COVER SHEET

2 1 1 3 4

S.E.C. Registration Number

VITARICH CORPORATION

(Company's Full Name)

MARILAO-SAN JOSE ROAD, STA. ROSA I, MARILAO, BULACAN

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

Atty. Mary Christine Dabu-Pepito

Contact Person

843-30-33 connecting all dept.

Company Telephone Number

1 2 - 3 1

Month Day

Fiscal Year

1 7 - A

Form Type

Last Friday of June

0 6

Month Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

SEC COVER SHEET 17-A

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

APR 17 2017

17

1. For the fiscal year ended **December 31, 2016**

2. SEC Identification Number **21134**

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

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

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

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

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

8. **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.

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.

On 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.

On September 16, 2016, the Rehabilitation Court granted the Company's motion for a successful exit from the Plan.

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.

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 49% of the total animal and aqua feeds sales volume, whereas the Visayas and Mindanao areas accounted for 51%.

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 farm gate, 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.

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 P4.88M in 2016, 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. Continuous improvement of pollution control devices and/or equipment to meet regulatory Standards.
6. Annual renewal of Permits from DENR-EMB is secured. Cost varies for each plant ranging from P1,000 to 10,000.

Manpower Complement

As of December 31, 2016 the Corporation and its subsidiaries have a total number of 823 employees composed of supervisors, managers, executives and rank and file, with 441 regulars and 382 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, 2016 and 2015, 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. Pursuant to the Company's motion for successful exit from Corporate Rehabilitation which was approved by the Regional Trial Court on September 16, 2016, these liabilities became due and demandable.

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		
Luzon	Good	Toll
Visayas	Good	Owned
Mindanao	Good	Owned/Toll
Dressing Plant		
Luzon	Good	Toll
Visayas	Good	Toll
Mindanao	Good	Toll
Hatchery		
Luzon	Good	Toll
Visayas	Good	Toll
Mindanao	Good	Toll

The Corporation will only consider 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

On 17 August 2016, Vitarich Corporation received the amount of P58.9 million as partial payment of its insurance claim against Charter Ping An Insurance Corporation in the amount of P31.5 million, excluding interests. The remaining claim of P247.7 million is still pending partial appeal with the Court of Appeals.

On 16 September 2016, Vitarich Corporation received the Order of the Regional Trial Court of Malolos, Bulacan, Branch 7, granting its Motion to Declare Successful Exit from Corporate Rehabilitation. Thus, Vitarich Corporation was declared released from corporate rehabilitation and the rehabilitation proceedings were ordered terminated by the said court.

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:

	2015		2016	
	High	Low	High	Low
1st quarter	0.70	0.71	0.75	0.71
2nd quarter	0.79	0.75	0.88	0.86
3rd quarter	0.68	0.65	2.42	2.34
4th quarter	0.60	0.60	1.41	1.34

The closing price of the Corporation's common shares as of the last trading date – December 29, 2016 was P 1.36 per share.

As of February 28, 2017, the latest trading date prior to the completion of this annual report, sales price of the common stock was at P1.69 / 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, 2016 is 4,255 and the total number of shares outstanding on that date was 2,786,497,901.

	Dec 2016	Dec 2015
Number of Issued & Outstanding Shares	2,786,497,901	2,786,497,901
Number of Stockholders	4,255	4,303
Number of Shares owning at least one board lot each	3,238	3,285

The Company's foreign equity ownership as of December 31, 2016 is as follows:

	No. Of Shares	% Ownership
Shares owned by Filipino	2,495,182,752	89.55%
Shares owned by Foreigners	291,315,149	10.45%
Total	**2,786,497,901**	**100.00%**

Dividends

In 1995, the Corporation declared a cash dividend of P0.10 per share. For the years 1996 up to 2014, 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, 2016:

