

COVER SHEET

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S.E.C. Registration Number

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

Atty. Mary Christine Dabu-Pepito

Contact Person

843-30-33 connecting all dept.

Company Telephone Number

Last Friday of

June

1	2	-	3	1
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Month

Day

Fiscal Year

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Form Type

0	6
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Month

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Secondary License Type. If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number / Section

Total Amount of Borrowings

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I. D.

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Cashier

STAMPS

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, 2015

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

Address of issuer's principal office

3019

Postal Code

8. 843-3033 connecting to all departments

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

2,786,497,901

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 P1,331,284,447.36 as of February 29, 2016.

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. The Corporation's corporate life has been extended for another fifty years starting on July 31, 2012.

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, the Corporation 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.

In 1988, the Corporation entered into a joint venture agreement with Cobb-Vantress, Inc. (CVI) (formerly Cobb International Inc.) and formed Breeder Master Inc. (BMI) (formerly Phil-American Poultry Breeders, Inc.) to engage in the production of day-old parent stocks. CVI is 100% owned by Tyson Foods, Inc., the world's largest chicken Company. BMI, which is currently known as Cobb Vantress Philippines, Inc., is a domestic corporation, which was 80% owned by Vitarich and 20% owned by CVI.

In 2002, 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, on February 12, 2003, the Corporation entered into a Memorandum of Agreement (MOA) with BMI and CVI, the minority shareholder of BMI. Under the MOA, the capital investment of Vitarich in BMI will be returned in payment of Vitarich outstanding liability to BMI. This will leave CVI as the sole shareholder of BMI.

The Corporation is presently engaged in the production and distribution of various poultry products such as live and dressed chicken, day-old chicks and animal and aqua feeds, among others.

The Corporation has operating offices in some parts of Luzon, in Iloilo and in Davao, and various satellite offices in some parts of Southern Philippines.

As an integral poultry producer, the Corporation oversees every aspect of the poultry production process from breeding and hatching to processing to sales.

On May 31, 2007, The Regional Trial Court of Malolos, Bulacan (Rehabilitation Court) approved the Company's proposed Rehabilitation Plan (Plan). The implementation of the Plan resulted mainly in the restructuring of Company debt aggregating P3.2 billion (at original amount) resulting to longer payment terms and the lowering of interest.

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 debt to equity conversion and the Company's increase in authorized capital stock. Consequently, Kormasinc acquired 85.29% ownership of the Company.

In 2014, the Company's Board of Directors (BOD) approved the disposal of its major feed mill and the land where it is located at Marilao, Bulacan and several noncore assets. The proceeds were used to further reduce outstanding liabilities and generate needed working capital.

As at November 5, 2015, the Company filed with the Rehabilitation Court a motion to exit the Plan. Management believes that the motion for successful exit in the Plan will be granted by the Rehabilitation Court.

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.

SUBSIDIARIES

Gromax, Inc. is a wholly owned subsidiary of Vitarich, which started commercial operation in January 1996. Previously, Gromax was a division of Vitarich, 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.

Gromax was previously engaged in the manufacture of animal health and nutritional products for commercial sales as well as for use of its parent Company (Vitarich) in its contract breeding and contract growing operations.

Previously, Gromax manufactures, prepares, processes, mixes, distributes and sells innovative and high quality animal health and nutritional products, feed additives and commodities for poultry and livestock to contract growers, contract breeders, poultry and swine farms, feed mills, distributors, cooperatives, and poultry integrators throughout the country.

The registered office of Gromax is located at the Vitarich compound, Sta. Rosa I, Marilao, Bulacan. The registered office of its parent Company is also the same with the registered office of the said Company.

Philippine's Favorite Chicken Inc. (PFCI), one of the subsidiaries of Vitarich, entered into distribution agreements in 1995 with America's Favorite Chicken Company (AFC), a Company that operates the Church's 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 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.

Although the BOD and stockholders have not yet formally adopted a plan to liquidate the Company, the financial statements are presented under the liquidation basis of accounting to appropriately reflect the significant changes in the Company's status of operations.

BUSINESS OF ISSUER

Business Segments and Product Distribution

The Company has three primary products: feed, farm, and food. It sells its feed products to various distributors, dealers and end-users nationwide. The Company's farm products are day old chicks (DOC). The food products composed of chicken and dory fish are sold to hotels, restaurants, institutional clients, and supermarkets as well as to wet markets.

Feed Products:

Vitarich Corporation is engaged in the formulation, production, storage and marketing of various animal and aqua feeds. The feeds are produced in various forms such as mash, pellet, crumble and extruded. The feeds product line consists of broiler feeds, layer feeds, hog feeds and aqua feeds.

The Corporation's customer base consists of dealers and end-users nationwide. These clients are given credit terms from 30 days to 90 days while other customers are on cash basis. The Luzon area accounted for 44% of the total animal and aqua feeds sales volume, whereas the Visayas and Mindanao areas accounted for 46%.

Farm Products:

The Corporation's day old chicks (DOCs) production is sold nationwide to commercial end-users or supplied to contract growers. The Corporation's customers are dealers and end-users for Cobb DOCs. A substantial number of these customers has been dealing with the Corporation for the past 10 to 15 years.

Food Products

Chicken products are sold either as live or dressed. Live broilers are directly purchased by middlemen at the farmgate, who, in turn, supply these to wet markets where these are sold to the general public on an unbranded basis. Dressed chickens are delivered to supermarkets, hotels and restaurants, and fast food chains. Dressed chickens are likewise sold to institutional clients.

Pangasius, commonly known as dory fish, originated from the Mekong River in Vietnam. Pangasius is a genus of catfishes of the family Pangasiidae. This fish is now one of the main export products of Vietnam. Vitarich is one of the pioneers that locally culture Pangasius and this extends to breeding, growing, processing up to marketing. Dory Fish or Pangasius is now considered as one of the fast growing and durable fish relative to tilapia and milkfish. Its fillet part is in high demand mostly in fine dining restaurants and food chains as well. Its neutral and almost bland taste easily absorbs spices and flavors to the delight of customers. Live, gutted, and chilled were the original appearance of the fish that the market had been accustomed to. However, in the course of its development, value added products have been launched by Vitarich such as sausage, franks, dory balls, dory rolls, siomai, shanghai, skinless longaniza and embutido. Not only do these products add new flavor and twist to the traditional forms that the palate had been used to, they also provide healthy alternatives to the high-cholesterol products that abound the market.

Apart from these products, Vitarich is also offering technical assistance and marketing support for customers who are interested in Pangasius farming. With the vision to continue being the pioneer, innovator, and agribusiness partner, Vitarich ensures providing consistent quality products and services that guarantee customer satisfaction.

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 intends to strengthen its

competition by establishing 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, URC, Feedmix, Tateh, and Hocpo for the feed business. Key players in chicken business are San Miguel Corporation (Magnolia) and Bounty.

Given its vision to serve its customers with effective technical and marketing support, 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 registrant 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 sale. The Corporation has existing sales contracts with business partners and customers in the normal and regular business transactions.

Trademarks, Royalty and Patents

Devices and logo being used by the Company are registered with the Intellectual Property Office to wit:

	Date Registered
• Vitarich and Devices	November 11, 2010
• Aqua V-Tech and Logo	January 20, 2011
• Gromax Incorporated and design	July 07, 2011
• Cook's Golden Dory all fresh all natural and device	January 14, 2015

The registration is renewable for another ten (10) years. The Company does not hold any other patent, trademark, franchise, concession or royalty agreement.

Certification

Since 1999, the Corporation's Marilao – Feed Mill plant has been consistently complying and maintaining the certification with the ISO 9001 Quality Management System (QMS) through passing the rigid periodic surveillance audits by Certification International (CI). Such system

enabled the Corporation 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 three Company-owned feed mill facilities in Luzon, Visayas and Mindanao were certified with the International Organization for Standardization (ISO) for quality and feed safety management systems such as the ISO 9001: 2000 for Quality Management System (QMS) integrated with Hazard Analysis and Critical Control Points (HACCP) for the Luzon feed mill plant and ISO 22000:2005 Food Safety Management System (FSMS) for the Visayas and Mindanao feed mill plants. 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

On November 20, 2013, the Governing Board of Certification International Philippines, Inc. has re-certified the Corporation's Feedmill Plant in Luzon as conforming to ISO 9001:2008 and HACCP systems under Certification Nos. CIP/3999Q/07/10/544 and CIP/3999H/07/10/544, respectively.

At present, the Corporation is continuously complying and maintaining the requirements of the standards for Iloilo and Davao Feed Mill Plants. However, the Company disposed off its feed mill plant located in Marilao Bulacan in 2014 to further reduce the debt and to generate necessary working capital.

Government Regulations and Approval

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

Aside from compliance with the environmental laws, the Corporation also needs government approval for its principal products and services from the Bureau of Animal Industry (BAI) and the National Meat Inspection Services (NMIS) for the registration of its feedmill, accreditation of chemical laboratory, accreditation of meat plant, cold storage, respectively, that will all ensure that only safe and wholesome products reach the consumers. 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, rendering plant and hatcheries.

The Corporation and its subsidiaries have obtained all necessary permits, licenses and government approvals to manufacture and sell their products.

The Corporation and its subsidiaries have no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the Corporation and its subsidiaries' 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
- Research and Development
- Animal Nutrition

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

- 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

In January 2001, the renovated Research Center of the Corporation was inaugurated. This upgraded the chemical laboratory capability and further improved the analysis procedure. Duration for analyzing was shortened through the acquisition of modern laboratory equipment.

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, equipment are continuously upgraded, i.e. the LECO protein analyzer, Atomic Absorption Analyzer for macro and trace minerals including heavy metals, Gas Chromatograph (GC) analyzer for Fatty Acid analysis and flavors, Near Infrared System (NIRS) for the simultaneous determination of various nutrients, the Ankom Fiber analyzer, Active water analyzer and UV Vis equipment for some mineral and enzyme analysis. The Diagnostic Laboratory also acquired additional capabilities, particularly for swine serological tests.

For research and development activities, the Corporation spent P3.13M in 2015, P3.68M in 2014 and P3.02M in 2013.

Cost and Effects of Compliance with Environmental Laws

The Company generally complies with all environmental laws and regulations implemented by the Environmental Management Bureau of the Department of Environment and Natural Resources and invest appropriately to ensure compliance.

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

1. Ambient air testing of the surrounding areas of the plant, i.e., NESW, which incurred P5,000 together with noise monitoring in the said stations. With favorable results, the plant is in compliance with the Standards of the Clean Air Act of the Philippines. This ensures emissions such as particulate matter coming from the plant do not adversely affect the environment.
2. 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. Testing cost amounted to P25,000 and with this testing it had monitored that emissions from the boilers are within the standards.
3. Regular monitoring of the final discharge of wastewater from dressing plant and hatcheries to ensure that water being discharged by the plants is in compliance with the Standards of the Clean Water Act. Quarterly monitoring as required by the law cost P2,000 or more per effluent sample depending on the parameters being required per plant.
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. Replacement of major equipment of the plant such as that of the rendering plant. A new cooker was purchased and additional odor control equipment/devices were installed to control odor emissions from the plant.
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, 2015 the Corporation and its subsidiaries have a total number of 644 employees composed of supervisors, managers, executives and rank and file, with 352 regulars and 292 contractual. The Corporation has a collective bargaining agreement with the union representing the Corporation's rank and file employees.

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. On November 25, 2015, the Corporations signed a five-year Collective Bargaining Agreement that took effect on August 1, 2015 to July 31, 2020.

There are no issues pertaining to labor unrest.

Pension Costs/Retirement Benefits

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 liability and the amount of contributions. The latest actuarial valuation of the plan is as at December 31, 2015.

Pursuant to the reintegration of the Gromax's business to the Company, effective April 1, 2015, Gromax transferred its employees to the Company. Retirement benefits accruing to these employees were transferred to the Company, accordingly.

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 Sensitivity

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 Sensitivity

As at December 31, 2015 and 2014, 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 these fall due by maintaining sufficient cash from operations. The Company maintains cash to meet its liquidity requirements for up to 30-day periods.

Noncurrent trade and other payables later than 5 years pertain to liabilities as of the date of filing of the Plan wherein the Rehabilitation Court issued Stay Order prohibiting the Company from making any payments thereof.

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, 2015, these facilities include the following.

	Condition	Remarks
Feed Mill		
Iloilo	Good	Owned/Mortgaged
Davao	Good	Owned/Mortgaged
Dressing Plant		
Marilao	Good	Owned/Mortgaged/Leased to third party
Iloilo	Good	Toll
Davao	Good	Owned/Mortgaged/Leased to third party
Hatchery		
Bulacan	Good	Toll
Iloilo	Good	Toll
Davao	Good	Toll

As the Corporation is focused on its corporate rehabilitation program, acquisition of major properties that require substantial capital investment is currently put on hold. Thus, the Corporation is taking a cautious stance at this time to invest, considering the present economic conditions in acquiring capital equipment. The Corporation will only consider any project, which is critical to its continued operations and likewise that which will generate substantial cost savings and higher return of investment.

Item 3. LEGAL PROCEEDINGS

The insurance claim of Vitarich Corporation against Charter Ping An Insurance Corporation, formerly Philippine Charter Insurance Corporation, for P316 million plus 24% interest per annum from March 2010.

Vitarich Corporation filed with the Rehabilitation Court a motion to declare the rehabilitation of the Company successful.

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.

PART II – OPERATIONAL AND FINANCIAL INFORMATION**Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS**

The registrant'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:

	2014		2015	
	High	High	High	Low
1st quarter	0.73	0.71	0.70	0.71
2nd quarter	0.85	0.83	0.79	0.75
3rd quarter	1.18	1.08	0.68	0.65
4th quarter	0.86	0.80	0.60	0.60

The closing price of the Corporation's common shares as of the last trading date – December 29, 2015 was P 0.60 per share.

As of February 29, 2016, the latest trading date prior to the completion of this annual report, sales price of the common stock was at P0.64 / 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, 2015 is 4,303 and the total number of shares outstanding on that date was 2,786,497,901.

	Dec 2015	Dec 2014
Number of Issued & Outstanding Shares	2,786,497,901	2,786,497,901
Number of Stockholders	4,303	4,352
Number of Shares owning at least one board lot each	3,285	3,330

The Company's foreign equity ownership as of December 31, 2015 is as follows:

	<u>No. Of Shares</u>	<u>% Ownership</u>
Shares owned by Filipino	2,495,227,509	90.00%
Shares owned by Foreigners	291,270,392	10.00%
Total	2,786,697,901	100.00%

Dividends

In 1995, the Corporation declared a cash dividend of P0.10 per share. For the years 1996 up to 2013, the Corporation did not declare any dividend because of the losses suffered by the Corporation.

Sales of Unregistered Securities

On September 20, 2013, Vitarich Corporation agreed to issue 2,376,528,137 common shares to Kormasinc, Inc.'s due to the conversion of the latter's credit of P2,376,528,137 into equity of the Corporation. Ninety million, thirty thousand, two hundred thirty six (90,030,236) came from the unissued shares of the Corporation, while 2,286,497,901 came from the increase of the authorized capital stock of the Corporation from P500M to P3.5B. On October 16, 2013, the Securities and Exchange Commission approved the valuation of 90,030,236 shares and the increase in the authorized capital stock of the Corporation from P500M to P3.5B.

