 2021** | Unaudited March 2020 |
|---|---|---|
| Income tax expense at statutory tax rate | **₱59,735,405** | ₱39,897,723 |
| Change in unrecognized deferred tax assets | **(6,146,121)** | – |
| Tax effects of: | | |
| Nondeductible expenses | **3,248** | – |
| Other deductible expenses | **(1,160,690)** | – |
| Income already subjected to final tax | **(12,990)** | (766) |
| Nontaxable income | **–** | 316 |
| | **₱52,418,852** | ₱39,897,273 |

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

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| *Deferred tax assets:* | | |
| Allowance for impairment loss on: | | |
| Trade and other receivables | **₱86,957,081** | ₱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 | **39,363,356** | 39,075,932 |
| Excess of right-of-use asset over lease liability | **(1,585,693)** | (2,775,761) |
| | **139,807,008** | 137,792,705 |

| | **March 2021** | December 2020 |
|---|---|---|
| *Deferred tax liabilities:* | | |
| Revaluation reserve on property, plant and equipment | **(₱138,430,637)** | (₱139,149,616) |
| Changes in fair value of investment properties | **(71,838,070)** | (71,838,070) |
| Changes in fair value of biological assets | **(10,699,425)** | (9,451,797) |
| Gain on pre-termination of contract | **(1,027,362)** | (1,027,362) |
| | **(221,995,494)** | (221,466,845) |
| Net deferred tax liabilities | **(₱82,188,486)** | (₱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 March 31, 2021 and December 31, 2020 which the related deferred tax assets have not been recognized are shown below.

| | **Unaudited March 2021** | | Audited December 2020 | |
|---|---|---|---|---|
| | **Amount** | **Tax Effect** | Amount | Tax Effect |
| MCIT | **₱6,146,121** | **₱6,146,121** | ₱6,146,121 | ₱6,146,121 |
| Retirement liability | **3,992,203** | **1,197,661** | 3,992,203 | 1,197,661 |
| | **₱10,138,324** | **₱7,343,782** | ₱10,138,324 | ₱7,343,782 |

## 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 are 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 ₱3.2 billion acquired by Kormasinc (including interest of ₱200.0 million), ₱2.4 billion was converted to equity in 2013.

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 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):

| | | **Unaudited March 2021** | | Audited December 2020 | |
|---|---|---|---|---|---|
| **Related Parties** | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| **Trade and other receivables** | | | | | |
| Entities under common control | Sales | **₱314,772,475** | | ₱1,072,194,796 | |
| | Collections | **(352,405,288)** | **₱158,018,735** | (1,105,153,625) | ₱195,651,548 |
| **Trade and other payables** | | | | | |
| Entities under common control | Purchases | **₱342,558,371** | | ₱1,429,424,720 | |
| | Payments | **(345,568,719)** | **₱38,908,186** | (1,481,354,755) | ₱41,918,534 |
| **Operating lease** | | | | | |
| Entities under common control | Rental income | **₱1,246,612** | | ₱11,895,676 | |
| | Collection | **(1,246,612)** | **₱–** | (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 ₱89.9 million from one of the Company's stockholders.

| | | Unaudited March 2021 | | Audited December 2020 | |
|---|---|---|---|---|---|
| **Related Party** | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| Stockholder | Advances for working capital | **₱ -** | | ₱89,905,000 | |
| | Interest | **336,005** | **₱15,127,500** | 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.

| | | Unaudited March 2021 | | Audited December 2020 | |
|---|---|---|---|---|---|
| | Nature of Transactions | **Amount of Transactions** | **Outstanding Balances** | Amount of Transactions | Outstanding Balances |
| Advances to officers and employees | Net transactions | **(₱307,559)** | **₱11,692,889** | (₱126,867) | ₱12,000,448 |

Compensation of Key Management Personnel

The compensation includes the following:

| | **December 2020** | December 2019 |
|---|---|---|
| Short-term employee benefits | **₱41,524,264** | ₱38,616,323 |
| Retirement benefits | **2,984,183** | 3,909,370 |
| Others | **2,303,769** | 2,201,141 |
| | **₱46,812,216** | ₱44,726,834 |

25. **Equity**

Capital Stock
As of March 31, 2021, the Company has authorized capital stock of 3.5 billion shares at ₱0.38 par value equivalent to ₱1.3 billion. Details of authorized and issued and outstanding shares are as follows:

| | **Unaudited March 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 ₱407.1 million to Kormasinc at ₱1.52 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 March 31, 2021, Kormasinc's ownership interest increased from 48.28% to 48.43%.