Name of Stockholder	Number of Shares	Percent to Total Outstanding Shares
1 PCD NOMINEE CORPORATION (FILIPINO)	2,461,867,547	88.35%
2 PCD NOMINEE CORPORATION (NON-FILIPINO)	289,171,829	10.38%
3 PACIFIC EQUITY INC.	10,843,717	0.39%
4 YAZAR CORPORATION	1,402,520	0.05%
5 MA. SOCORRO S. GATMAITAN	1,307,033	0.05%
6 MA. LOURDES S. CEBRERO	1,305,320	0.05%
7 MA. LUZ S. ROXAS	1,305,320	0.05%
8 JOSE M. SARMIENTO	1,305,320	0.05%
9 MA. VICTORIA M. SARMIENTO	1,305,320	0.05%
10 GLICERIA M. SARMIENTO	690,000	0.02%
11 DELIA S. ATIZADO	527,860	0.02%
12 NELIA CRUZ	527,850	0.02%
13 ROGELIO M. SARMIENTO	290,000	0.01%
14 BARBARA ARLENE I. SARMIENTO	228,510	0.01%
15 BETINA ANGELINA I. SARMIENTO	228,510	0.01%
16 PACIFIC EQUITY INC.	226,500	0.01%
17 NORBERTO T. HOFELENA	220,778	0.01%
18 GLADY Y. LAO	215,000	0.01%
19 JOSE EDUARDO RONDAIN	210,000	0.01%
20 ANTONIO S. RAAGAS	210,000	0.01%
Others	13,108,967	0.47%
Total Shares Issued and Outsanding	**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 2016 compared to Fiscal Year 2015

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

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

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

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

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

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

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

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

Other charges of P178 million in 2016 were 46% higher than 2015 of P122 million due to tax compromise settlement, demurrage on cargo release, and provision of probable loses. The Company's other income/(charges) consisted of the following (in thousand pesos):

Other Income (Charges)

This account consists of:

	2016	2015	2014
Tax compromise settlement	**(₱92,245,484)**	₱–	₱–
Demurrage on cargo release	**(56,217,312)**	–	–
Provision for probable losses	**(25,235,761)**	–	(2,992,128)
Interest expense	**(12,642,159)**	–	–
Gain (loss) on fair value changes of investment properties	**7,048,102**	1,685,952	(5,433,617)
Interest income	**928,803**	170,676	534,082
Impairment losses on:			
Property, plant and equipment	**(488,533)**	–	–
Other current assets	–	(3,095,532)	(3,051,516)
Loss on sale of property, plant and equipment, investment properties and others	**₱–**	(₱94,613,100)	(₱629,318,641)
Legal fees	–	(14,672,209)	–
Loss on discounting of receivables	–	–	(49,189,508)
Others	–	(12,046,670)	–
	(₱178,852,344)	(₱122,570,883)	(₱689,451,328)

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

2016 other comprehensive income increased by 6149% compared to 2015. *(see note 9 of the accompanying consolidated financial statements).*

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

Financial Condition

Total assets as of December 31, 2016 amounted to P2.86 billion, 21% higher than 2015.

The Company's cash of P117 million was lower by 37% versus last year's P185 million due to continuous update of payables. Trade and other receivables of P1,184 million increased by 33% versus last year's P890 million due to increase in sales. Inventories of P482 million went up by 45% from previous year's balance of P333 million due to higher raw materials, finished feeds, and livestock inventories. Other current assets of P44 million decreased by 41% versus last year due to lower usage of VAT input tax in 2016.

Property, plant and equipment of P517 million increased by 26% *(see note 9 of the accompanying consolidated financial statements).* Investment properties of P495 million increased by 16% versus last year *(see note 10 of the accompanying consolidated financial statements).* Other noncurrent assets decreased by 19% *(see note 8 of the accompanying consolidated financial statements)..*

Trade and other payables of P1,453 million increased by 55% due to higher purchase on account of higher sales volume.

Fiscal Year 2015 Compare to Fiscal Year 2014

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

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

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

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

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

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

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

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

Other charges of P122 million in 2015 was 82% lower than 2014 of P689 million. 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 pr	**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 P277.7 million or 97% versus 2014. The components of tax benefit as reported in the consolidated statements of comprehensive income are current tax expenses: MCIT at 2% and deferred tax benefit relating to origination and reversal of temporary differences *(see note 20 of the accompanying consolidated financial statements).*

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

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

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

	2016	2015
Revenue (Php billion)	5.10	3.44
Cost Contribution (Php billion)	4.47	2.94
Gross Profit Rate (%)	12%	15%
Operating Margin (Php billion)	205	0.123

1) Sales Volume, Price, and Revenue Growth

Consolidated revenue, composed of feeds, day old chicks, chicken, and dory fish sales, amounted to P5.10 billion, 48% higher than the same period last year of P3.44 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.