Top 20 Stockholders

Listed below are the top 20 stockholders of the Corporation as of December 31, 2015:

	Name of Stockholders	Number of Shares	Percent to Total Outstanding Shares
1	PCD NOMINEE CORPORATION (FILIPINO)	2,457,750,991	88.20%
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	289,127,072	10.38%
3	PACIFIC EQUITY INC.	10,843,717	0.39%
4	GRELI S. LEGASPI	2,390,000	0.09%
5	YAZAR CORPORATION	1,402,520	0.05%
6	MA. SOCORRO S. GATMAITAN	1,307,033	0.05%
7	MA. LOURDES S. CEBRERO	1,305,320	0.05%
8	MA. LUZ S. ROXAS	1,305,320	0.05%
9	JOSE M. SARMIENTO	1,305,320	0.05%
10	MA. VICTORIA M. SARMIENTO	1,305,320	0.05%
11	LORENZO M. SARMIENTO, JR.	841,095	0.03%
12	GLICERIA M. SARMIENTO	690,000	0.02%
13	DELIA S. ATIZADO	527,860	0.02%
14	NELIA CRUZ	527,850	0.02%
15	ERNESTO B. LIM	302,000	0.01%
16	ROGELIO M. SARMIENTO	290,000	0.01%
17	BARBARA ARLENE I. SARMIENTO	228,510	0.01%
18	BETINA ANGELINA I. SARMIENTO	228,510	0.01%
19	PACIFIC EQUITY, INC.	226,500	0.01%
20	NORBERTO T. HOFELENA	220,778	0.01%
	Others	14,372,185	0.52%
Total Shares Issued and Outstanding		2,786,497,901	100.00%

Description of Vitarich Shares

Securities of the Corporation consist entirely of common stock with par value of P1.00 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 2015 Compared 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 30%, 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 23%, 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 38% 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 were 82% lower than 2014 of P689 million. The Company's other income/(charges) consisted of the following (in thousand pesos):

	Years Ended December 31			
	2015	2014	Change	% Change
OTHER INCOME (CHARGES)				
Gain (loss) on sale of property, plant and equipment and investment properties	(94,613,100)	(629,318,641)	534,705,541	-85%
Loss on assignment of related party receivables		(49,189,508)	49,189,508	
Impairment loss on:				
Property, plant and equipment	-	-	-	
Due from related parties	-	(3,051,516)	3,051,516	
Provision for probable losses	-	(2,992,128)	2,992,128	
Interest income	170,676	534,082	(363,406)	-68%
Provision for impairment of Input VAT	(3,095,532)	-	(3,095,532)	
Provision for impairment of Investment Property	(1,084,906)	-	(1,084,906)	
Interest expense	(220,535)	-	(220,535)	
Others	(11,826,135)	-	(11,826,135)	
Docket fees	(14,672,209)	-	(14,672,209)	
Gain (loss) on fair value changes of investment pi	2,770,858	(5,433,617)	8,204,475	-151%
	(122,570,883)	(689,451,328)	566,880,445	-82%

- 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% *(see note 11 of the accompanying consolidated financial statements)*.

- 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 P227.7 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.

2014 RESULTS OF OPERATIONS AS COMPARED AGAINST 2013 AND 2012

Vitarich Corporation and its Subsidiaries generated a consolidated sale of goods of P2.4 billion as of December 31, 2014, lower by 15% and 23% over last year of P2.8 billion and P3.1 billion in 2012. Sale of goods per business segment follows:

Food Segment:

Sale of goods of food segment decreased by 15%, from P935 million in 2013 to P794 million in 2014 due to lower supply of broiler volume.

Feeds Segment:

Sale of goods of feeds segment decreased by 16%, from P1,717 million in 2013 to P1,445 million in 2014 due to lower volume of animal and aqua feeds. Lower feed sales volume resulting from the continued short piglet supply in the country, trucking problems due to LTFRB regulations, and slow recovery of the tilapia industry due to weather changes.

Farms Segment:

Sale of goods of farms segment decreased by 5%, from P134 million in 2013 to P127 million in 2014 due to lower supply of day old chick (DOC) volume.

The Company's cost of goods sold consists primarily of raw materials, manufacturing costs, and direct labor costs. Cost of goods sold of P2.2 billion in 2014 was lower by 19% and 22% as compared to 2013 and 2012, respectively due to lower sales volume.

Vitarich gross profit for 2014 amounted to P182 million, higher by 114% in 2013 and 30% lower as compared to 2012. Increased gross profit was mainly due to better selling price of DOC and chicken and lower cost of raw materials.

Operating expenses in 2014 of P377 million decreased by 15% from P445 million in 2013 and 1% higher as compared to 2012 primarily due to lower administrative, selling, and distribution expenses. Other operating income of P72 million declined by 43% and 71% in 2013 and 2012, respectively, primarily due to lower income from tolling operations related to the sale of property.

As a result of the above factors, the Company registered an operating loss of P123 million, P111 million higher compared to 2013 but P155 million lower compared to 2012.

Other charges of P689 million in 2014 was 711% and 353% higher compared to 2013 and 2012, respectively. The Company's other income/(charges) consisted of the following:

	Years Ended December 31		
	2014	2013	2012
OTHER INCOME (CHARGES)			
Gain (loss) on sale of property, plant and equipment, investment properties and others	(629,318,641)	(17,300,399)	39,000
Loss on discounting of receivables	(49,189,508)	—	—
Gain (loss) on fair value changes of investment properties	(5,433,617)	(24,805,980)	51,053,643
Impairment loss on:			
Due from related parties	(3,051,516)	—	(90,000)
Property, plant and equipment	—	(17,487,630)	—
Project development cost	—	—	(10,456,132)
Provision for probable losses	(2,992,128)	(18,238,838)	—
Interest income	534,082	274,249	500,117
Gain on debt to equity conversion	—	689,193,160	—
Reversal of unamortized day-1 gain	—	(681,822,369)	—
Interest expense	—	(154,395,705)	(193,284,039)
Reversal of accrued interest	—	139,767,553	—
	(218,005,872)	(192,783,922)	0

The Company recognized loss on sale of property, plant and equipment, investment properties and others amounted to P629.3 million and P17.3 million in 2014 and 2013, respectively.

On December 12, 2014, the Company's BOD approved the discounting of Company's receivable from Luz Farms, Inc. (LFI) to Kormasinc for a 50% discount considering the financial capability of LFI. Consequently, on the same date, the Company entered into a memorandum of agreement with Kormasinc discounting the Company's receivable from LFI for P49.2 million. Proceeds were used to offset portion of the Company's payable to Kormasinc. Loss on the discounting amounted to P49.2 million.

Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The Company recognized fair value loss on investment properties amounting to P5.4 million in 2014 and P24.8 million in 2013 and fair value gain amounting to P51.1 million in 2012.

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. Impairment losses on due from related parties amounted to P3 million in 2014 and P0.1 million in 2014 and 2012, respectively.

Provision for probable losses decreased to P3 million in 2014, 84% lower compared last year. Interest income increased by P0.3 million and P33,956 compared to 2013 and 2012, respectively. Income tax for the year amounted to P234 million.

For the year-end, the Company incurred a net loss of P578 million, 44% and 387% higher than the loss of P401 million in 2013 and P119 million in 2012, respectively.

Financial Condition

Total assets as of December 31, 2015 amounted to P2.37 billion, the same as last year's level.

The Company's cash of P185 million was lower by 23% versus last year's P242 million due to continuous update of payables. Trade and other receivables of P890 million increased by 10% versus last year's P809 million due to increase in sales. Inventories of P333 million went up by 24% from previous year's balance of P269 million due to higher raw materials and livestock inventories. Other current assets of P75 million increased by 36% versus last year due to usage of VAT input tax last year.

Investment properties of P428 million decreased by 30% versus last year due to the disposal of noncore investment properties. Net deferred tax asset increased by 265% due to recognition of deferred income tax expense (benefit) relating to origination and reversal of temporary differences. Other noncurrent assets increased by 878% due to the upgrade of the Company's IT infrastructure.

Payable to stockholder of P407 million decreased by 13% due to payments out of proceeds from sale of investments properties.

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

	2015	2014
Revenue (Php billion)	3.44	2.37
Cost Contribution (Php billion)	2.94	2.18
Gross Profit Rate (%)	15%	8%
Operating Margin (Php billion)	0.123	-0.123

1) Sales Volume, Price, and Revenue Growth

Consolidated revenue, composed of feeds, day old chicks, chicken, and dory fish sales, amounted to P3.44 billion, 46% higher than the same period last year of P2.37 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. 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.

All 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 - Not applicable.

Any material commitment for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described - Not applicable.

Any significant element of income or loss that did not arise from the registrant's continuing operations - There are no significant elements of income or loss arising from continuing operations.

Any known trend, or any demand, commitment, event or uncertainty that will result in or that are reasonably likely to result to registrant's liquidity increasing or decreasing in any material way - None

Any event that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation - None

Item 7. FINANCIAL STATEMENTS

The Consolidated Audited Financial Statement of the Corporation for the year-ended December 31, 2015 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 2015, the Corporation's independent public accountant is the accounting firm of Reyes Tacandong & Co. The audit of the financial statements of the Corporation was handled and certified by the engagement partner, Mr. Emmanuel V. Clarino. In pursuant to SRC Rule 68.1 (Qualification and Reports of Independent Auditors), the Corporation engaged Reyes Tacandong & Co. for the examination of the Corporation's financial statements effective the calendar year 2011.

The engagement of Reyes Tacandong & Co. and the engagement partner is approved by the Board of Directors and the stockholders of the Corporation.

External Audit Fees and Services

The work of Reyes Tacandong & Co. consisted of an audit of the financial statements of the Company to enable them to express an opinion on the fair presentation of the Company's financial

position, results of operations and cash flows in accordance with Philippine Financial Reporting Standards. In addition to their report, and as a value-added service, Reyes Tacandong & Co also reviewed the Corporation's computation of the annual income tax expense and likewise also the review of the unaudited quarterly consolidated statements of financial position of the Corporation and the related statements of comprehensive income, changes in equity and cash flows for the quarter ended in accordance with Philippine Standards on Review Engagements (PSRE) 2410, "Engagements to Review Financial Statements" issued by the Auditing Standards and Practices Council, as applicable to review engagements. For the years 2015, 2014, and 2013, audit and audit-related fees amounted to P3.6 million, P3.4 million, and P3.2 million, exclusive of VAT and out of pocket expenses, respectively.

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 Committee

The audit committee's approval policies and procedure for external auditors are:

1. Statutory audit of company's annual financial statements
 - a. The Audit 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 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 other services other than annual F/S audit:
 - a. The Audit 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 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 auditor 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 Corporation on any matter of accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

The directors of the Corporation are elected at the annual meeting of the stockholders of the Corporation to hold office until the next succeeding annual meeting of the stockholders and until the respective successors have been elected and qualified. All of the directors and officers named herein have served their respective offices since June 26, 2015.

One of the Company's Board of Directors, Angelito M. Sarmiento, passed away.

Officers are elected by the newly elected Board of Directors at the first meeting. The Board also elects during its first meeting the chairman and members of the Audit, Compensation & Nomination, and Risk & Governance Committees. There are two (2) independent directors, one of whom is the Chairman of the Audit Committee and the other heads the Compensation & Nomination and the Risk & Governance Committees. Officers of the Corporation 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.

None of the members of the Board of Directors, executive officers and nominees of the Corporation are involved in any criminal, bankruptcy, or insolvency investigation or proceeding for the past five (5) years.

Jose Vicente C. Bengzon III, Filipino, 58 years old

Director (since 2007) / Chairman of the Board

Member - Audit Committee; Risk and Governance Committee

Mr Bengzon is the Vice Chairman & Chairman of Executive Committee, Commtrend Construction Corp since Oct 2014; President, UPCC Holdings Corp since 2006 & Director & Chairman of Risk Management Committee, Rizal Microbank since 2010. He was acting Chairman, Philippine National Construction Corp. 2012 - 2013; Director, Manila North Tollways Corp. 2012 - 2013; Director, Citra Metro Manila Tollways Corp. 2012 - 2013; Director, South Luzon Tollways Corp. 2011 - 2012. Prior to this, he is a Director of Pres. Jose P. Laurel Rural Bank Inc. since 2010 and Philippine National Construction Corporation since 2011. He is also the President of UPCC Holdings Corporation since 2006. Prior to this, he was the Chief Privatization Officer of the Department of Finance. He was the President of Abarti Artworks Corporation from 2001-2004. He was also an Entrepreneur of Westborough Food Corporation from 1993-2001. 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 took his Master of Business Administration at the Kellogg School of Management at Northwestern University in 1988.

Rogelio M. Sarmiento, Filipino, 67 years old

Director (since 1980) / Vice Chairman, President & Chief Executive Officer

Mr. Sarmiento is presently the Vice Chairman/President/CEO of Vitarich Corporation. From 1968 to 1981, he was the President of L. S. Sarmiento & Co., Inc., Sarmiento Industries, Inc., Fortuna Mariculture Corporation, and Sarphil Corporation. Mr. Sarmiento 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.

Ricardo Manuel M. Sarmiento, Filipino, 39 years old

Director (since 2012)/ Chief Operating Officer / Executive Vice President

Member – Audit Committee; Compensation & Nomination Committee, and Risk and Governance Committee

Mr. Ricardo Manuel Sarmiento is the Executive Vice-President and Chief Operating Officer and President of Gromax, Inc. He leads the over-all operations of Vitarich Corporation and Gromax, Inc. 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. Mr. Sarmiento joined Vitarich in July 2005. He was elected as director of the Corporation on June 29, 2012.

Stephanie Nicole M. Sarmiento-Garcia, Filipino, 36 years old

Director (since 2012)/ Chief Finance Officer / Treasurer

Member – Compensation & Nomination Committee, and Risk and Governance Committee

Ms. Garcia was elected director of the Corporation on June 29, 2012 and is the Chief Finance Officer and Treasurer of the Company. As such, she is in charge of the funds, assets, securities, receipts and disbursements of the Corporation. Prior to this, she is currently holding the position of Support Director of Vitarich Corporation since March 2006. In this role, she directs and monitors compliance of the departments to the established production and quality parameters. 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.

Benjamin I. Sarmiento Jr., Filipino, 47 years old

Director (since 1998)

Member – Audit Committee and Compensation & Nomination Committee

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 Pacific Equity, 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., Hills Dales 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 Trabbycoco Genetics, Inc. He is also a director of Gromax, Inc. from 1995 up to the *present*.

Lorenzo Vito M. Sarmiento III, Filipino 41 years old

Director (since 2012)

Member – Compensation & Nomination Committee

Mr. Sarmiento is President of Davito Holdings Corporation and Medityre Corporation. He was President of Speed Space Systems, Chairman of Emphasys Process Corporation, Investor and co-founder of South Super Sports, Team Manager under contract with the Philippine Football Federation, Creative Director of Speed HKG, and Investor and co-founder of True Star Entertainment. 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 American University 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.

Atty. Eduardo T. Rondain, Filipino, 86 years old

Independent Director (since 2012)

Chairman – Audit Committee

Atty. Rondain is a lawyer by profession, an expert in labor relations and human resource management. Atty. Rondain's past and present involvement includes the following: Vice Chairman of the Board and Chairman, Management Committee of CORD Chemicals, Inc.; Senior Adviser and Director, Employers Confederation of the Philippines (ECOP); Member and Director, ECOP Institute of Productivity and Competitiveness; Executive Vice President, Member of the Board of Directors and Management Committee, PHILIPS Corporation of Companies; Director for Industrial Relations, Radio Electronics Headquarters; part-time faculty member, College of Business Administration, Solair, UP Manila; Full Professor, UP College of Business Administration MBA Program; teaching staff, Ateneo Business School, MBM, and seminar resource person, Economic Development Foundation, Personnel Management Association, De La Salle University and Jose Rizal College; Director, Non-Academic Personnel Services, UP Administration; Research-Instructor, then Assistant Professor, UP School of Labor and Industrial Relations; and Legal Assistant, Severino Law Office, Escolta, Manila. A graduate of Bachelor of Laws at the UP College of Law in 1955, he undertook graduate study in Labor and Industrial Relations at the University of Illinois in 1959 as a UP Fellow. He was elected as director of the Corporation on June 29, 2012.