The following summarizes the information on the Company's issued and outstanding shares as at March 31, 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 | 2,183,592,604 | 71.49% |
| Owned by public | 795,052,412 | 26.03% |
| Owned by directors and officers | 75,688,998 | 2.48% |
| Total | 3,054,334,014 | |

Of the total shares owned by the public, 125.2 million and 121.7 million shares are foreign-owned as at March 31, 2021 and December 31, 2020.

The total number of shareholders of the Company is 4,129 and 4,132 as at March 31, 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 | **₱324,682,440** | **(₱5,734,207)** | **₱318,948,233** |
| Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax | **(2,156,936)** | – | **(2,156,936)** |
| Actuarial loss, net of tax | – | – | – |
| Balance as at March 31, 2021 | **₱322,525,504** | **(₱5,734,207)** | **₱316,791,297** |

| | Revaluation Reserve (see Note 11) | Accumulated Actuarial Gains (Loss) (see Note 22) | Total |
|---|---|---|---|
| Balance at January 1, 2020 | ₱313,024,168 | ₱14,146,428 | ₱327,170,596 |
| 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 | ₱324,682,440 | (₱5,734,207) | ₱318,948,233 |

As of March 31, 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 March 2021** | Unaudited March 2020 |
|---|---|---|
| Net income for the period | **₱186,522,769** | ₱93,095,137 |
| Divided by the weighted average number of outstanding shares | **3,054,334,014** | 3,054,334,014 |
| Earnings per share - basic and diluted | **₱0.061** | ₱0.030 |

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 ₱2.5 million, and ₱1.6 million for the three months period ended March 31, 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 March 31, 2021 and December 31, 2020 are as follows:

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Within one year | **₱9,806,597** | ₱9,806,597 |
| After one year but not more than five years | **13,010,500** | 14,644,000 |
| | **₱22,817,097** | ₱24,450,597 |

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 ₱9.7 million and ₱9.5 million as at March 31, 2021 and December 31, 2020, respectively.

Rent expense amounted to ₱1.2 million, ₱3.1 million for three months period ended March 31, 2021 and 2020, respectively (see Note 19). Future minimum lease payments under the lease agreements follow:

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Within one year | **₱4,276,201** | ₱9,708,177 |
| More than one year but not more than five years | **1,875,284** | 90,000 |
| | **₱6,151,486** | ₱9,798,177 |

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 March 31, 2021 and December 31, 2020, the details of the finance lease liabilities follow:

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Current | **₱14,482,337** | ₱15,557,762 |
| Noncurrent | **9,767,664** | 12,933,963 |
| | **₱24,250,001** | ₱28,491,725 |

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

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Depreciation expense of right-of-use assets included in other noncurrent assets | **₱4,229,266** | ₱79,038,348 |
| Interest expense on lease liabilities | **549,136** | 11,098,247 |
| Expenses relating to short-term leases (see Note 19) | **1,246,612** | 21,106,429 |
| Total amount recognized in the interim consolidated statement of comprehensive income | **₱6,025,014** | ₱111,243,024 |

The rollforward analysis of lease liabilities follows:

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| As at January 1, as previously reported | **₱35,637,457** | ₱193,935,562 |
| Effect of adoption of PFRS 16 | **–** | – |
| At January 1, as restated | **35,637,457** | 193,935,562 |
| Additions | **–** | – |
| Interest expense | **549,136** | 11,098,247 |
| Payments | **(5,476,202)** | (90,937,541) |
| Pre-termination of lease contract | **–** | (78,458,811) |
| Ending balance | **₱30,710,391** | ₱35,637,457 |