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

There are no material commitments for capital expenditures.

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

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

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

Item 7. FINANCIAL STATEMENTS

The Consolidated Audited Financial Statement of the Corporation for the year-ended December 31, 2016 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 2016, the Company's independent public accountant is the accounting firm of Reyes Tacandong & Co. The audit of the financial statements of the Company was handled and certified by the engagement partner, Ms. Belinda B. Fernando. The Company has complied with SRC Rule 68, paragraph 3 (b) (iv) re: five (5) years rotation requirement for the external auditor.

In pursuant to SRC Rule 68.1 (Qualification and Reports of Independent Auditors), the Company engaged Reyes Tacandong & Co. for the examination of the Company's financial statements effective 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 Company.

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 and Assurance Standards Council, as applicable to review engagements. For the years 2016, 2015 and 2014, audit and audit-related fees amounted to ₱3.8 million, ₱3.6 million, and ₱3.4 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 24, 2016 except for Mr. Vicente J.A. Sarza who was elected during the Company's regular board meeting held on August 25, 2016.

Atty. Eduardo T. Rondain resigned as independent director on July 25, 2016 due to health reason.

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, 59 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.

Ricardo Manuel M. Sarmiento, Filipino, 40 years old
President & Chief Executive Officer
Mr. Ricardo Manuel Sarmiento is presently the President and Chief Executive Officer of Vitarich Corporation. He leads the over-all operations of Vitarich Corporation. He holds a degree in Bachelor of Science in Tourism from the University of the Philippines in Diliman, Quezon City. He is a member of the Upsilon Sigma Phi. Mr. Sarmiento joined Vitarich in July 2005.

Stephanie Nicole M. Sarmiento-Garcia, Filipino, 37 years old
Executive Vice-President, Corporate Service Management Director and Treasurer
Ms. Garcia is the EVP, Corporate Management Director and Treasurer of the Company. As such, she is in charge of the funds, assets, securities, receipts and disbursements of the Corporation. She oversees efficient operations, allocates funds and negotiates contracts and prices as well. Prior to this, she was Support Director of Vitarich Corporation since March 2006 and, as such, directed and monitored compliance of the departments to the established production and quality parameters. 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.

Rogelio M. Sarmiento, Filipino, 68 years old
Director (since 1980)
Mr. Sarmiento was the President of L. S. Sarmiento & Co., Inc., Sarmiento Industries, Inc., Fortuna Mariculture Corporation, and Sarphil Corporation from 1968 to 1981. He obtained his Bachelor of Science in Business Administration degree from the University of San Francisco and his Master of Business Administration degree from the University of Sta. Clara in the United States of America. He was President of the Philippine Association of Feed Millers Inc. from 1990-1992 and Vice-President of the Philippine Chamber of Commerce from 1988 to 1989. Formerly a member of the interim Batasang Pambansa, he concurrently served as Minister of State for Transportation and Communications. He also served as Deputy Director General of the National Economic and Development Authority. He was a member of the House of Representatives representing the First District of the Province of Davao del Norte from 1992 to 2001.

Benjamin I. Sarmiento Jr., Filipino, 48 years old
Director (since 1998)
Mr. Benjamin Sarmiento is a graduate of the University of San Francisco with a degree of Bachelor Pof 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 42 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.

Manuel D. Escueta, Filipino, 66 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, 59 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 Microelectonics, 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, 36 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.

Vicente J.A Sarza, Filipino, 64 years old
Independent Director (since August 25, 2016)
Chairman – Audit Committee