Manuel D. Escueta, Filipino, 65 years old**Independent Director**

Chairman – Compensation & Nomination Committee and Risk & Governance Committee

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. (2001-2004), Head, President and CEO of Pascual Laboratories, Inc. - Consumer Health Division (2005-2012), and Chairman of Pascual Consumer HealthCare Corp (2012-2013). He is at present the President of Educhild Foundation, Inc. and the Vice-Chairman of the Board of Trustees of Southridge PAREF School for Boys. He also served as a Board of 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 on Business Administration Major in Marketing in 1972.

Levi F. Diestro, Filipino, 58 years old**Director**

Member – Compensation & Nomination Committee and Risk & Governance Committee

Mr. Diestro is currently the Vice President Human Resources Division of Maynilad Water Services Inc., a subsidiary of MVP Group of Companies. At present, he is also the Vice Chairman of PMAP (People Management Association of the Philippines) Asian Institute of Human Resources. He worked as Consultant of Bureau of Customs for Department of Finance human resources, purchasing, and facilities 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 Microelectronics, Inc., 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. He was elected as director of the Corporation on July 04, 2014.

Atty. Juan Arturo Iluminado C. de Castro, 35 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). He 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. Johnny authored the book on Philippine Energy Law (2012), which provides guidance for investing in the country's electric power industry. He is currently a consultant at the **Joint Congressional Power Commission (JCPC)** through the Congresswoman Henedina R. Abad. His other involvements include the following: **Fostering Reserve Markets: Key to Philippine Energy Security**, Center for Integrative Development Studies, University of the Philippines (March 2015 to present); **USAID Project: Assessment of Options for Agus-Pulangui Power Complexes**, Consultant (May 2014 to present); **University of the Philippines Technology Management Center**, Diliman, *Faculty Member* teaching Energy Law, Policy And Development (November 2013 to present); **Centro Escolar School of Law and Jurisprudence**, *Professorial Lecturer*, (November 2012 to May 2014); **Ecology Law Quarterly**, Berkeley, California, USA, Associate Editor (SY 2009-2010); **Office of the Solicitor General of the Republic of the Philippines**, *Associate Solicitor* (June 2007-June 2008); **Philippine Law Journal**, 3rd ranking editor (Volume 78). He was elected as director of the Corporation on November 26, 2014.

Other Executive Officers

Joven P. Dy, Filipino, 65 years old

Senior Vice President for Poultry Foods Operations

Mr. Dy is currently the Senior Vice President for Food Operations of Vitarich Corporation. He obtained his degree in Bachelor of Science in Business Administration major in Accounting (Cum Laude) from Far Eastern University in 1971. He joined Vitarich in 1977-1992 and handled different positions. He also worked for Republic Flour Mills in 1992-1994 as Poultry Meat and National Sales Manager, Swift Foods, Inc. in 1994-2004 as Vice President for Integrated Branch Operations and National Consumer Sales, and Bounty Agro Ventures, Inc. in 2003-2014 as Senior Vice President for Visayas and Mindanao Branch Operations and National Consumer Sales. He also becomes the Chairman of the Board of Vitarich Employees Consumer Cooperative in 1987-1992 and President of Philippine Association of Meat Processors, Inc. in 1992-1993.

Guillermo B. Miralles, Filipino, 51 years old

Vice-President, National Feed Sales and Production

Mr. Miralles obtained his degree on Bachelor of Arts (AB – Classical) major in English and Philosophy from Queen of Apostles College Seminary, Tagum City in 1986. He joined the Corporation in 1994, and since then, handled different positions in the Visayas and Mindanao operations prior to his appointment as General Manager for Vismin Operations in October 2003. Before joining Vitarich Corporation, he was connected with Virginia Foods, Inc. as its Sales Manager.

Atty. Tadeo F. Hilado, Filipino, 63 years old

Corporate Secretary

Atty. Hilado is a Senior Partner of the Angara Abello Concepcion Regala and Cruz Law Offices (ACCRAALAW). He joined the said Firm in 1978 and became a Partner in 1987. He currently heads the firm's Corporate and Special Projects Department and is the secretary of the Partnership. He received his Bachelor of Arts degree from De La Salle University (summa cum laude) in 1973 and his Bachelor of Laws degree from the University of the Philippines in 1977. He obtained a Master of Laws degree from the University of Michigan in 1981 after which he worked for a year as a visiting lawyer in the U.S. law firm of Graham & James in San Francisco, California.

Family Relationships

Mr. Rogelio M. Sarmiento is the father of Directors Ricardo Manuel M. Sarmiento and Stephanie Nicole S. Garcia. Benjamin I. Sarmiento Jr. and Lorenzo Vito M. Sarmiento III are the nephews of Mr. Rogelio M. Sarmiento.

Significant Employees

There are no persons other than the Directors and Executive Officers expected to make a significant contribution to the business of the Corporation.

Involvement in Certain Legal Proceedings

The registrant has no knowledge of any event during the past five (5) years up to the latest filing date in which any of its director or executive officer being 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.

Item 10. EXECUTIVE COMPENSATION

The Company has a stock compensation plan for its officers and other executives. Under the plan, 20% of the annual gross pay of the Company's executives and officers is to be paid in shares of stock of the Company, which are purchased through the stock exchange. The Company's executives and officers' salaries under the stock compensation plan amounting to P4.4 million, P4.0 million and P4.4 million in 2015, 2014 and 2013, respectively, were converted to cash.

The BOD has approved the appointment of a third party as Trustee for the acquisition of such shares of stock at market value through the stock exchange.

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

Standard Arrangement

The members of the Board of Directors are entitled to a per diem of P5,000 each for every meeting whereas the members of the Audit, Risk & Governance, and Compensation & Nomination Committees are entitled to a per diem of P500 for every meeting participation.

Arrangements with Directors & Officers

The Corporation does not extend or grant warrants or options to its executive officers and directors, other than the stock compensation plan given to officers as part of their compensation as described above. Thus, the Corporation has no obligation to disclose information pertaining to warrants and options.

The market value of the shares of stock 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 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)

	YEAR	SALARY	Bonus & Others
CEO & four most highly compensated officers	2016	8.33	
	2015	5.4	-
ALL OTHER OFFICERS & DIRECTORS AS A COMPANY UNNAMED (Estimated)	2016	1.0	-
	2015	1.1	-

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

1. **Rogelio M. Sarmiento** – CEO/President;
2. **Ricardo Manuel M. Sarmiento** – COO/Executive Vice President;
3. **Stephanie Nicole S. Garcia** – Treasurer/Chief Finance Officer
4. **Joven P. Dy** – SVP – Food Operations; and
5. **Guillermo B. Miralles** – VP National Feed Sales and Production;

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 2015 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) 37/F The Enterprise Center, Ayala Avenue Corner Makati City Beneficial owner of more than 5% of the outstanding shares	Various Beneficial Owners	Filipino	2,457,750,991	88.20%
	KORMASINC, INC. 7th Floor, LTA Bldg., 118 Perea St. Legazpi Village, Makati City	Various Beneficial Owners	Filipino	1,941,339,491	69.67%
Common Shares	PCD NOMINEE CORPORATION (NON-FILIPINO) G/F Makati City Stock Exchange Building 6767 Ayala Avenue, Makati City Beneficial owner of more than 5% of the outstanding shares	Various Beneficial Owners	Non-Filipino	289,127,072	10.38%
	DRAGONAGA CAPITAL LIMITED Flat 1301, 3/F Kai Yue Commercial Bldg. No. 2 Argyle St. Mongkok Kowloon, Hong Kong	Various Beneficial Owners	Hong Kong	259,219,698	9.30%

Security of Ownership of Management

The number of common shares beneficially owned by directors and executive officers as of 31 December 2015 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	78,006,075	Filipino	2.80%
Common	Benjamin I. Sarmiento Jr.	199	Filipino	0.00%
Common	Ricardo Manuel M. Sarmiento	60,000,990	Filipino	2.15%
Common	Stephanie Nicole S. Garcia	4,359	Filipino	0.00%
Common	Lorenzo Vito M. Sarmiento III	500	Filipino	0.00%
Common	Levi F. Diestro	300	Filipino	0.00%
Common	Eduardo T. Rondain	500	Filipino	0.00%
Common	Manuel D. Escueta	1	Filipino	0.00%
Common	Juan Arturo Iluminado C. de Castro	2,777,034	Filipino	0.10%

Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

There was no transaction or proposed transaction for the last two (2) years to which the Corporation was or is to be made a party wherein any of the following were involved:

- a. any director / executive director;
- b. any nominee for election as director;
- c. any security holder of certain record, beneficial owner or member of Management; and
- d. any member of the immediate family of (a), (b) or (c).

The Company engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others, as described below.

These are payable on demand, hence, are classified as under current assets in the separate statement of financial position.

The Company grants unsecured, noninterest-bearing advances to its related parties for working capital requirements and capital expenditures. The Company also buys raw materials, hogs, and breeder flocks. The Company also sells animal feeds, raw materials, feed supplements and dressed chicken to these related parties.

A related entity pays the suppliers on behalf of the Company, thus, transferring the liability of the Company from the suppliers to the entity. Principally, the same terms and conditions with the suppliers apply when the entity takes over these liabilities. These transactions are presented as trade payables, nontrade payables, and other payables account.

The amounts due from related parties are generally payable on demand or through offsetting arrangements with the related parties.

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 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 – EXHIBITS AND SCHEDULES**Item 13. 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'
March 18, 2015	Re-intergration of Gromax's business into the core business of Vitarich Corporation
March 31, 2015	Board Approval of Corporation's 2014 Audited Financial Statement
April 30, 2015	Notice Corporation's Annual General Meeting
May 11, 2015	Amended Notice of Annual General Meeting
June 26, 2015	Corporation's Results of Annual General Meeting
June 24, 2015	Advisement Letter to SEC for Posting Minutes of Corporation's Results of Annual General Meeting
July 24, 2015	Certification of Independent Director Atty. Rondain
July 24, 2015	Certification of Independent Director Mr. Escueta
September 4, 2015	RTC order for Vitarich to pay docket fee on its complaint against Charter Ping An Insurance Corporation
September 21, 2015	Corporation's special report and manifestation for its Rehabilitation Exit
October 2, 2015	Demise of Company's Director, Mr. Angelito M. Sarmiento
November 5, 2015	Vitarich Corporation petition for successful exit from Corporate Rehabilitation
November 5, 2015	Amended SEC Form 17-C for Vitarich petition to court to exit from Corporate Rehabilitation

PART V – ANNUAL CORPORATE GOVERNANCE REPORT**Item 14. Annual Corporate Governance Report for the year 2015**

(Please refer to attached ACGR)

SIGNATURES

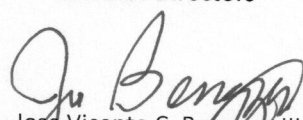
Pursuant to the requirements of section 11 of the RSA and section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in the City of _____ on _____, 2016.

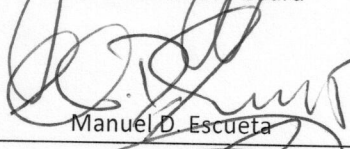
ISSUER

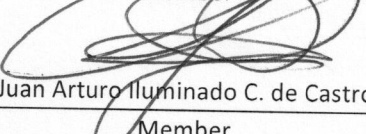
Pursuant to the requirements of the Revised Securities Act, this annual report has been signed by the following persons in the capacities and on the dates indicated.

By:


VITARICH CORPORATION Board of Directors

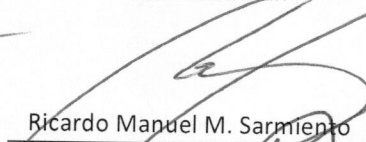

Jose Vicente C. Bengzon III
Chairman of the Board

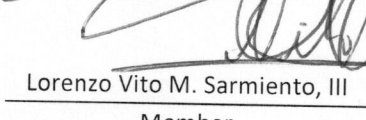

Manuel D. Escueta
Member


Juan Arturo Iluminado C. de Castro
Member

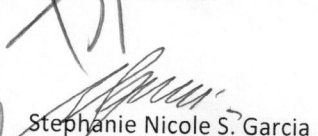
(on sick leave)
Atty. Eduardo T. Rondain
Member

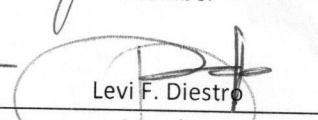

Rogelio M. Sarmiento
Vice-Chairman

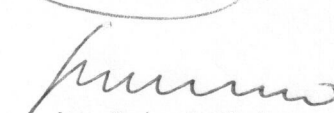

Ricardo Manuel M. Sarmiento
Member


Lorenzo Vito M. Sarmiento, III
Member


Benjamin I. Sarmiento Jr.
Member


Stephanie Nicole S. Garcia
Member



Levi F. Diestro
Member


Atty. Tadeo F. Hilado
Corporate Secretary

23 MAR 2016

SUBSCRIBED AND SWORN to before me this day of _____ affiant(s) exhibiting to me their Residence Certificate/ TIN ID as follows:

NAMES	IDENTIFICATION NO.	I.D. TYPE
Jose Vicente C. Bengzon III	173-980-909	TIN
Rogelio M. Sarmiento	105-306-147	TIN
Benjamin I. Sarmiento Jr.	162-168-119	TIN
Manuel D. Escueta	120-146-069	TIN
Stephanie Nicole S. Garcia	227-265-339	TIN
Ricardo Manuel M. Sarmiento	224-658-397	TIN
Juan Arturo Iluminado C. de Castro	182-911-919	TIN
Lorenzo Vito M. Sarmiento, III	167-559-682	TIN
Levi F. Diestro	126-892-194	TIN
Atty. Eduardo T. Rondain	108-137-271	TIN
Atty. Tadeo F. Hilado	126-673-142	TIN


NENITA DELACRUZ TUAZON
NOTARY PUBLIC

PNC-59-M8-2014 UNTIL DEC. 31, 2016

SANDICO ST. BULACAN, MARILAO, BUL

IBP LIFE NO. 591042/BULACAN/5/19/2003

PTR NO. 0604821/MARILAO, BULACAN/1/4/16

ATTORNEYS ROLL NO. 47194

MCLE COMPLIANCE NO. IV-0017957 APRIL 26, 2013

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY
AT MARILAO, BULACAN AFFIANTS
PAGE NO. 24
BOOK NO. 154
SERIES NO. 2016
ISSUED ON _____ AT _____



V I T A R I C H

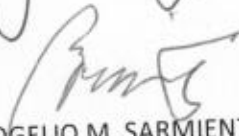
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE CONSOLIDATED FINANCIAL STATEMENTS**


The management of Vitarich Corporation and Subsidiaries (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2015 and 2014 and each of the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

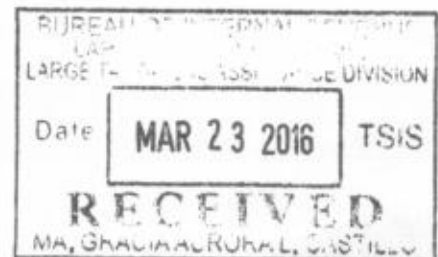
The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.


Reyes Tacandong & Co., the independent auditor appointed by the stockholders as at and for the years ended December 31, 2015 and 2014, have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.