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

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Current | **₱17,421,842** | ₱18,497,266 |
| Noncurrent | **13,288,549** | 17,140,191 |
| | **₱30,710,391** | ₱35,637,457 |

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

| | **Unaudited March 2021** | Audited December 2020 |
|---|---|---|
| Within one year | **₱17,832,981** | ₱18,908,405 |
| More than one year but not more than five years | **12,877,410** | 17,342,279 |
| | **₱30,710,391** | ₱36,250,684 |

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 ₱97.5 million and ₱110.3 million for the three months ended March 31, 2021 and March 31, 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** | **Pre-termination of lease contract** | **March 31, 2021** |
|---|---|---|---|---|---|---|
| Loans payable | **₱279,963,857** | **₱36,714,384** | **(₱93,101,386)** | **₱–** | **₱–** | **₱223,576,855** |
| Accrued interest payable | **1,451,680** | **–** | **(4,681,652)** | **4,983,021** | **–** | **1,753,049** |
| Lease liabilities* | **35,637,457** | **–** | **(5,476,202)** | **549,136** | **–** | **30,710,391** |
| Total liabilities from financing activities | **₱317,052,994** | **₱36,714,384** | **(₱103,259,240)** | **₱5,532,157** | **₱–** | **₱256,040,295** |

| | January 1, 2020 | Proceeds/ Additions | Payments | Interest Expense | Pre-termination of lease contract | December 31, 2020 |
|---|---|---|---|---|---|---|
| Loans payable | ₱532,335,177 | ₱457,507,642 | (₱709,878,962) | ₱– | ₱– | ₱279,963,857 |
| 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 | ₱728,595,915 | ₱457,507,642 | (₱825,046,334) | ₱34,454,582 | (₱78,458,811) | ₱317,052,994 |

The Company's noncash transactions consist of the pre-termination of lease contracts amounting to ₱78.5 million and additions to lease liabilities and right-of use assets amounting to ₱198.3 million for the period ended December 31,2020 and 2019, 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:

| | March 2021 (Unaudited) | | December 2020 (Audited) | |
|---|---|---|---|---|
| | **Carrying Values** | **Fair Values** | Carrying Values | Fair Values |
| **Financial Assets at Amortized Cost** | | | | |
| Cash in banks | **₱205,223,876** | **₱205,223,876** | ₱174,925,147 | ₱174,925,147 |
| Trade and other receivables* | **797,233,588** | **797,233,588** | 814,879,952 | 814,879,952 |
| Security deposits | **9,461,553** | **9,461,553** | 9,729,018 | 9,729,018 |
| Receivable from insurance | **101,889,912** | **101,889,912** | 101,889,912 | 101,889,912 |
| | **₱1,113,808,929** | **₱1,113,808,929** | ₱1,101,424,029 | ₱1,101,424,029 |
| **Financial Liabilities at Amortized Cost** | | | | |
| Trade and other payables** | **₱1,429,193,011** | **₱1,429,193,011** | ₱1,609,271,258 | ₱1,609,271,258 |
| Loans payable | **223,576,855** | **223,576,855** | 279,963,857 | 279,963,857 |
| Lease liabilities | **30,710,391** | **30,710,391** | 35,637,457 | 35,637,457 |
| Cash bond deposits | **41,660,656** | **41,660,656** | 40,097,279 | 40,097,279 |
| | **₱1,725,140,913** | **₱1,725,140,913** | ₱1,964,969,851 | ₱1,964,969,851 |

**Excluding advances to officers and employees amounting to ₱11.7 million and ₱12.0 million as at March 31, 2021 and December 31, 2020, respectively,*
***Excluding statutory liabilities amounting to ₱10.8 million and ₱19.8 million as at March 31,2021 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 March 31, 2021, the fair value of long-term debt approximates is 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 March 31, 2021 and December 31, 2020.