Mr. Sarza is currently the Director, Head of Transaction Management. He also works on different Companies: Asia United Bank as Senior Vice President from 2013-2015; KPMG Phils. Manabat Sanagustin and Co. from 2007-2012 as Principal, Head of Advisory Services; Member of the Excom and Asia Pacific Advisory Board; Privatization and Management Office (An Agency of the Department of Finance) from 2006 – 2007 as Director to Chief Privatization Officer, Rank of Undersecretary; Department of Finance form 2005-2006 as Director and Chairman of the Technical Committee Privatization Office and Special Concerns; Privatization and Management Office (An Agency of the Department of Finance) from July 2005 to October 2005 as Counsultant; Trinity Insurance Consultants, Inc. (An Insurance Broker) from 2003 – 2004 as General Manager; UCPB Savings Bank (A Savings and Mortgage Bank) 1999 – 2001 as President and COO; United Coconut Planters Bank (A Universal Bank) from 1987 – 1999 as Manager to Vice President-Head of the Commercial Credit Division and Member of the Management Committee; Producers Bank of the Philippines (A Commercial Bank) from 1983 – 1984 as Assistant Vice President; Far East Bank and Trust Company (A Universal Bank) from 1976 – 1983 as Assistant Cashier to Senior Manager-Account Management Department; Philippine American Investment Corporation (An Investment Bank) from 1975 – 1976 as Senior Analyst in Account Management Department; and Manila Banking Corporation (A Commercial Bank) from 1975 – 1976 as Credit Investigator to Loans Analyst. He graduated from Ateneo, de Manila University with a degree of A.B. Economics and with Masters Degree.

Other Executive Officers

Joven P. Dy, Filipino, 66 years old
Senior Vice President for Poultry and 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 became 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, 52 years old
Vice-President, National Feed Sales and Production

Mr. Miralles obtained his degree in 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.

Reynaldo D. Ortega, Flipino, 47 years old
Vice President and General Manager, Poultry and Foods Division

Dr. Ortega is a Doctor of Veterinary Science and Medicine and obtained his degree from the Central Luzon State University, Munoz, Nueva Ecija in 1992. He started as Production Supervisor in Purefoods Corporation in Sto. Tomas, Batangas and was later assigned as Veterinary Supervisor at Purefood's JMT office in Ortigas, Pasig. He joined Vitarich Corporation in 1994 as Extension Veterinarian and, since then, handled various positions as Veterinary Services Group Head, Contract Growing Operations Head, Technical Head, Poultry and Livestock Division Head, until his appointment as Vice President and General Manager-Poultry and Foods Division in January 2017. His training includes Poultry Tunnel Ventilation System, Poultry Management in Cage System, Immunology and Virology, and Artificial Insemination in Broiler Breeder.

Atty. Tadeo F. Hilado, Filipino, 64 years old
Corporate Secretary

Atty. Hilado is a Senior Partner of the Angara Abello Concepcion Regala and Cruz Law Offices (ACCRALAW). 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. Ricardo Manuel M. Sarmiento is the son of Director Rogelio M. Sarmiento and sister of Stephanie Nicole S. Garcia. Benjamin I. Sarmiento Jr. and Lorenzo Vito M. Sarmiento III are the uncles of Mr. Ricardo Manuel 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

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. Thus, the Corporation has no obligation to disclose information pertaining to warrants and options.

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

Executive Compensation

The compensation includes the following:

	Note	2016	2015	2014
Short-term employee benefits		**57,240,454**	31,966,885	28,966,161
Retirement benefits		**2,913,467**	2,663,907	2,413,847
Compensation paid in share of stock/equivalent value in cash	18	**–**	4,424,172	4,008,876
Others		**17,958,438**	17,672,343	16,013,444
		78,112,359	56,727,307	51,402,328

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

NAME & PRINCIPAL POSITION	YEAR 2016	YEAR 2017 ESTIMATE
RICARDO MANUEL M. SARMIENTO - President/CEO JOVEN P. DY - SVP, Food Sales GUILLERMO B. MIRALLES - VP National Feed Sales and Production STEPHANIE NICOLE S. GARCIA- EVP REYNALDO D. ORTEGA- VP and General Manager, Poultry and Foods Divison		
Actual 2016	10,926,896	
Estimate 2017		14,492,652
All other Officers & Directors as a group Unnamed Estimate	750,389	1,078,000
All other Officers & Directors as a Group Unnamed	11,679,284.84	15,570,652.00

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

1. **Ricardo Manuel M. Sarmiento** – CEO/President
2. **Stephanie Nicole S. Garcia** – EVP Logistics & Administration and Treasurer
3. **Joven P. Dy** – SVP – Poutry & Food Operations
4. **Guillermo B. Miralles** – VP National Feed Sales and Production;
5. **Reynaldo D. Ortega** - VP and General Manager, Poultry and Foods Division