JOSE VICENTE C. BENZSON III
Chairman


ROGELIO M. SARMIENTO
Chief Executive Officer/President


STEPHANIE NICOLE S. GARCIA
Chief Finance Officer




NENITA DELACRUZ TUAZON
NOTARY PUBLIC

PNC-59-MB-7214 UNTIL DEC. 31, 2016
SANDICO ST., FORLACION I, MARILAO, BULACAN
IBP LIFE NO. 591042/BULACAN/5/10/2013
PTR NO. 0604821/MARILAO, BULACAN/1/4/16
ATTORNEY'S ROLL NO. 47194
MCLE COMPLIANCE NO. F/0017957 APRIL 26, 2013

Subscribed and sworn to before me this day of 23 MAR 2016 at MARILAO, BULACAN AFFIANTS
EXHIBITED HIS/HER CTC NO. _____
Main Office: Marilao- San Jose Road, Sta. Rosa I, Marilao, Bulacan 3009 Philippines
Tel. Nos.: (632) 843-3033 / (6344) 711-2829
Doc. No. 116
PAGE NO. 24
BOOK NO. 154
Series No. 2011

for
AUDITED FINANCIAL STATEMENTS

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C	R	M	D
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N	/	A
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COMPANY INFORMATION		
Company's Email Address agd@vitarich.com	Company's Telephone Number/s (044) 843-3033	Mobile Number (0918) 848 2200
No. of Stockholders 4,303	Annual Meeting (Month / Day) June 28	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION			
The designated contact person <u>MUST</u> 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	

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 shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

We have audited the accompanying consolidated financial statements of VITARICH CORPORATION AND SUBSIDIARIES (a subsidiary of Kormasinc, Inc.), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2015, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

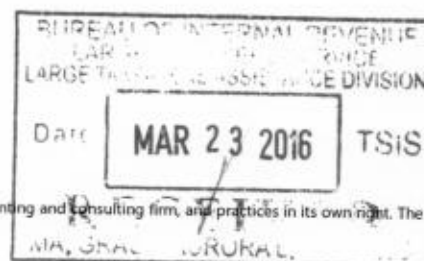
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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





Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of VITARICH CORPORATION AND SUBSIDIARIES as at December 31, 2015 and 2014, and their financial performance and their cash flows for the years ended December 31, 2015, 2014 and 2013 in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1021-AR-1 Group A

Valid until November 11, 2016

BIR Accreditation No. 08-005144-5-2013

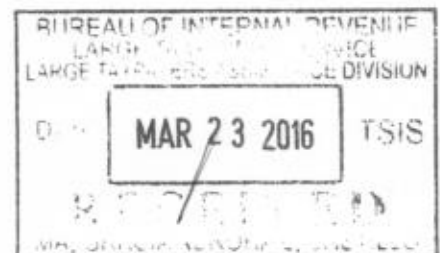
Valid until November 26, 2016

PTR No. 5321833

Issued January 5, 2016, Makati City

March 21, 2016

Makati City, Metro Manila



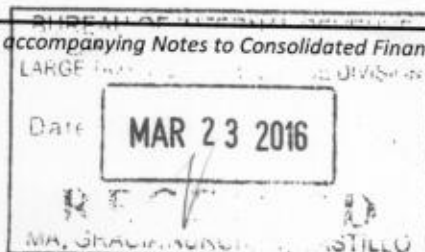
VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2015	2014
ASSETS			
Current Assets			
Cash	7	P185,451,131	P242,060,023
Trade and other receivables	8	889,596,791	809,294,359
Inventories	9	333,251,384	269,398,307
Other current assets	10	74,773,984	54,839,854
Total Current Assets		1,483,073,290	1,375,592,543
Noncurrent Assets			
Property, plant and equipment	11	410,949,445	379,775,881
Investment properties	12	428,439,538	610,042,964
Net deferred tax assets	20	24,680,284	6,764,014
Other noncurrent assets	10	26,127,115	2,672,504
Total Noncurrent Assets		890,196,382	999,255,363
		P2,373,269,672	P2,374,847,906
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	P938,885,713	P892,476,192
Payable to a stockholder	21	407,110,891	470,382,891
Income tax payable		-	30,111
Total Current Liabilities		1,345,996,604	1,362,889,194
Noncurrent Liabilities			
Trade and other payables	13	168,143,713	168,143,713
Cash bond deposits	14	20,008,284	16,419,545
Net retirement liability	18	75,090,132	73,037,571
Total Noncurrent Liabilities		263,242,129	257,600,829
Total Liabilities		1,609,238,733	1,620,490,023
Equity			
Capital stock	22	2,786,497,901	2,786,497,901
Additional paid-in capital	22	224,546,510	224,546,510
Other comprehensive income	22	190,474,836	195,097,898
Deficit		(2,437,488,308)	(2,451,784,426)
Total Equity		764,030,939	754,357,883
		P2,373,269,672	P2,374,847,906

See accompanying Notes to Consolidated Financial Statements.



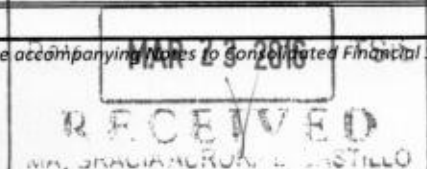
VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2015	2014	2013
SALE OF GOODS		₱3,445,208,941	₱2,366,055,560	₱2,785,475,889
COST OF GOODS SOLD	15	(2,938,147,805)	(2,183,855,648)	(2,700,339,589)
GROSS PROFIT		507,061,136	182,199,912	85,136,300
Operating expenses	17	(421,367,127)	(377,388,070)	(444,996,492)
Other operating income	16	37,519,107	72,175,782	125,538,345
		(383,848,020)	(305,212,288)	(319,458,147)
OPERATING PROFIT (LOSS)		123,213,116	(123,012,376)	(234,321,847)
OTHER INCOME (CHARGES)				
Loss on sale of property, plant and equipment, investment properties and others	11	(94,613,100)	(629,318,641)	(17,300,399)
Legal fees		(14,672,209)	-	-
Impairment loss on:				
Other current assets	10	(3,095,532)	-	-
Due from related parties	21	-	(3,051,516)	-
Property, plant and equipment	11	-	-	(17,487,630)
Gain (loss) on fair value changes of investment properties	12	1,685,952	(5,433,617)	(24,805,980)
Interest expense	21	(220,535)	-	(154,395,705)
Interest income	7	170,676	534,082	274,249
Loss on discounting of receivables	21	-	(49,189,508)	-
Provision for probable losses	13	-	(2,992,128)	(18,238,838)
Gain on debt to equity conversion	21	-	-	689,193,160
Reversal of unamortized day-1 gain	21	-	-	(681,822,369)
Reversal of accrued interest	21	-	-	139,767,553
Others		(11,826,135)	-	-
		(122,570,883)	(689,451,328)	(84,815,959)
INCOME (LOSS) BEFORE INCOME TAX		642,233	(812,463,704)	(319,137,806)
INCOME TAX BENEFIT (EXPENSE)	20			
Current		(10,907,953)	(10,488,958)	(7,427,251)
Deferred		17,441,531	244,739,309	(74,405,793)
		6,533,578	234,250,351	(81,833,044)
NET INCOME (LOSS)		7,175,811	(578,213,353)	(400,970,850)
OTHER COMPREHENSIVE INCOME				
<i>Items not to be reclassified to profit or loss:</i>				
Actuarial gains - net of tax	18	1,415,754	375,535	100,906
Revaluation increase on property, plant and equipment - net of tax	11	-	-	9,904,226
		1,415,754	375,535	10,005,132
TOTAL COMPREHENSIVE INCOME (LOSS)		₱8,591,565	(₱577,837,818)	(₱390,965,718)
INCOME (LOSS) PER SHARE - BASIC AND DILUTED	23	₱0.003	(₱0.21)	(₱0.40)

See accompanying notes to Consolidated Financial Statements.



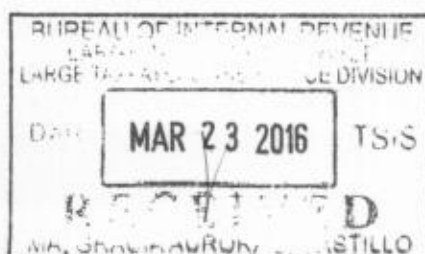
VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31						
	Note	Capital Stock	Additional Paid-in Capital	Deficit	Other Comprehensive Income	Total
Balance as at January 1, 2015		₱2,786,497,901	₱224,546,510	(₱2,451,784,426)	₱195,097,898	₱754,357,883
Transfer to deficit of actuarial gain from transfer of retirement liability of Gromax to the Company	18	-	-	3,604,967	(2,523,476)	1,081,491
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	11	-	-	3,515,340	(3,515,340)	-
Total comprehensive income for the year:						
Net income		-	-	7,175,811	-	7,175,811
Actuarial gain, net of tax	18	-	-	-	1,415,754	1,415,754
		-	-	14,296,118	(4,623,062)	9,673,056
Balance as at December 31, 2015		₱2,786,497,901	₱224,546,510	(₱2,437,488,308)	₱190,474,836	₱764,030,939
Balance as at January 1, 2014		₱2,786,497,901	₱224,546,510	(₱2,488,593,263)	₱809,744,553	₱1,332,195,701
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	11	-	-	7,571,835	(7,571,835)	-
Transfer to deficit of revaluation reserve realized through disposal, net of tax	11	-	-	607,450,355	(607,450,355)	-
Total comprehensive loss for the year:						
Net loss		-	-	(578,213,353)	-	(578,213,353)
Actuarial gain, net of tax	18	-	-	-	375,535	375,535
		-	-	36,808,837	(614,646,655)	(577,837,818)
Balance as at December 31, 2014		₱2,786,497,901	₱224,546,510	(₱2,451,784,426)	₱195,097,898	₱754,357,883
Balance at January 1, 2013		₱409,969,763	₱913,739,670	(₱2,119,791,554)	₱831,908,562	₱35,826,441
Debt to equity conversion	21	2,376,528,138	(689,193,160)	-	-	1,687,334,978
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	11	-	-	7,514,624	(7,514,624)	-
Transfer to deficit of revaluation reserve realized through disposal, net of tax	11	-	-	24,654,517	(24,654,517)	-
Total comprehensive loss for the year:						
Net loss		-	-	(400,970,850)	-	(400,970,850)
Additional revaluation reserve on property, plant and equipment, net of tax	11	-	-	-	9,904,226	9,904,226
Actuarial gain, net of tax	18	-	-	-	100,906	100,906
		2,376,528,138	(689,193,160)	(368,801,709)	(22,164,009)	1,296,369,260
Balance as at December 31, 2013		₱2,786,497,901	₱224,546,510	(₱2,488,593,263)	₱809,744,553	₱1,332,195,701

See accompanying Notes to Consolidated Financial Statements.

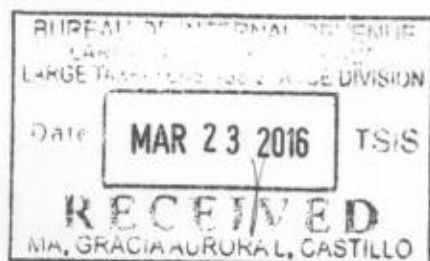


VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

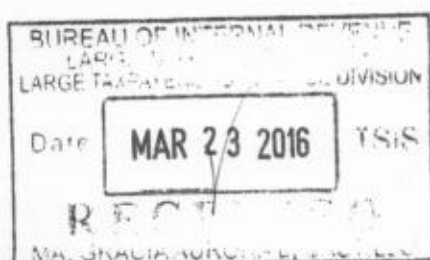
		Years Ended December 31		
	Note	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		₱642,233	(₱812,463,704)	(₱319,137,806)
Adjustments for:				
Loss on sale of property, plant and equipment, investment properties and others	11	94,613,100	629,318,641	17,300,399
Depreciation and amortization	11	24,533,154	48,781,582	70,500,900
Impairment losses on:				
Trade and other receivables	8	18,100,754	29,310,801	59,821,284
Other current assets	10	3,095,532	-	-
Due from related parties	21	-	3,051,516	-
Property, plant and equipment	11	-	-	17,487,630
Retirement benefit cost	18	8,706,438	1,117,559	11,862,566
Loss (gain) on fair value changes of investment properties	12	(1,685,952)	5,433,617	24,805,980
Interest expense	21	220,535	-	154,395,705
Interest income	7	(170,676)	(534,082)	(274,249)
Loss on discounting of receivables	21	-	49,189,508	-
Provision for probable losses	13	-	2,992,128	18,238,838
Gain on debt to equity conversion	21	-	-	(689,193,160)
Reversal of unamortized day-1 gain	21	-	-	681,822,369
Reversal of accrued interest	21	-	-	(139,767,553)
Operating income (loss) before working capital changes		148,055,118	(43,802,434)	(54,951,097)
Decrease (increase) in:				
Trade and other receivables		(98,403,186)	(143,719,461)	66,925,544
Inventories		(63,853,077)	206,669,544	68,303,420
Other current assets		(23,029,662)	(7,166,507)	(20,462,524)
Other noncurrent assets		(23,454,611)	(33,621)	(5,000)
Increase (decrease) in:				
Trade and other payables		46,409,521	(33,538,221)	(11,550,960)
Cash bond deposits		3,588,739	(5,337,199)	2,869,738
Net cash generated from (used for) operations		(10,687,158)	(26,927,899)	13,943,121
Income tax paid		(10,938,064)	(15,100,759)	(6,875,420)
Retirement benefits paid	18	(4,631,371)	(21,373,064)	(7,554,783)
Interest paid		(220,535)	-	(1,372,220)
Interest received		170,676	316,586	274,249
Net cash used in operating activities		(₱26,306,452)	(₱63,085,136)	(₱1,585,053)

(Forward)



Years Ended December 31				
	Note	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	11	(P55,706,718)	(P32,319,540)	(P21,105,945)
Investment properties	12	(13,402,922)	(16,820,528)	(10,498,011)
Proceeds from sale of:				
Investment properties		102,079,200	44,695,694	38,894,874
Property, plant and equipment		—	614,662,729	5,399,995
Net cash provided by investing activities		32,969,560	610,218,355	12,690,913
CASH FLOWS USED IN FINANCING ACTIVITY				
Decrease in payable to a stockholder		(63,272,000)	(350,400,001)	—
NET INCREASE (DECREASE) IN CASH		(56,608,892)	196,733,218	11,105,860
CASH AT BEGINNING OF YEAR		242,060,023	45,326,805	34,220,945
CASH AT END OF YEAR		P185,451,131	P242,060,023	P45,326,805
NONCASH FINANCIAL INFORMATION				
Discounting of receivables offset against payable to stockholder	21	P—	P49,189,508	P—
Receivable from disposal of properties	8	—	42,934,521	—
Trade payables acquired by a stockholder	21	—	32,097,944	—
Transfer of restructured debt to payable to stockholder	21	—	—	3,014,417,104
Debt to equity conversion	22	—	—	(2,376,528,138)
Dacion en pago of property, plant and equipment and investment properties offset against restructured debt and interest payable		—	—	70,482,856

See accompanying Notes to Consolidated Financial Statements.



VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Corporate Information

Vitarich Corporation (singly and collectively referred to as 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. 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.

The subsidiaries of the Company are as follows:

	Line of Business	Percentage of Ownership
Gromax, Inc. (Gromax)	Manufacturing	100.00
Philippines Favorite Chicken, Inc. (PFCI)*	Distributor	100.00

*Ceased its operations in 2005.

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.