*Cash in banks, trade and other receivables, security deposits, and trade and other payables.* As at March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 2021** | Audited December 2020 |
|---|---|---|
| Cash in banks | **₱205,223,876** | ₱174,925,147 |
| Trade and other receivables | **808,926,477** | 928,721,700 |
| Security deposits | **9,461,553** | 9,729,018 |
| Receivable from insurance | **101,889,912** | 101,889,912 |
| | **₱1,125,501,818** | ₱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:

| | March 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | | | | | |
| | High Grade | Standard Grade | Total | Past Due but not Impaired | Impaired | Total |
| Cash in banks | **₱205,223,876** | **₱–** | **₱205,223,876** | **₱–** | **₱–** | **₱205,223,876** |
| Trade and other receivables | **427,229,580** | **–** | **427,229,580** | **381,696,897** | **286,288,303** | **1,095,214,780** |
| Security deposits | **9,461,553** | **–** | **9,461,553** | **–** | **–** | **9,461,553** |
| Receivable from insurance | **101,889,912** | **–** | **101,889,912** | **–** | **39,774,671** | **141,664,583** |
| | **₱743,804,921** | **₱–** | **₱743,804,921** | **₱381,696,897** | **326,062,974** | **₱1,451,564,792** |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | | | | | |
| | High Grade | Standard Grade | Total | Past Due but not Impaired | Impaired | Total |
| Cash in banks | ₱174,925,147 | ₱– | ₱174,925,147 | ₱– | ₱– | ₱174,925,147 |
| 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 |
| | ₱874,370,527 | ₱– | ₱874,370,527 | ₱340,895,250 | 323,915,732 | ₱1,539,181,509 |

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 March 31, 2021** | **Trade Receivables (in millions)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Days past due** | | | | | | | |
| | **Current** | **<30 days** | **30-60 days** | **61-90 days** | **91-120 days** | **More than 120 days** | **Total** | **Accounts with full provision** | **Total** |
| **Expected credit loss rate** | **0.00%** | **0.01%** | **0.04%** | **0.07%** | **0.10%** | **5.43%** | | | |
| **Estimated total gross carrying amount at default** | **₱620.4** | **₱114.0** | **₱12.2** | **₱6.6** | **₱2.3** | **₱7.4** | **₱762.9** | **₱160.6** | **₱923.5** |
| **Expected credit loss** | **₱0.01** | **₱0.01** | **₱0.00** | **₱0.00** | **₱0.00** | **₱0.4** | **₱0.4** | **₱160.6** | **₱161.0** |

| As at December 31, 2020 | Trade Receivables (in millions) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Days past due | | | | | | | |
| | Current | <30 days | 30-60 days | 61-90 days | 91-120 days | More than 120 days | Total | Accounts with full provision | Total |
| Expected credit loss rate | 0.00% | 0.01% | 0.04% | 0.07% | 0.10% | 5.43% | | | |
| Estimated total gross carrying amount at default | ₱620.4 | ₱114.0 | ₱12.2 | ₱6.6 | ₱2.3 | ₱7.4 | ₱762.9 | ₱160.6 | ₱923.5 |
| Expected credit loss | ₱0.01 | ₱0.01 | ₱0.00 | ₱0.00 | ₱0.00 | ₱0.4 | ₱0.4 | ₱160.6 | ₱161.0 |

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 March 31, 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* | **₱1,429,193,011** | **₱–** | **₱–** | **₱–** |
| Loans payable | **94,252,599** | **12,410,714** | **98,297,470** | **18,616,072** |
| Lease liabilities | **8,710,921** | **8,710,921** | **13,288,549** | **–** |
| Cash bond deposits | **1,563,377** | **3,546,607** | **36,550,672** | **–** |
| Future interest on long term debt | **5,610,515** | **5,050,159** | **23,133,292** | **–** |
| | **₱1,539,330,423** | **₱29,718,401** | **₱171,269,983** | **₱18,616,072** |