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 2016 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	2,461,867,547	88.35%
	KORMASINC, INC. 7th Floor, LTA Bldg. 118 Perea St. Legaspi Village, Makati City	Various Beneficial Owners	Filipino	1,929,839,491	69.26%
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	289,171,829	10.38%
	DRAGONAGA CAPITAL LIMITED Flat 1301, 3/F Kai Yue Commercial Bldg. No. 2 Argyle St. Mongkok Kowloon, Hongkong	Various Beneficial Owners	Hongkong	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 2016 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	Ricardo Manuel M. Sarmiento	54,484,990	Filipino	1.96%
Common	Rogelio M. Sarmiento	7,773,320	Filipino	0.28%
Common	Benjamin I. Sarmiento Jr.	199	Filipino	0.00%
Common	Stephanie Nicole S. Garcia	104,359	Filipino	0.00%
Common	Lorenzo Vito M. Sarmiento III	500	Filipino	0.00%
Common	Levi F. Diestro	300	Filipino	0.00%
Common	Manuel D. Escueta	1	Filipino	0.00%
Common	Juan Arturo Iluminado C. de Castro	2,777,034	Filipino	0.10%
Common	Jose M. Sarmiento	1,305,320	Filipino	0.05%
Common	Vicente J.A. Sarza	1	Filipino	0.00%

Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

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

Payable to a Stockholder

Settlement of Restructured Debt. 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, ₱2.4 billion of the restructured 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 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. In 2014, Kormasinc reduced its equity interest in the Company from 85.29% to 69.26%.

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

			2016		2015	
	Relationship	Nature of Transactions	Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Kormasinc	Parent Company	Restructured debt acquired	-	₱175,027,457	(₱63,272,000)	₱175,027,457
		Trade payables acquired	-	32,097,944	-	32,097,944
		Interest on restructured debt	-	199,985,490	-	199,985,490
				₱407,110,891		₱407,110,891

The terms of the payment of the loan are still subject to negotiation. Interest on the loan from the period September 2013 to December 2016 was waived by Kormasinc. Proceeds from the disposal of several core and noncore assets amounting to ₱63.3 million in 2015 were applied against the outstanding debt.

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.

		2016		2015	
Related parties	Nature of Transactions	Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Due from (to) related parties					
Entity under common control	Working capital advances	₱147,178,802	₱146,173,847	₱1,662,779	(₱1,004,955)
Stockholder	Working capital advances	–	–	(57,500,000)	–
			₱146,173,847		(₱1,004,955)

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.

		2016		2015	
Related Party	Nature of Transactions	Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Stockholder	Purchases	₱–	(₱37,256,155)	₱–	(₱37,256,155)

Advances to (from) Officers and Employees

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

	Amount of Transactions		Outstanding Balances	
	2016	2015	2016	2015
Advances to officers and employees	₱1,860,529	(₱162,608)	₱6,033,674	₱4,173,145
Advances from officers	–	3,598,773	–	–

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
February 2, 2016	Change in Company's Officer
February 29, 2016	Vitarich Corporation and De La Salle Araneta University (DLSAU) Partnership
March 21, 2016	Approval of 2015 Audited FS
April 18, 2016	Election of Mr. Jose M. Sarmiento
April 18, 2016	Notice of Annual General Meeting
May 18, 2016	Tax Assessment to Vitarich Corporation
May 25, 2016	Amendment of Notice of Annual General Meeting
May 26, 2016	List of Stockholders entitled to Vote
June 28, 2016	Amended Results of Annual General Meeting
July 11, 2016	Certification of Vitarich Corporation Independent Directors A. Manuel D. Escueta B. Eduardo T. Rondain
July 22, 2016	Amendment on the results of AGM and Organizational Meeting
July 27, 2016	Amended Certificate of Independent Director Manuel D. Escueta
August 8, 2016	Nomination of Mr. Vicente J.A. Sarza as Company's Independent Director
August 25, 2016	Election of Mr. Vicente J.A. Sarza As Company's Independent Director
September 16, 2016	Order Granting The Rehab Exit
October 12, 2016	Mr. Vicente J.A. Sarza's Election as Company's Audit Committee Chairman

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 ____________________, 2017.