Pursuant to a Corporate Rehabilitation Plan (Plan) approved by the Regional Trial Court of Malolos, Bulacan (Rehabilitation Court) in 2007, Company debt aggregating ₱3.2 billion (at original amount) was restructured to longer payment terms and lower interests. In 2013, Kormasinc, Inc. (Kormasinc), acquired the debt from the Company creditors and entered into a memorandum of agreement with the Company for a debt to equity conversion on September 20, 2013. Pursuant to the agreement, ₱2.4 billion of the acquired remaining debt of ₱3.2 billion (including interest of ₱200.0 million) was converted to equity at one peso (₱1.00) for every one (1) share of stock on the remaining available shares and on the increase in the Company's authorized capital stock from ₱0.5 billion to ₱3.5 billion.

On October 16, 2013, the SEC approved the debt to equity conversion and the Company's increase in authorized capital stock. Consequently, Kormasinc acquired 85.29% ownership of the Company (see Note 21). In 2014, Kormasinc reduced its equity interest in the Company from 85.29% to 69.67%.

In 2014, the Company's Board of Directors (BOD) approved the disposal of its major feed mill and the land where it is located at Marilao, Bulacan and several noncore assets with an aggregate carrying value of ₱1,288.7 million for ₱659.4 million. The proceeds were used to further reduce outstanding liabilities and generate needed working capital. Loss on the sale of assets amounted to ₱629.3 million (see Note 11).

As discussed in Note 24, the Company started outsourcing its manufacturing capability and leasing warehouse facilities in Guiguinto, Bulacan and Valenzuela City for its feed milling requirements for its Luzon operation. In addition, the Company is currently occupying its new office building in Marilao, Bulacan.

As at November 5, 2015, the Company filed with the Rehabilitation Court a motion to exit the Plan. Management believes that the motion for successful exit in the Plan will be granted by the Rehabilitation Court.

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 as at and for the years ended December 31, 2015, 2014 and 2013 were approved and authorized for issue by the BOD on March 21, 2016.

Status of Operations

The Company has significantly increased 2015 sales to ₱3,445.2 million from ₱2,366.0 million in 2014 by intensive marketing, introduction of more food products, improved formulation technology for its feeds products and tolling operational partnerships. As previously discussed, Kormasinc (a stockholder) acquired all the Company's restructured debt and entered into a debt to equity conversion in 2013. Moreover, the Company disposed off its major feed mill in 2014 to further reduce debt and to generate the necessary working capital. The Company has become more cost-efficient in its purchasing activities increasing gross profit to ₱507.1 million in 2015 from ₱182.2 million in 2014.

With these corporate initiatives, the Company has improved its financial condition and has continued to generate the necessary cash flow to sustain its operations and settle its remaining liabilities.

2. Basis of Preparation and Statement of Compliance

The accompanying consolidated financial statements of the Company have been prepared on the historical cost basis of accounting, except for property, plant and equipment and investment properties which are stated at fair value, and are presented in Philippine Peso, the Company's functional and presentational currency. All values represent absolute amounts except when otherwise stated.

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) 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.

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization* – The amendment clarifies how the gross carrying amount and the accumulated depreciation and amortization are treated where an entity uses the revaluation model.
- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* – The amendments clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognized as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).
- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination, and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* – The amendment clarifies the application of PFRS 3 and PAS 40 in respect of acquisitions of investment property. PAS 40 assists preparers to distinguish between investment property and owner-occupied property, then PFRS 3 helps them to determine whether the acquisition of an investment property is a business combination.
- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* – The amendment required the disclosure of judgments made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.
- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a Company of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
- Amendment to PAS 19, *Employee Benefits* – The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- Amendments to PFRS 10, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements of the Company except for PFRS 9. Additional disclosures will be included in the consolidated financial statements, as applicable.

4. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Consolidation

Subsidiaries – Subsidiaries are entities controlled by the Company. The consolidated financial statements include the accounts of the Company and its subsidiaries. In assessing control, the Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

Transactions Eliminated on Consolidation – All intracompany balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries – The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Company.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

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

Classification of Financial Instruments. The Company classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Company does not have financial instruments classified as financial assets or financial liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash in banks, trade and other receivables (excluding advances) and security deposits (classified under other noncurrent assets) are classified under this category.

Other Financial Liabilities. Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain obligations to deliver cash or another financial asset to the holder as to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.

The Company's trade and other payables (excluding statutory payables), payable to a stockholder and cash bond deposits are classified under this category.

All interest-related charges are recognized as expense and included under "Interest expense" account in the consolidated statements of comprehensive income.

The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative accretion using the effective interest method of any difference between that initial amount and the maturity amount. Interest expense, including premiums payable on settlement or redemption and direct issue costs, is charged to the consolidated statements of comprehensive income on an accrual basis using the effective interest method. Interest expense is added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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.

Impairment of Financial Assets Carried at Amortized Cost

The Company assesses at each reporting date whether there is objective evidence that a financial or Company of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statements of comprehensive income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the company of financial assets with similar credit risk and characteristics and that company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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.

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). Costs incurred in bringing each product to its present location are accounted for as follows:

Livestock, Finished Goods and Factory Stocks and Supplies Inventories – First-In, First-Out Method. Finished goods include the cost of raw materials, direct labor and a proportion of manufacturing overheads based on normal operating capacity.

Raw Materials and Feeds Supplements, Materials in-Transit, 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.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion of production and the estimated costs necessary to make the sale.

Other Assets

Other current assets consist of creditable withholding taxes (CWT), excess of input value added tax (VAT) over output VAT and prepayments.

Creditable Withholding Taxes. CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

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 as "Other current assets" account in the consolidated statements of financial position.

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.

Other noncurrent assets consist of project development costs, security deposits, computer software and others.

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.

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.

Others consist of impaired assets of PFCI which ceased operations in 2005.

Property, Plant and Equipment

Property, plant and equipment (except for transportation equipment which is stated at cost less accumulated depreciation and any impairment in value) are stated at appraised values as determined by an independent firm of appraisers less accumulated depreciation and amortization, and any impairment losses (land which is stated at appraised value less any impairment losses).

The cost of an asset 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) are carried at appraised values, 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 reserve" account presented under the equity section of the consolidated statements of financial position. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in the consolidated statements of comprehensive income. Annually, an amount from the "Revaluation reserve" account is transferred to "Deficit" 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 "Deficit". 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.

Impairment of Nonfinancial Assets

Nonfinancial assets consisting of property, plant and equipment, 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. 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.

Fair Value Measurement

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 market 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 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.

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.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 5, Significant Judgments, Accounting Estimates and Assumptions
- Note 11, Property, Plant and Equipment
- Note 12, Investment Properties
- Note 26, Financial Instruments

Capital Stock

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 additional paid-in capital. 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)

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

Deficit

Deficit represents the accumulated net income or losses, net of any dividend declaration.

Earnings (Loss) per Share

The Company presents basic and diluted earnings (loss) per share. Basic earnings (loss) 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. Diluted earnings (loss) per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

Revenue Recognition

Revenue is recognized to the extent that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. The following specific recognition criteria must also be met before revenue is recognized.

Sale of Goods. Revenue is recognized when the risk and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

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

Tolling. Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered.

Interest. Income is recognized as the interest accrues taking into account the effective yield on the assets.

Costs 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.

Interest expenses are reported on an accrual basis and are recognized using the effective interest method.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction of a qualifying asset, which necessarily takes a substantial period of time to prepare for its intended use are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that these will result in future economic benefits to the Company and the costs can be measured reliably. Other borrowing costs are recognized as expense.

Capitalization of borrowing costs is suspended during extended period in which the Company suspends active development of a qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Company as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

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 trusted 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.

Stock Compensation Plan

The Company's officers and employees receive part of their remuneration in the form of shares of stock of the Company, which are purchased through the stock exchange. The market value of the shares of stock received by the Company's executives and officers approximate the compensation that they should have received should the payment been made in other form of consideration at the grant date.

Income Taxes

Current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantively enacted at the reporting date.

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. Deferred tax assets are recognized for all deductible temporary differences, and carry forward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, excess MCIT and NOLCO 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.

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 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 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.

Related Parties

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 environmental restoration, restructuring costs and 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.

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

Provisions are measured at the present value of 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.

Events After the Reporting Date

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 when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

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.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, 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.

Judgments

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

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.

There are on-going litigations filed against the Company and its subsidiaries that would not have a material adverse impact on the Company's financial condition and results of operations.

Classification of Leases. The Company classifies leases in accordance with the substance of the contractual agreement and the transfer of the risks and benefits incidental to the ownership of the leased property. Leases, where management has determined that the risks and rewards related to the leased property are transferred to the Company, are classified as finance leases. On the other hand, leases entered into by the Company, where management has determined that the risks and rewards of the leased property are retained with the lessor, are accounted for as operating leases.

Operating Lease - Company as Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Rental income recorded under "Other operating income" account in the consolidated statements of comprehensive income amounted to ₱26.5 million, ₱15.7 million and ₱47.3 million in 2015, 2014 and 2013, respectively (see Note 24).

Operating Lease - Company as Lessee. The Company entered into various lease agreements covering several warehouses to house its finished goods, raw materials and other inventories. Each of the lease agreement is renewable for another lease term upon mutual consent of both parties.

Rent expense charged to operations amounted to ₱9.4 million, ₱7.7 million and ₱4.9 million in 2015, 2014 and 2013, respectively (see Note 24).

Capitalization of Development Costs. Careful judgment by management is applied when deciding whether the recognition requirements for development costs relating to the Company's aqua feeds and aqua culture projects, in contrast with research, have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at the end of each reporting period. In addition, all internal activities related to the research and developments of new products are continuously monitored by the Company's management. The Company has stopped developing aqua feeds and aqua culture projects.

Accumulated capitalized development costs as at December 31, 2015 and 2014 amounted to ₱31.4 million (see Note 10). The allowance for impairment losses as at December 31, 2015 and 2014 amounted to ₱31.4 million (see Note 10).

Classification of Investment Property. The Company classifies its investment property as owner-occupied based on its current intentions where the land and investment property will be used. When the land is held for capital appreciation or when management is still undecided as to its future use, land is classified as investment property. Land 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 of uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determination of Impairment Losses on Trade and Other Receivables. Allowance is made for specific accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status, average age of accounts, collection experience, and historical loss experience. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis.

The Company recognized provision for impairment losses on receivables amounting to ₱18.1 million and ₱29.3 million in 2015 and 2014, respectively (see Note 8).

The carrying value of trade and other receivables amounted to ₱889.6 million and ₱809.3 million as at December 31, 2015 and 2014, respectively. Allowance for impairment of receivables as at December 31, 2015 and 2014 amounted to ₱489.2 million and ₱471.1 million, respectively (see Note 8).

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, 2015 and 2014 amounted to ₱333.3 million and ₱269.4 million, respectively (see Note 9).

Revaluation of Property, Plant and Equipment and Investment Properties. Management uses valuation technique where active market quotes are not available to determine the fair value of financial instruments and nonfinancial assets. This includes developing estimates and assumptions consistent with how market participants would price the instruments. Estimated fair value may vary from the actual price that would be achieved in an arm's length transaction at the reporting date.

In determining the appraised values of the property, plant and equipment and investment properties, the Company hires an independent firm of appraisers at each reporting date. 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 new 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 value of the property, plant and equipment (except for land and investment properties) was 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 of the investment properties and land under property, plant and equipment was arrived at 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.

Fair market value is defined as the highest price in terms of money which a property will bring if exposed for sale in the open market, allowing reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.

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.

Estimation of Useful Lives of Property, Plant and Equipment. The Company reviews annually the estimated useful lives of property, plant and equipment 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.

The carrying amount of property, plant and equipment as at December 31, 2015 and 2014 amounted to ₱410.9 million and ₱379.8 million, respectively (see Note 11).

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 includes 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 includes 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.

No impairment loss was recognized in 2015, 2014 and 2013.

Carrying value of assets subject to yearly impairment assessment is summarized below:

	Note	2015	2014
Property, plant and equipment	11	₱410,949,445	₱379,775,881
Other noncurrent assets:	10		
Computer software		11,420,481	-
Project development costs		-	-
Others		-	-
		₱422,369,926	₱379,775,881

Estimation of Retirement Benefits. The determination of the Company's obligation and cost for post-employment benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 18 and include, among others, discount rates and expected rates of increase in salaries. Actual results that differ from the Company's assumptions are accumulated and are recognized as part of equity. While management believes that the assumptions are reasonable and appropriate, significant differences in the Company's actual experience of significant changes in the assumptions may materially affect the pension and other retirement benefit obligation.

The estimated present value of defined benefit obligation amounted to ₱78.4 million and ₱76.3 million as at December 31, 2015 and 2014, respectively, while fair value of plan assets amounted to ₱3.3 million as at December 31, 2015 and 2014 (see Note 18).

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.

No deferred tax assets were recognized on certain deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱216.2 million and ₱246.9 million as at December 31, 2015 and 2014, respectively (see Note 20). Management believes 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 ₱139.4 million and ₱139.1 million as at December 31, 2015 and 2014, respectively (see Note 20).

6. 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 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.

Segment Assets and Liabilities

Segment assets and liabilities 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 liabilities do not include deferred tax 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):

	2015					Consolidated
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	
REVENUES						
Sale of goods	P1,221,778	P2,059,028	P164,403	P3,445,209	P-	P3,445,209
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	1,042,404	1,729,175	151,945	2,923,524	-	2,923,524
Depreciation and amortization	1,277	13,347	-	14,624	9,909	24,533
Operating expenses	42,311	286,461	-	328,772	82,686	411,458
Other operating income	(28,436)	(5,873)	(3,210)	(37,519)	-	(37,519)
	1,057,556	2,023,110	148,735	3,229,401	92,595	3,321,996
SEGMENT OPERATING PROFIT (LOSS)	P164,222	P35,918	P15,668	P215,808	(P92,595)	P123,213
Other charges - net						642
Income before tax						6,534
Tax benefit						P7,176
Net income for the year						
ASSETS AND LIABILITIES						
Segment assets	P356,790	P635,313	P261,882	P1,253,985	P1,119,285	P2,373,270
Segment liabilities	325,565	147,562	11,925	485,052	1,124,187	1,609,239
OTHER INFORMATION						
Capital expenditures	P2,741	P13,486	P8,702	P24,929	P44,181	P69,110
Non-cash expenses other than depreciation and impairment losses	P378	P94,949	P696	P96,023	P-	P96,023

	2014					Consolidated
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	
REVENUES						
Sale of goods	P793,500	P1,445,461	P127,094	P2,366,055	P-	P2,366,055
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	720,232	1,337,316	117,181	2,174,729	-	2,174,729
Depreciation and amortization	1,277	44,072	342	45,691	3,090	48,781
Operating expenses	30,580	113,201	3,439	147,220	190,511	337,731
Other operating income	(19,266)	(43,135)	(9,773)	(72,174)	-	(72,174)
	732,823	1,451,454	111,189	2,295,466	193,601	2,489,067
SEGMENT OPERATING PROFIT (LOSS)	P60,677	(P5,993)	P15,905	P70,589	(P193,601)	(P123,012)
Other charges - net						(689,451)
Loss before tax						(812,463)
Tax benefit						234,250
Net loss for the year						(P578,213)
ASSETS AND LIABILITIES						
Segment assets	P446,777	P1,381,768	P295,917	P2,124,462	P250,386	P2,374,848
Segment liabilities	619,828	455,033	2,142	1,077,003	543,487	1,620,490
OTHER INFORMATION						
Capital expenditures	P9,245	P28,591	P6,123	P43,959	P5,181	P49,140
Non-cash expenses other than depreciation and impairment losses	P2,553	P641,772	P4,706	P649,031	P40,954	P689,985

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.