**Excluding statutory liabilities amounting to ₱10.8 million as at March 31, 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* | ₱1,609,271,258 | ₱– | ₱– | ₱– |
| 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 | – |
| | ₱1,768,959,118 | ₱30,769,213 | ₱174,490,450 | ₱24,821,429 |

**Excluding statutory liabilities amounting to ₱19.8 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 March 2021** | Audited December 2020 |
|---|---|---|
| Total liabilities | **₱1,950,913,109** | ₱2,200,737,854 |
| Total equity | **1,853,824,275** | 1,667,301,506 |

## 33. Subsequent Event

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

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 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued 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.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- 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%. This will result in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱8,722,249 or a reduction of ₱2,907,416. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱751,539 (net deferred tax liability). These reductions will be recognized in the 2021 financial statements.

## 34. 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

**MARCH 31, 2021**

| | | Amount |
|---|---|---|
| Retained earnings as at beginning of year | | ₱186,235,489 |
| 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 | | (349,304,837) |
| Add net income actually earned/realized during the year | | |
| Net income for the three months period closed to retained earnings | 186,522,769 | |
| Gain on fair value changes of bio assets | (19,498,328) | |
| Movement in deferred tax assets | (2,014,303) | 165,010,138 |
| Deficit as adjusted to available for dividend declaration as of March 31, 2021 | | (₱184,294,699) |

## VITARICH CORPORATION AND SUBSIDIARIES

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

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

| RATIO | FORMULA | **Unaudited March 2021** | **Unaudited March 2020** | Audited December 2020 |
|---|---|---|---|---|
| **Current Ratio** | | | | |
| | Current assets | **1,803,842,006** | 2,388,405,295 | 1,849,711,009 |
| | Divided by current liabilities | **1,564,080,363** | 2,126,961,533 | 1,804,501,420 |
| | Current ratio | **1.15** | 1.12 | 1.03 |
| **Debt−to−equity Ratio** | | | | |
| | Total liabilities | **1,950,913,109** | 2,577,606,219 | 2,200,737,854 |
| | Divided by total equity | **1,853,824,275** | 1,755,566,951 | 1,667,301,506 |
| | Debt-to-equity ratio | **1.05** | 1.47 | 1.32 |
| **Asset−to−equity Ratio** | | | | |
| | Total assets | **3,804,737,384** | 4,333,173,170 | 3,868,039,360 |
| | Divided by total equity | **1,853,824,275** | 1,755,566,951 | 1,667,301,506 |
| | Asset-to-equity ratio | **2.05** | 2.47 | 2.32 |
| **Solvency Ratio** | | | | |
| | Net income before depreciation and amortization | **214,697,524** | 101,821,590 | 171,899,262 |
| | Divided by total liabilities | **1,950,913,109** | 2,577,606,219 | 2,200,737,854 |
| | Solvency ratio | **0.11** | 0.04 | 0.08 |
| **Interest rate coverage Ratio** | | | | |
| | Pretax income before interest | **244,073,015** | 146,665,654 | 59,881,965 |
| | Divided by interest expense | **5,131,394** | 13,673,244 | 34,454,582 |
| | Interest rate coverage ratio | **47.56** | 10.73 | 1.74 |
| **Profitability Ratio** | | | | |
| | Net income | **186,522,769** | 93,095,137 | 9,288,476 |
| | Divided by total equity | **1,853,824,275** | 1,755,566,951 | 1,667,301,506 |
| | Profitability ratio | **0.10** | 0.05 | 0.01 |