7. Cash

This account consists of:

	2015	2014
Cash on hand	P308,498	P1,520,772
Cash in banks	185,142,633	240,539,251
	P185,451,131	P242,060,023

Cash in banks earn interest at prevailing bank deposit interest rates of 0.3% to 0.4% in 2015 and 2014. Interest income on cash in banks amounted to P0.2 million, P0.5 million and P0.3 million in 2015, 2014, and 2013, respectively.

8. Trade and Other Receivables

This account consists of:

	Note	2015	2014
Trade		P879,211,434	P692,527,641
Insurance claims receivable		216,644,398	216,644,398
Nontrade		184,738,789	272,345,422
Advances to:			
Suppliers		55,367,542	17,473,349
Officers and employees	21	4,173,145	4,335,753
Receivable from disposal of properties	11	1,300,000	42,934,521
Others		37,332,317	34,103,355
		1,378,767,625	1,280,364,439
Allowance for impairment losses		(489,170,834)	(471,070,080)
		P889,596,791	P809,294,359

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

The Company's claim for settlement for typhoon damages from Charter Ping An Insurance Corporation is still pending with the Regional Trial Court. 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. The insurer is offering P58.9 million as settlement. Management and its legal counsel believe that the ongoing litigation will not result in any significant adverse impact on the Company's financial condition and results of operations.

Nontrade receivables comprise mainly of receivables arising from incidental income of the Company such as tolling and rentals.

Advances to suppliers pertain to advance payments on purchases of goods and services.

Advances to officers and employees are unsecured, noninterest-bearing and subject to liquidation for a specified period of time of about one year (see Note 21).

Receivable from disposal of properties pertains to unpaid balances from the sale of property, plant and equipment and other investment properties (Notes 11 and 12).

Other receivables comprise mainly of unsecured and non-interest bearing advances to contract growers and breeders, short term deposits and claims from Philippine Social Security System.

Movements in the allowance for impairment losses account are shown below:

	Note	2015	2014
Balance at beginning of year		P471,070,080	P489,916,362
Provision	17	18,100,754	29,310,801
Write-off		–	(48,157,083)
Balance at end of year		P489,170,834	P471,070,080

9. Inventories

This account consists of:

	2015	2014
Raw materials and feeds supplement	P157,144,693	P127,916,620
Finished goods	81,433,988	82,079,556
Livestock	49,841,416	25,361,536
Supplies and animal health products	44,424,044	31,079,937
Factory stocks and supplies	407,243	2,960,658
	P333,251,384	P269,398,307

In 2014, the Company disposed P166.6 million of factory stocks and supplies inventories related to its major feed mill which were sold the same year.

10. Other Assets

Other Current Assets

	2015	2014
Input VAT	P41,182,064	P5,016,020
CWT	34,274,039	43,430,381
Prepayments	3,815,515	7,795,555
	79,271,618	56,241,956
Allowance for impairment losses	(4,497,634)	(1,402,102)
	P74,773,984	P54,839,854

Prepayments mainly pertain to insurance and bond premiums, among others.

Allowance for impairment loss is mainly for input VAT. Movements in this account are shown below:

	2015	2014
Balance at beginning of year	₱1,402,102	₱1,402,102
Provision	3,095,532	–
Balance at end of year	₱4,497,634	₱1,402,102

Other Noncurrent Assets

	2015	2014
Project development costs	₱31,368,396	₱31,368,396
Security deposits	14,706,634	2,672,504
Computer software	11,420,481	–
Others	53,344,274	53,344,274
	110,839,785	87,385,174
Allowance for impairment losses:		
Project development costs	(31,368,396)	(31,368,396)
Others	(53,344,274)	(53,344,274)
	(84,712,670)	(84,712,670)
	₱26,127,115	₱2,672,504

Project development costs represent expenses incurred on the Company's aqua feeds and aqua culture projects. Based on management's evaluation, this costs may no longer be recoverable. Accordingly, the project development cost was provided with full valuation allowance.

Computer software pertains to additions and improvements on the Company's accounting system.

Other assets mainly pertain to the impaired assets of PFCI with full valuation allowance.

11. Property, Plant and Equipment

The composition and movements of this account are presented below:

		2015							
		At Appraised Values				At Cost			
	Note	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost									
Balance at beginning of year		₱247,641,046	₱163,352,176	₱51,204,781	₱30,320,556	₱66,760,322	₱123,657,850	₱13,559,108	₱696,495,839
Additions		8,200,000	10,796,356	5,530,491	815,502	6,138,364	20,386,957	3,839,048	55,706,718
Reclassifications		—	—	13,279,108	280,000	—	—	(13,559,108)	—
Balance at end of year		255,841,046	174,148,532	70,014,380	31,416,058	72,898,686	144,044,807	3,839,048	752,202,557
Accumulated Depreciation, Amortization and Impairment									
Balance at beginning of year		—	98,797,798	23,081,675	19,855,560	64,251,986	110,732,939	—	316,719,958
Depreciation and amortization	17	—	11,161,090	3,213,685	1,687,534	2,212,447	6,258,398	—	24,533,154
Balance at end of year		—	109,958,888	26,295,360	21,543,094	66,464,433	116,991,337	—	341,253,112
Net carrying amount		₱255,841,046	₱64,189,644	₱43,719,020	₱9,872,964	₱6,434,253	₱27,053,470	₱3,839,048	₱410,949,445

2014									
At Appraised Values					At Cost				
Note	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total	
Cost									
Balance at beginning of year	₱1,051,015,046	₱769,514,622	₱291,460,118	₱35,922,959	₱83,575,023	₱116,691,091	₱-	₱2,348,178,859	
Additions	-	7,605,505	2,473,421	-	1,714,747	6,966,759	13,559,108	32,319,540	
Disposals	(803,374,000)	(613,767,951)	(242,728,758)	(5,602,403)	(18,529,448)	-	-	(1,684,002,560)	
Balance at end of year	247,641,046	163,352,176	51,204,781	30,320,556	66,760,322	123,657,850	13,559,108	696,495,839	
Accumulated Depreciation, Amortization and Impairment									
Balance at beginning of year	-	475,085,564	121,497,721	21,686,760	79,010,935	106,495,092	-	803,776,072	
Depreciation and amortization	17	-	32,375,638	8,648,450	1,893,766	1,625,881	4,237,847	48,781,582	
Disposals	-	(408,663,404)	(107,064,496)	(3,724,966)	(16,384,830)	-	-	(535,837,696)	
Balance at end of year	-	98,797,798	23,081,675	19,855,560	64,251,986	110,732,939	-	316,719,958	
Net carrying amount	₱247,641,046	₱64,554,378	₱28,123,106	₱10,464,996	₱2,508,336	₱12,924,911	₱13,559,108	₱379,775,881	

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

2015								
	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	₱26,947,963	₱152,050,797	₱56,825,326	₱18,651,971	₱22,412,177	₱144,044,807	₱3,839,048	₱424,772,089
Accumulated depreciation	-	102,835,702	22,900,101	15,806,534	16,114,777	116,991,337	-	274,648,451
Net carrying amount	₱26,947,963	₱49,215,095	₱33,925,225	₱2,845,437	₱6,297,400	₱27,053,470	₱3,839,048	₱150,123,638

2014								
	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	₱18,747,963	₱141,254,441	₱38,015,727	₱17,556,469	₱16,273,813	₱123,657,850	₱13,559,108	₱369,065,371
Accumulated depreciation	-	94,421,359	20,548,034	15,340,811	14,094,068	110,732,939	-	255,137,211
Net carrying amount	₱18,747,963	₱46,833,082	₱17,467,693	₱2,215,658	₱2,179,745	₱12,924,911	₱13,559,108	₱113,928,160

The reconciliation of revaluation reserve on property, plant and equipment is as follows:

	Revaluation Reserve	Deferred Tax (see Note 20)	Net (see Note 22)
Balance as at January 1, 2015	₱265,847,721	(₱79,754,316)	₱186,093,405
Transfer to deficit of revaluation reserve on property, plant and equipment realized through depreciation	(5,021,914)	1,506,574	(3,515,340)
Balance as at December 31, 2015	₱260,825,807	(₱78,247,742)	₱182,578,065
Balance as at January 1, 2014	₱1,144,450,849	(₱343,335,254)	₱801,115,595
Transfer to deficit of revaluation reserve on property, plant and equipment realized through depreciation	(10,816,907)	3,245,072	(7,571,835)
Transfer to deficit of revaluation reserve on property, plant and equipment realized through disposal	(867,786,221)	260,335,866	(607,450,355)
Balance as at December 31, 2014	₱265,847,721	(₱79,754,316)	₱186,093,405

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 (see Note 1).

The carrying value of property, plant and equipment, investment properties and others disposed off amounted to ₱196.7 million, ₱1,288.7 million and ₱61.6 million in 2015, 2014 and 2013, respectively. Loss on sale of property, plant and equipment, investment properties and others amounted to ₱94.6 million, ₱629.3 million and ₱17.3 million in 2015, 2014 and 2013, respectively. Receivables from disposal of property, plant and equipment, investment properties and others amounted to ₱1.3 million and ₱42.9 million as at December 31, 2015 and 2014, respectively (see Note 8).

As at December 31, 2015 and 2014, fully depreciated property, plant and equipment with gross carrying value of ₱10.3 million and ₱28.5 million, respectively, are still in use.

Fair Value Measurement

The Company's property, plant and equipment (except for transportation equipment) were appraised by an independent firm of appraisers on September 30, 2013. The fair value measurement for property, plant and equipment has been categorized as level 3 (significant unobservable inputs).

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

	Valuation Technique	Significant unobservable Inputs	Range (weighted average)
Land	Sales Comparison Approach	Selling price per square meter	₱4,030/ sq. m.
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	5 - 10 years remaining useful life
Leasehold and 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

12. Investment Properties

Investment properties comprise of the Company's hatchery buildings, dressing and rendering plants that are held to earn rentals (see Note 24) and parcels of land 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:

	Note	2015	2014
Balance at beginning of year		₱610,042,964	₱739,168,253
Fair value gain (loss)		1,685,952	(5,433,617)
Additions		13,402,922	16,820,528
Disposals	11	(196,692,300)	(140,512,200)
		₱428,439,538	₱610,042,964

Fair Value Measurement

Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal report was prepared on March 4, 2015. The Company recognized fair value gain of ₱1.7 million in 2015 and fair value loss of ₱5.4 million and ₱24.8 million in 2014 and 2013, respectively, presented as "Gain (loss) on fair value changes of investment properties" in the consolidated statements of comprehensive income. The fair value measurement for investment properties has been categorized as level 3 (significant unobservable inputs).

The composition of investment properties as at December 31, 2015 and 2014 are as follows:

	2015	2014
Cost	₱307,893,611	₱434,860,641
Cumulative gain on fair value changes	120,545,927	175,182,323
	₱428,439,538	₱610,042,964

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

	Valuation Technique	Significant unobservable Inputs	Range (weighted average)
Land	Sales Comparison Approach	Selling price per square meter	₱523 sq. m.
Building	Sales Comparison Approach	Sound value at market rate	5 - 10 years remaining useful life

13. Trade and Other Payables

This account consists of:

	Note	2015	2014
Trade	21	₱778,875,480	₱554,798,251
Nontrade		131,049,437	150,956,982
Accrued expenses		116,301,227	103,015,436
Customers' deposits		46,161,033	29,114,962
Provisions		25,812,642	56,043,608
Due to related parties	21	1,004,955	60,167,734
Advances		—	87,500,000
Others	21	7,824,652	19,022,932
		1,107,029,426	1,060,619,905
Noncurrent portion		(168,143,713)	(168,143,713)
Current portion		₱938,885,713	₱892,476,192

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

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 throughout the year.

Accrued expenses mainly pertain to plant and office supplies, salaries and other services, among others that are normally settled throughout the year.

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

Provisions include an estimated liability of ₱25.8 million of PFCI arising from a legal case for non-payment of rentals and a provision to cover a probable claim from a third party as at December 31, 2015 and 2014. PFCI ceased operations in 2005. The PFCI case is still pending decision before the Court of Appeals. The claim was settled with a third party in 2015. Based on PFRS, the Company is allowed not to disclose information that may compromise the Company.

Advances pertain to amount received from a buyer of investment properties still under negotiation as at December 31, 2014. The same was applied as proceeds from disposal of investment properties upon its consummation in 2015.

Other payables consist of advances from officers and employees, social security premiums payable and other statutory liabilities.

Kormasinc assumed trade payables aggregating ₱32.1 million in 2014 for cash consideration and in exchange for Kormasinc's equity interest in the Company (see Note 21).

The noncurrent portion of trade and other payables were liabilities held for payment in the same manner as the restructured debt. The payment terms and conditions, however, pursuant to the Plan are yet to be determined by the Court. Accordingly, these financial liabilities are carried at nominal values and are presented as noncurrent liabilities.

14. Cash Bond Deposits

Cash bond deposits amounting to ₱20.0 million and ₱16.4 million as at December 31, 2015 and 2014, respectively, substantially consist of surety bond deposits obtained from contract growers, contract breeders, customers and salesmen.

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.

15. Cost of Goods Sold

Movements in this account follow:

	Note	2015	2014	2013
Inventories at beginning of year	9	₱269,398,307	₱476,067,851	₱544,371,271
Purchases and cost of goods manufactured		3,002,000,882	1,977,186,104	2,632,036,169
		3,271,399,189	2,453,253,955	3,176,407,440
Inventories at end of year	9	(333,251,384)	(269,398,307)	(476,067,851)
		₱2,938,147,805	₱2,183,855,648	₱2,700,339,589

16. Other Operating Income

This account consists of:

	Note	2015	2014	2013
Rentals	24	₱26,487,499	₱15,710,269	₱47,303,780
Foreign currency exchange gain		4,657,996	—	—
Revenue from toll milling and toll hatching		1,874,120	30,347,926	51,093,658
Recovery of written-off accounts		—	25,256,631	—
Sale of scrap materials		—	—	17,967,767
Others		4,499,492	860,956	9,173,140
		₱37,519,107	₱72,175,782	₱125,538,345

Other income includes, among others, sale of experimental fatteners and laboratory analysis charges.

17. Operating Expenses

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

	2015	2014	2013
Administrative expenses	₱224,778,914	₱201,318,221	₱255,037,385
Selling and distribution expenses	196,588,213	176,069,849	189,959,107
	₱421,367,127	₱377,388,070	₱444,996,492

Details of operating expenses by nature are shown below:

	Note	2015	2014	2013
Transportation, travel, freight and handling		₱130,360,515	₱90,505,550	₱92,552,159
Employee benefits		129,239,910	58,337,788	74,236,515
Professional fees		32,638,887	29,971,902	38,807,430
Advertising and promotions		19,172,724	6,867,210	4,630,702
Provision for impairment loss on receivables	8	18,100,754	29,310,801	59,821,284
Representation and entertainment		17,525,344	7,813,917	7,251,373
Communications, light and water		12,341,864	12,193,687	10,671,919
Depreciation and amortization		10,172,148	39,655,897	55,619,571
Commissions		9,857,770	5,338,911	7,156,535
Taxes and licenses		9,647,197	18,266,592	30,995,482
Rentals	24	9,350,366	7,731,084	4,936,452
Repairs and maintenance		5,494,014	6,004,601	1,670,519
Supplies		4,510,117	6,562,383	5,740,055
Insurance		4,025,438	3,471,624	4,107,313
Provision for impairment loss on inventories		—	—	37,186,000
Others		8,930,079	55,356,123	9,613,183
		₱421,367,127	₱377,388,070	₱444,996,492

Employee Benefits

Expenses recognized as employee benefits are presented below:

	Note	2015	2014	2013
Salaries and wages		₱117,000,257	₱52,642,983	₱57,993,971
Retirement benefits	18	8,706,438	1,117,559	11,862,566
Other short term benefits		3,533,215	4,577,246	4,379,978
		₱129,239,910	₱58,337,788	₱74,236,515

The amount of employee benefits is allocated as follows:

	Note	2015	2014	2013
Administrative expenses		₱68,943,219	₱31,120,380	₱42,546,595
Selling and distribution expenses		60,296,691	27,217,408	31,689,920
	11	₱129,239,910	₱58,337,788	₱74,236,515

Allocation of Depreciation and Amortization

The amount of depreciation and amortization is allocated as follows (see Note 11):

	2015	2014	2013
Cost of goods sold	₱14,461,006	₱9,125,685	₱14,881,329
Administrative expenses	4,780,856	21,154,497	31,876,813
Selling and distribution expenses	5,291,292	18,501,400	23,742,758
	₱24,533,154	₱48,781,582	₱70,500,900

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

18. Retirement Benefits

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 liability and the amount of contributions. The latest actuarial valuation of the plan is as at December 31, 2015.

Pursuant to the reintegration of the Gromax's business to the Company, effective April 1, 2015, Gromax transferred its employees to the Company. Retirement benefits accruing to these employees were transferred to the Company, accordingly.

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

	2015	2014	2013
Current service costs	₱5,686,315	₱7,110,908	₱6,789,033
Interest expense	3,173,560	4,707,679	5,238,201
Interest income	(153,437)	(148,064)	(164,668)
Settlement gain	–	(10,552,964)	–
	₱8,706,438	₱1,117,559	₱11,862,566

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

	2015	2014
Present value of the obligation	₱78,393,004	₱76,323,164
Fair value of plan assets	(3,302,872)	(3,285,593)
	₱75,090,132	₱73,037,571

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

	2015	2014
Balance at beginning of year	₱76,323,164	₱96,888,738
Current service costs	5,686,315	7,110,908
Benefits paid	(4,631,371)	(21,373,064)
Interest expense	3,173,560	4,707,679
Actuarial gain	(2,158,664)	(458,133)
Settlement gain	–	(10,552,964)
Balance at end of year	₱78,393,004	₱76,323,164

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

	2015	2014
Balance at beginning of year	₱3,285,593	₱3,059,183
Interest income	153,437	148,064
Actuarial gain (loss)	(136,158)	78,346
Balance at end of year	₱3,302,872	₱3,285,593

Actual returns on plan assets amounted to ₱17,279 and ₱226,410 for the years ended December 31, 2015 and 2014, respectively.

The categories of plan assets as a percentage of the fair value to total plan assets are as follows:

	2015	2014
Cash and cash equivalents	46.98%	44.61%
Debt instruments	29.67%	29.83%
Equity instruments	26.74%	26.15%
Others	-3.39%	-0.59%

There are no expected future contributions in the plan in 2016.

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

	2015	2014
Less than one year	₱656,748	₱662,063
Between one and five years	6,288,972	4,657,988
Over five years	44,954,555	31,735,106
	₱51,900,275	₱37,055,157

The cumulative actuarial gains recognized in other comprehensive income as at December 31 follows:

	Cumulative Remeasurement Gain	Deferred Tax (see Note 20)	Cumulative Remeasurement Gain, Net of Tax (see Note 22)
Balance as at January 1, 2015	₱12,863,562	₱3,859,069	₱9,004,493
Transfer to deficit of actuarial gain	(3,604,967)	(1,081,491)	(2,523,476)
Actuarial gain, net of tax	2,022,506	606,752	1,415,754
Balance as at December 31, 2015	₱11,281,101	₱3,384,330	₱7,896,771
Balance as at January 1, 2014	₱12,327,083	₱3,698,125	₱8,628,958
Actuarial gain	536,479	160,944	375,535
Balance as at December 31, 2014	₱12,863,562	₱3,859,069	₱9,004,493

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

	2015	2014
Discount rates	5.11%	4.67%
Expected rate of salary increase	8.00%	7.00%
Average remaining working life of an employee retiring at the age of 60:		
Male	23	22
Female	26	25

The weighted average duration of the present value of defined benefit obligation is 17.1 years and 18.4 years in 2015 and 2014, respectively.

A quantitative sensitivity analysis for significant assumption as at December 31, 2015 and 2014 are shown below (*amounts in thousands*):

Assumptions	2015					
	Discount Rate		Future Salary Increase Rate		Future pension cost increase	
	14.6%	12.2%	13.1%	11.3%	23.0%	0%
Sensitivity Level	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on the net defined benefit liability	(₱11,458)	₱9,599	₱10,243	(₱88,43)	₱17,994	₱-

Assumptions	2014					
	Discount Rate		Future Salary Increase Rate		Future pension cost increase	
	15.2%	12.7%	13.7%	11.8%	9.3%	0%
Sensitivity Level	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on the net defined benefit liability	(P10,335)	P8,610	P9,311	(P7,991)	P6,332	P-

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

19. Stock Compensation Plan

The Company has a stock compensation plan for its officers and other executives. Under the plan, 20% of the annual gross pay of the Company's executives and officers is to be paid in shares of stock of the Company, which are purchased through the stock exchange. The Company's executives and officers' salaries under the stock compensation plan amounting to P4.4 million, P4.0 million and P4.4 million in 2015, 2014 and 2013, respectively, were converted to cash (see Note 21).

The BOD has approved the appointment of a third party as Trustee for the acquisition of such shares of stock at market value through the stock exchange.

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

20. Taxes

The components of tax benefit as reported in the consolidated statements of comprehensive income are as follows:

	2015	2014	2013
Reported in Consolidated Profit and Loss			
Current tax expense:			
MCIT at 2%	P10,907,953	P10,488,958	P7,427,251
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(17,441,531)	(244,739,309)	74,405,793
Income tax expense (benefit)	(P6,533,578)	(P234,250,351)	P81,833,044
Reported in Consolidated Other Comprehensive Income			
Deferred tax expense (benefit) related to accumulated unrealized actuarial gain (loss)	P606,752	P160,944	P43,246
Deferred tax expense related to additional revaluation reserve on property, plant and equipment	-	-	4,244,669
	P606,752	P160,944	P4,287,915

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

	2015	2014	2013
Income tax at statutory tax rate	₱192,670	(₱243,739,111)	(₱95,741,342)
Adjustment for income subjected to lower income tax rates	(30,982)	(94,977)	(82,276)
Tax effects of:			
Nondeductible expenses	32,894,594	33,825,994	237,691,069
Other deductible expenses	(16,896,704)	(8,078,312)	(214,949,914)
Expiry of unrecognized deferred tax asset on:			
MCIT	7,412,103	4,659,028	5,412,327
NOLCO	549,121	22,500	28,170,492
Change in unrecognized deferred tax assets	(30,654,380)	(20,845,473)	121,332,688
	(₱6,533,578)	(₱234,250,351)	₱81,833,044

The components of the recognized net deferred tax assets and liabilities as at December 31 are as follows:

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income (Profit or Loss)		
	2015	2014	2015	2014	2013
Deferred tax assets:					
Allowance for impairment losses on:					
Trade and other receivables	₱103,431,089	₱102,052,808	₱1,378,281	(₱5,653,885)	(₱113,328,786)
Product development costs	9,410,519	9,410,519	-	-	-
Property, plant and equipment	5,246,289	5,698,429	(452,140)	-	5,246,289
Inventories	-	-	-	(29,366,335)	11,155,800
Retirement liability	21,329,379	21,911,271	(1,056,631)*	(6,076,651)*	1,292,336
	139,417,276	139,073,027	(130,490)	(41,096,871)	(95,634,361)
Deferred tax liabilities:					
Revaluation reserve on property, plant and equipment	(78,247,742)	(79,754,316)	1,506,574	263,580,938	13,786,775
Changes in fair value of investment properties	(36,489,250)	(52,554,697)	16,065,447	22,255,242	7,441,793
	(114,736,992)	(132,309,013)	17,572,021	285,836,180	21,228,568
Deferred tax expense (benefit)			₱17,441,531	(₱244,739,309)	₱74,405,793
Net deferred tax assets (liabilities)	₱24,680,284	₱6,764,014			

*Excludes income tax effect on actuarial gain of ₱0.6 million and ₱0.2 million in 2015 and 2014, respectively.

The details of NOLCO and MCIT, which can be claimed as deduction from future taxable income and from RCIT due, respectively, within three years from the year the NOLCO and MCIT was incurred, is shown below.

NOLCO

Year Incurred	Beginning Balance	Incurred (Applied)	Expired	Ending Balance	Valid Until
2015	₱-	₱8,331,507	₱-	₱8,331,507	2018
2014	3,801,370	-	-	3,801,370	2017
2013	471,925,895	(144,030,901)	-	327,894,994	2016
2012	1,830,404	-	(1,830,404)	-	2015
	₱477,557,669	(₱135,699,394)	(₱1,830,404)	₱340,027,871	

MCIT

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2015	P-	P10,907,953	P-	P10,907,953	2018
2014	10,488,958	-	-	10,488,958	2017
2013	7,427,250	-	-	7,427,250	2016
2012	7,412,103	-	(7,412,103)	-	2015
	P25,328,311	P10,907,953	(P7,412,103)	P28,824,161	

The amount of NOLCO, MCIT and other deductible temporary differences as at the end of 2015 and 2014 for which the related deferred tax assets have not been recognized are shown below.

	2015		2014	
	Amount	Tax Effect	Amount	Tax Effect
NOLCO	P340,027,871	P102,008,361	P477,557,669	P143,267,301
MCIT	28,824,161	28,824,161	25,328,311	25,328,311
Allowance for impairment losses on:				
Trade and other receivables	144,400,537	43,320,161	130,894,053	39,268,216
Other assets	53,344,274	16,003,282	53,344,274	16,003,281
Property, plant and equipment	50,949,449	15,284,835	49,442,316	14,832,695
Provision for losses on litigation	25,812,642	7,743,793	25,812,642	7,743,793
Retirement liability	7,597,172	2,279,152	-	-
Non-recoverable input VAT	1,402,102	420,631	1,402,102	420,631
Loss on fair value changes of investment properties	1,084,906	325,472	-	-
	P653,443,114	P216,209,848	P763,781,367	P246,864,228

Some of the deferred tax assets that have not been recognized are related to PFCI's operations. As discussed in Note 1, PFCI discontinued its operations, hence, the above deferred tax assets were no longer recognized.

21. Related Party Transactions

The Company engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others, as described below.

Payable to a Stockholder

Settlement of Restructured Debt. As discussed in Note 1, during the year ended December 31, 2013, Kormasinc acquired the Company's restructured debt from creditors and entered into a memorandum of agreement with the Company for a debt to equity conversion on September 20, 2013. Pursuant to the agreement, P2.4 billion of the restructured debt of P3.2 billion (including interest of P200.0 million) was converted to equity at one peso (P1.00) for every one (1) share of stock on the remaining available shares and on the increase in authorized capital stock from P0.5 billion to P3.5 billion. On October 16, 2013, the SEC approved the debt to equity conversion and the Company's increase in authorized capital stock. Consequently, Kormasinc acquired 85.29% ownership of the Company.

The transfer of interest on the restructured loan to Kormasinc and the debt to equity conversion of the Company's loan to Kormasinc resulted to the reversal of the unamortized "day 1" gain on the loan amounting to ₱681.8 million as at September 20, 2013. However, the subsequent approval by the SEC of the debt to equity conversion resulted to a pro-forma accounting income of ₱689.2 million arising from the difference between the market value and the par value of the shares at which price the debt was converted to equity (see Note 22).

Summarized below are the outstanding accounts, arising from the foregoing transactions:

Relationship	Nature of Transactions	2015		2014	
		Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Kormasinc	Parent Company				
	Restructured debt acquired	(₱63,272,000)	₱175,027,457	(₱399,589,509)	₱238,299,457
	Trade payables acquired	-	32,097,944	32,097,944	32,097,944
	Interest on restructured debt	-	199,985,490	-	199,985,490
			₱407,110,891		₱470,382,891

The terms of the payment of the loan are still subject to negotiation. Interest on the loan from the period September 2013 to December 2015 was waived by Kormasinc. Proceeds from the disposal of several core and noncore assets amounting to ₱63.3 million and ₱350.4 million in 2015 and 2014, respectively, were applied against the outstanding debt.

Reversal of Accrued Interest. Accrued interest amounting to ₱139.8 million pertaining to the restructured debt was reversed to other income in 2013 arising from the acquisition of the debt by Kormasinc.

Discounting of Receivables Offset against Payable to a Stockholder. On December 12, 2014, the Company's BOD approved the discounting of Company receivable from Luz Farms, Inc. (LFI) to Kormasinc for a 50% discount considering the financial capability of LFI. Consequently, on the same date, the Company entered into a memorandum of agreement with Kormasinc discounting the Company's receivable from LFI for ₱49.2 million. Proceeds were used to offset portion of the Company's payable to Kormasinc. Loss on the discounting amounted to ₱49.2 million.

Trade Payables acquired by Kormasinc. In 2014, Company trade payables aggregating ₱32.1 million were acquired by Kormasinc from suppliers (see Note 13).

Interest Expense. Interest expense computed on the restructured debt shown as part of total interest expense in the 2015, 2014 and 2013 consolidated statements of comprehensive income follows:

	2015	2014	2013
Accretion of discount	₱-	₱-	₱92,129,633
Nominal interest payable to creditor banks/SPAVs	-	-	62,266,072
Others	220,535	-	-
	₱220,535	₱-	₱154,395,705

Due to and from related parties

Advances to and from Related Parties. The Company also grants unsecured, noninterest-bearing 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.

Summarized below are the outstanding accounts arising from these transactions (see Note 13).

	Relationship	Nature of Transactions	2015		2014	
			Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Due from (to) related parties						
Precisione International Research and Diagnostic Lab Inc. Stockholders	Common Stockholders	Working capital advances	₱1,662,779	(₱1,004,955)	₱1,896,186	(₱2,667,734)
Luz Farms, Inc.	Common Stockholders	Working capital advances	(57,500,000)	—	(57,500,000)	(57,500,000)
Texas Manok ATBP, Inc.	Common Stockholders	Working capital advances	—	—	(98,379,016)	—
Others	Common Stockholders	Working capital advances	—	—	(3,910,000)	—
			—	—	(10,374,076)	—
			(₱1,004,955)		(₱60,167,734)	

In 2014, the Company recognized impairment loss on the amounts due from related parties that already ceased operations amounting to ₱3.1 million. Consequently, the Company's BOD approved the write-off of ₱14.2 million due from all related parties that have ceased operations.

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 (see Note 13).

	Relationship	Nature of Transactions	2015		2014	
			Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Great Harvest Enterprise, Inc.	Stockholder	Purchases	₱—	(₱37,256,155)	(₱37,256,155)	(₱37,256,155)

Advances to (from) Officers and Employees

The Company grants unsecured, noninterest-bearing advances to its officers subject to liquidation after a certain specified period (see Note 8). Certain officers also pay operating expenses on behalf of the Company (see Note 13). Shown below are the movements in the accounts.