**VITARICH CORPORATION AND SUBSIDIARIES**

# SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF REVISED SRC RULE 68

**Unaudited**

**March 31, 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)
## March 31, 2021
## (In Thousands)

| | | | Deductions | | Ending Balance | | |
|---|---|---|---|---|---|---|---|
| **Name and Designation of Debtor** | **Balance at beginning of Year** | **Additions** | **Collected** | **Written Off** | **Current** | **Noncurrent** | **Balance as at March 31, 2021** |
| **Advances to Officers and Employees:** | | | | | | | |
| Mailyn Acero, Sales Manager | ₱360 | ₱– | ₱1 | ₱– | ₱359 | ₱– | ₱359 |
| Rey D. Ortega, Senior Vice-President and General Manager | 175 | – | 30 | – | 145 | – | 145 |
| Peter Andrew Dompor, Sales Manager | 184 | – | 5 | – | 179 | – | 179 |
| Adriano Barrameda, Sales Manager | 136 | – | 4 | – | 132 | – | 132 |
| Oliver Lupiba, Sales Manager | 398 | – | 3 | – | 395 | – | 395 |
| Olivia Pungtilan, Manager | – | – | – | – | – | – | – |
| Cruz, Aaron, Sales Manager | 201 | – | 1 | | 200 | | 200 |
| Others* | 10,547 | 606 | 870 | – | 10,283 | – | 10,283 |
| | ₱12,001 | ₱606 | ₱914 | ₱– | ₱11,693 | ₱– | ₱11,693 |

*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
**March 31, 2021**
**(In Thousands)**

| | | | Deductions | | | Ending Balance | | |
|---|---|---|---|---|---|---|---|---|
| **Related Party** | **Balance at beginning of year** | **Additions** | **Collections** | **Write Off** | **Amounts written off** | **Current** | **Noncurrent** | **Balance as at March 31, 2021** |
| **Amounts Due from Related Parties** | | | | | | | | |
| Gromax, Inc. | ₱41,598 | ₱– | ₱– | ₱– | ₱– | ₱41,598 | ₱– | ₱41,598 |

# VITARICH CORPORATION AND SUBSIDIARIES
## SCHEDULE D - INTANGIBLE ASSETS – OTHER ASSETS
### March 31, 2021
### (In Thousands)

| Description | Begining balance | Additions | Charged to cost and expense | Charged to other accounts | Other changes additions (deductions) | Balance at end of year |
|---|---|---|---|---|---|---|
| Computer software | ₱6,349 | ₱– | ₱920 | ₱– | ₱– | ₱5,429 |

# VITARICH CORPORATION AND SUBSIDIARIES
## SCHEDULE E – LONG TERM DEBT
### March 31, 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 | ₱70,867 | ₱12,411 | ₱58,456 | 6.25% | 28 quarterly payments | Monthly | October 30, 2026 |
| Fixed | Chinabank Savings | 70,868 | 12,410 | 58,458 | 6.25% | 28 quarterly payments | Monthly | November 30, 2026 |
| | | ₱141,735 | ₱24,821 | ₱116,914 | | | | |

## VITARICH CORPORATION AND SUBSIDIARIES
## SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
### March 31, 2021
### (In Thousands)

| | | | Deductions | | | Ending Balance | | |
|---|---|---|---|---|---|---|---|---|
| Related Parties | Balance at beginning of year | Additions | Collections (Payments) | Discounting | Write Off | Current | Noncurrent | Balance as at March 31, 2021 |
| **Trade and other receivables** | | | | | | | | |
| Entities under common control | ₱195,652 | ₱314,772 | (₱352,406) | ₱– | ₱– | ₱– | ₱– | ₱158,018 |
| **Trade and other payables** | | | | | | | | |
| Entities under common control | ₱41,919 | ₱342,558 | (₱345,569) | ₱– | ₱– | ₱– | ₱– | ₱38,908 |
| **Stockholders** | ₱76,633 | ₱- | (₱61,506) | ₱– | ₱– | ₱– | ₱– | ₱15,127 |

# VITARICH CORPORATION AND SUBSIDIARIES
## SCHEDULE H – CAPITAL STOCKHOLDER
### March 31, 2021
### (In Thousands)

| | | | | Number of shares held by | | |
|---|---|---|---|---|---|---|
| **Title of Issue** | **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 – ₱0.38 par value per share | | | | | | |
| Authorized - 3,500,000,000 shares | 3,500,000 | 3,054,334 | – | 2,183,593 | 75,689 | 795,052 |

**VITARICH CORPORATION AND SUBSIDIARIES**

**MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP**

**March 31, 2021**