	Note	Amount of Transactions		Outstanding Balances	
		2015	2014	2015	2014
Advances to officers and employees	8	(₱162,608)	(₱1,752,903)	₱4,173,145	₱4,335,753
Advances from officers	13	3,598,773	3,408,758	—	(3,598,773)

Compensation of Key Management Personnel

The compensation includes the following:

	Note	2015	2014	2013
Short-term employee benefits		₱31,966,885	₱28,966,161	₱29,555,418
Compensation paid in share of stock/equivalent value in cash	19	4,424,172	4,008,876	4,379,978
Retirement benefits		2,663,907	2,413,847	2,471,562
Others		17,672,343	16,013,444	14,988,066
		₱56,727,307	₱51,402,328	₱51,395,024

22. Equity

Capital Stock

The Company has authorized capital stock of 3.5 billion shares at ₱1 par value equivalent to ₱3.5 billion. Movements of the shares are as follows:

	2015	2014
Authorized	3,500,000,000	3,500,000,000
Issued and outstanding	2,786,497,901	2,786,497,901

The BOD approved the increase in the Company's authorized capital stock from 500 million shares of stock at ₱1.00 par value equivalent to ₱500 million to (a) 1.0 billion shares of stock at ₱1.00 par value equivalent to ₱1.0 billion on May 27, 2010, (b) 1.5 billion shares of stock at ₱1.00 par value equivalent to ₱1.5 billion on June 1, 2012, and (c) 3.5 billion shares of stock at ₱1.00 par value equivalent to ₱3.5 billion on August 28, 2012.

On September 20, 2013, the BOD approved the conversion of part of the Company's debts to Kormasinc amounting to ₱2.4 billion into equity at a ratio of 1:1 or 1 share of common stock for every ₱1.00 debt in which ₱90.0 million shall be applied as payment for the issuance of the 90,030,237 shares out of the existing unissued shares, while ₱2.3 billion shall be applied as payment for the additional shares of stock which shall be issued out of the increase in the authorized capital stock.

The increase in authorized capital stock and the debt-to-equity conversion were approved by the SEC on October 16, 2013.

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
Oct. 16, 2013	3,000,000,000	2,286,497,901
Feb. 9, 1989	200,000,000	200,000,000
Aug 11, 1986	200,000,000	200,000,000
Dec. 5, 1982	33,000,000	33,000,000
Dec. 5, 1977	45,000,000	45,000,000
Oct. 31, 1974	7,000,000	7,000,000
May 2, 1973	10,000,000	10,000,000
Oct. 2, 1972	5,000,000	5,000,000

The shares were issued at a price ranging from a minimum of ₱8.00 to a maximum of ₱12.50 per share.

The following summarizes the information on the Company's issued and outstanding shares as at December 31, 2015:

	Number of shares issued and outstanding	Percentage of shares
Issued and outstanding	2,786,497,901	100.00%
Listed shares:		
Owned by related parties	1,941,339,491	69.67%
Owned by public	703,240,952	25.24%
Owned by directors and officers	141,917,458	5.09%
Total	2,786,497,901	

Of the total shares owned by the public, 10.9 million shares are foreign-owned.

The total number of shareholders of the Company is 4,303 and 4,379 as at December 31, 2015 and 2014, respectively.

Additional Paid-in Capital

The approval by the SEC of the debt to equity conversion resulted to a pro-forma accounting income of ₱689.2 million and a reduction of the additional paid in capital of the same amount arising from the difference between the market value and the par value of the shares at which price the debt was converted to equity (see Note 21). APIC amounted to ₱224.5 million as at December 31, 2015 and December 31, 2014.

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 11)	Accumulated Actuarial Gains (see Note 18)	Total
Balance at January 1, 2015	₱186,093,405	₱9,004,493	₱195,097,898
Transfer to deficit of actuarial gain	-	(2,523,476)	(2,523,476)
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	(3,515,340)	-	(3,515,340)
Actuarial gain, net of tax	-	1,415,754	1,415,754
Balance at December 31, 2015	₱182,578,065	₱7,896,771	₱190,474,836
Balance at January 1, 2014	₱801,115,595	₱8,628,958	₱809,744,553
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	(7,571,835)	-	(7,571,835)
Transfer to deficit of revaluation reserve realized through disposal, net of tax	(607,450,355)	-	(607,450,355)
Actuarial gain, net of tax	-	375,535	375,535
Balance at December 31, 2014	₱186,093,405	₱9,004,493	₱195,097,898

23. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share were computed as follows:

	2015	2014	2013
Net income (loss) for the year	₱7,175,811	(₱578,213,353)	(₱400,970,850)
Divided by the weighted average number of outstanding shares	2,786,497,901	2,786,497,901	1,004,101,799
Earnings (loss) per share - basic and diluted	₱0.003	(₱0.21)	(₱0.40)

Diluted earnings (loss) per share is equal to the basic earnings (loss) per share since the Company does not have potential dilutive shares.

24. Significant Agreements

Operating Lease Agreement - 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 three 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 rental from these operating leases amounted to ₱26.5 million, ₱15.7 million and ₱47.3 million in 2015, 2014 and 2013, respectively, and are shown as part of "Other operating income" account in the consolidated statements of comprehensive income (see Note 16).

Operating Lease Agreement - Company as Lessee

The Company leases its warehouses under operating lease agreements. The terms of the lease is one to two years and renewable upon mutual agreement by the parties. Rent expense amounted to ₱9.4 million, ₱7.7 million and ₱4.9 million in 2015, 2014 and 2013, respectively (see Note 17).

Future minimum lease payments under the lease agreements follow:

	2015	2014
Within one year	₱9,350,366	₱7,731,084
More than one year but not more than five years	18,700,732	15,462,168
More than five years	-	-
	₱28,051,098	₱23,193,252

25. Contingencies

Legal Claims

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. None of these contingencies are discussed in the consolidated financial statements in detail so as not to seriously prejudice the Company's position in the related disputes.

26. Financial Instruments

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:

	2015		2014	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash in banks	₱185,142,633	₱185,142,633	₱240,539,251	₱240,539,251
Trade and other receivables*	814,647,373	814,647,373	773,794,702	773,794,702
Security deposits	14,656,635	14,656,635	2,622,505	2,622,505
	₱1,014,446,641	₱1,014,446,641	₱1,016,956,458	₱1,016,956,458
	2015		2014	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Liabilities				
Trade and other payables**	₱1,102,469,691	₱1,102,469,691	₱1,051,063,546	₱1,051,063,546
Payable to a stockholder	407,110,891	407,110,891	470,382,891	470,382,891
Cash bond deposits	20,008,284	20,008,284	16,419,545	16,419,545
	₱1,529,588,866	₱1,529,588,866	₱1,537,865,982	₱1,537,865,982

*Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱55.4 million, ₱15.4 million and ₱4.2 million, respectively, in 2015 and ₱17.5 million, ₱13.7 million and ₱4.3 million, respectively, in 2014.

**Excluding statutory liabilities amounting to ₱4.6 million and ₱9.6 million in 2015 and 2014, respectively.

Loans and Receivables and Financial Liabilities. Due to the short-term nature of transactions, the fair value of loans and receivables and financial liabilities at amortized cost approximate the carrying values as at the reporting date.

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

Interest Rate Risk

As at December 31, 2015 and 2014, 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 on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements) as summarized below.

	2015	2014
Cash in banks	₱185,142,633	₱240,539,251
Trade and other receivables*	814,647,373	773,794,702
Security Deposits	14,656,635	2,622,505
	₱1,014,446,641	₱1,016,956,458

*Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱55.4 million, ₱15.4 million and ₱4.2 million, respectively, in 2015 and ₱17.5 million, ₱13.7 million and ₱4.3 million, respectively, in 2014.

The Company continuously monitors defaults of counterparties, identified either individually or by Company, and incorporate 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 tables below show the credit quality of the Company's financial assets:

2015						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Total			
Cash in banks	₱185,142,633	₱-	₱185,142,633	₱-	₱-	₱185,142,633
Trade and other receivables*	470,816,547	-	470,816,547	343,830,826	489,170,834	1,303,818,207
Security deposits	14,656,634	-	₱14,656,634	-	-	14,656,634
	₱670,615,814	₱-	₱670,615,814	₱343,830,826	₱489,170,834	₱1,503,617,474

*Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱55.4 million, ₱15.4 million and ₱4.2 million, respectively.

2014						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Total			
Cash in banks	₱240,539,251	₱-	₱240,539,251	₱-	₱-	₱240,539,251
Trade and other receivables*	354,979,956	-	354,979,956	418,814,746	471,070,080	1,244,864,782
Security deposits	2,622,505	-	2,622,505	-	-	2,622,505
	₱598,141,712	₱-	₱598,141,712	₱418,814,746	₱471,070,080	₱1,488,026,538

*Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱17.5 million, ₱13.7 million and ₱4.3 million, respectively.

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 these 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, 2015 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
Payable to stockholder	P407,110,891	P-	P-	P-
Trade and other payables*	503,488,282	430,837,696	-	168,143,713
Cash bond deposits	-	-	-	20,008,284
	P910,599,173	P430,837,696	P-	P188,151,997

*Excluding statutory liabilities amounting to P4.6 million in 2015.

As at December 31, 2014 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
Payable to stockholder	P470,382,891	P-	P-	P-
Trade and other payables*	475,786,610	407,133,223	-	168,143,713
Cash bond deposits	-	-	-	16,419,545
	P946,169,501	P407,133,223	P-	P184,563,258

*Excluding statutory liabilities amounting to P9.6 million in 2014.

Noncurrent trade and other payables later than 5 years pertain to liabilities as of the date of filing of the Plan wherein the Rehabilitation Court issued Stay Order prohibiting the Company from making any payments thereof.

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.

28. 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.

The Company carried significant liabilities in the past several years. These liabilities were restructured to longer payment terms and lower interests by a rehabilitation court in 2007. As discussed in Note 1, Kormasinc acquired the Company's restructured debt and entered into a debt to equity conversion in 2013. Moreover, in 2014, the Company disposed off core and noncore assets, mainly the feed mill plant in Marilao, Bulacan. Proceeds of the sale were used to reduce the remaining liabilities to Kormasinc (Payable to stockholder) and to generate the necessary working capital to sustain operations.

The restructured debt now presented as payable to stockholder was substantially reduced from ₱270.4 million in 2014 to ₱207.1 million in 2015, excluding interest of ₱200.0 million.

Company liabilities and equity are shown below.

	2015	2014
Total liabilities	₱1,609,238,733	₱1,620,490,023
Total equity	764,030,939	754,357,883



**REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

We have audited the accompanying consolidated financial statements of VITARICH CORPORATION AND SUBSIDIARIES (the Company), a subsidiary of Kormasinc, Inc., as at and for the year ended December 31, 2015, on which we have rendered our report dated March 21, 2016.

In compliance with Securities Regulations Code Rule No. 68, as amended, we are stating that the Company has three thousand two hundred eighty five (3,285) stockholders owning at least one hundred (100) or more shares each.

REYES TACANDONG & Co.


EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1021-AR-1 Group A

Valid until November 11, 2016

BIR Accreditation No. 08-005144-5-2013

Valid until November 26, 2016

PTR No. 5321833

Issued January 5, 2016, Makati City

March 21, 2016
Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors
VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)
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 (a subsidiary of Kormasinc, Inc.) as at and for the year ended December 31, 2015, and have issued our report thereon dated March 21, 2016. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Company's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the consolidated financial statements. This schedule has 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 in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2018

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BIR Accreditation No. 08-005144-5-2013

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PTR No. 5321833

Issued January 5, 2016, Makati City

March 21, 2016
Makati City, Metro Manila

VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)

FINANCIAL RATIOS
DECEMBER 31, 2015

Below is a schedule showing financial soundness indicators in the years 2015, 2014 and 2013.

	2015	2014	2013
Current/Liquidity Ratio	1.10	1.01	0.76
Current assets	1,483,073,290	1,375,592,543	1,365,166,738
Current liabilities	1,345,996,604	1,362,889,194	1,797,636,597
Solvency Ratio	0.02	(0.33)	(0.14)
Net income (loss) before depreciation	31,695,188	(529,431,771)	(330,469,950)
Total liabilities	1,609,238,733	1,620,490,023	2,319,180,960
Debt-to-equity Ratio	2.11	2.15	1.74
Total liabilities	1,609,238,733	1,620,490,023	2,319,180,960
Total equity	764,030,939	754,357,883	1,332,195,701
Asset-to-equity Ratio	3.11	3.15	2.74
Total assets	2,373,269,672	2,374,847,906	3,651,376,661
Total equity	764,030,939	754,357,883	1,332,195,701
Interest rate coverage Ratio	3.91	-	0.62
Pretax income (loss) before interest	862,768	(812,463,704)	517,080,268
Interest expense	220,535	-	836,218,074
Profitability Ratio	0.01	(0.77)	(0.30)
Net income (loss)	7,175,811	(578,213,353)	(400,970,850)
Total equity	764,030,939	754,357,883	1,332,195,701

VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2015**

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Operating Segments- Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets		✓	
	Financial Instruments: Classification and Measurement of Financial Liabilities		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27 (Amended): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property – Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		
PAS 41	Agriculture			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

Philippine Interpretations - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓



**REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)
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 (a subsidiary of Kormasinc, Inc.) as at December 31, 2015 included in this Form 17-A and have issued our report thereon dated March 21, 2016. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68 Part II 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 data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1021-AR-1 Group A

Valid until November 11, 2016

BIR Accreditation No. 08-005144-5-2013

Valid until November 26, 2016

PTR No. 5321833

Issued January 5, 2016, Makati City

March 21, 2016
Makati City, Metro Manila

VITARICH CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF
SRC RULE 68 AS AMENDED
DECEMBER 31, 2015

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C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	2
D	Intangible Assets - Other Assets	N/A
E	Long-Term Debt	N/A
F	Indebtedness to Related Parties	3
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	4

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES and PRINCIPAL
STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2015

Name and Designation of Debtor	Balance at beginning of Period	Additions	Deductions		Ending Balance		Balance at end of period
			Collected	Written Off	Current	Noncurrent	
Advances to Officers and Employees:							
Alex Magua - District Sales Manager	₱131,607	₱—	₱25,282	₱—	₱—	₱—	₱106,325
Ronald Gabriela - Regional Sales Manager	120,070	—	120,070	—	—	—	—
Manolo Inting - Sales Manager – Mindanao	115,080	—	114,906	—	—	—	174
Others*	3,968,996	97,650	—	—	—	—	4,066,646
	₱4,335,753	₱97,650	₱260,258	₱—	₱—	₱—	₱4,173,145

*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, 2015

Related Party	Balance at beginning of period	Additions	Deductions			Ending Balance		Balance at end of period
			Collections	Write Off	Amounts written off	Current	Noncurrent	
Amounts Due from Related Parties								
Gromax, Inc.	₱52,719,014	₱-	(₱15,386,245)	₱-	₱-	₱37,332,769	₱-	₱37,332,769
Philippine Favorite Chicken, Inc.	-	-	-	-	-	-	-	-
	₱52,719,014	₱-	(15,386,245)	₱-	₱-	₱37,332,769	₱-	₱37,332,769

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
December 31, 2015

Related Party	Balance at beginning of period	Additions	Deductions			Ending Balance		Balance at end of period
			Collections (Payments)	Discounting	Write Off	Current	Noncurrent	
Stockholders	(P82,500,000)	P-	(P82,500,000)	P-	P-	P-	P-	P-
Precisione International Research & Diagnostic Laboratory	(2,667,734)	-	(1,662,779)	-	-	(1,004,955)	-	(1,004,955)
	(P85,167,734)	P-	(P84,162,779)	P-	P-	(P1,004,955)	P-	(P1,004,955)

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER

December 31, 2015

					Number of shares held by	
<u>Title of Issue</u>	Number of shares authorized	Number of shares issued and outstanding as shown under the statement of financial position caption	Number of shares reserved for options, warrants, conversion & other rights	Related parties	Directors, officers and employees	Public
Common stock - 1 par value per share						
Authorized – 3,500,000,000 shares	3,500,000,000	2,786,497,901	–	1,941,339,491	141,917,458	141,917,458