____
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	Rogelio M. Sarmiento Member	Benjamin I. Sarmiento Jr. Member
Manuel D. Escueta Member	Ricardo Manuel M. Sarmiento Member	Stephanie Nicole S. Garcia Member
Juan Arturo Iluminado C. de Castro Member	Lorenzo Vito M. Sarmiento, III Member	Levi F. Diestro Member
Vicente J.A. Sarza Member	Jose M. Sarmiento Member	Atty. Tadeo F. Hilado Corporate Secretary

APR 0 5 2017

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
Vicente J.A. Sarza	107-201-929	TIN
Atty. Tadeo F. Hilado	126-673-142	TIN
Jose M. Sarmiento	123-305-386	TIN

NENITA DELA CRUZ-TUAZON
NOTARY PUBLIC

335
68
4

VITARICH

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Vitarich Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended **December 31, 2016 and 2015** , in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

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

JOSE VICENTE C. BENGZON III
Chairman of the Board

RICARDO MANUEL M. SARMIENTO
Chief Executive Officer/President

STEPHANIE NICOLE S. GARCIA
EVP Logistics & Administration and Treasurer

Signed this _____ day of ___________

Main Office: Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan 3019 Philippines
Tel. Nos.: (632) 843-3033 / (6344) 711-2829

APR 0 5 2017

Subscribed and sworn to before me this _____ day of April 2017 hereat Marilao, Bulacan. Affiants are personally known to me.

NEMESIO [illegible] TUAZON

Doc. No. 332;

Page No. 68;

Book No. 4;

Series of 2017.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	2	1	1	3	4

COMPANY NAME

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
agd@vitarich.com	(044) 843-3033	(0918) 848 2200

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,255	Last Friday of June	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

NOTE 1*: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2*: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone +632 982 9100
Fax +632 982 9111
Website www.reyestacandong.com

INDEPENDENT AUDITOR'S REPORT

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 17 2017 SCES
RECEIVED
ROMEO Z. MIRANO

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

Opinion

We have audited the accompanying consolidated financial statements of VITARICH CORPORATION (a subsidiary of Kormasinc, Inc.) AND SUBSIDIARIES (the Company), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016, 2015 and 2014, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016, 2015 and 2014 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Realizability of Insurance Claims Receivable

Management makes a yearly assessment of the Company's insurance claims for typhoon damages. On August 17, 2016, the Company received ₱58.9 million as partial settlement. The Company, however, has continued to legally pursue the collection of the remaining balance of the insurance claims receivable amounting to ₱157.5 million as at December 31, 2016. This assessment is significant to our audit because it is material to the consolidated financial statements. Moreover, the impairment assessment requires management judgment and estimate. We have reviewed management's legal bases in pursuing the insurance claim and management's impairment assessment. Necessary disclosures are included in Note 3, *Significant Judgment, Accounting Estimates and Assumptions* and Note 6, *Trade and Other Receivables*.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A (Annual Report) and Annual Report distributed to stockholders for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report distributed to stockholders for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law on regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Belinda B. Fernando.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-2 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-004-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 17 2017 SCES
RECEIVED
ROMEO Z. MIRANO

April 12, 2017
Makati City, Metro Manila

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash	5	**₱116,539,786**	₱185,451,131
Trade and other receivables	6	**1,184,472,271**	889,596,791
Inventories	7	**481,584,570**	333,251,384
Other current assets	8	**44,432,459**	74,773,984
Total Current Assets		**1,827,029,086**	1,483,073,290
Noncurrent Assets			
Property, plant and equipment	9	**516,625,499**	410,949,445
Investment properties	10	**495,216,122**	428,439,538
Net deferred tax assets	19	**–**	24,680,284
Other noncurrent assets	8	**21,153,348**	26,127,115
Total Noncurrent Assets		**1,032,994,969**	890,196,382
		₱2,860,024,055	₱2,373,269,672
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱1,452,602,060**	₱938,885,713
Payable to a stockholder	20	**407,110,891**	407,110,891
Current portion of finance lease liabilities	23	**2,814,057**	–
Total Current Liabilities		**1,862,527,008**	1,345,996,604
Noncurrent Liabilities			
Trade and other payables	11	**–**	168,143,713
Cash bond deposits	12	**23,360,528**	20,008,284
Finance lease liabilities - net of current portion	23	**13,828,652**	–
Net retirement liability	17	**82,154,756**	75,090,132
Net deferred tax liabilities	19	**8,141,359**	–
Total Noncurrent Liabilities		**127,485,295**	263,242,129
Total Liabilities		**1,990,012,303**	1,609,238,733
Equity			
Capital stock	21	**2,786,497,901**	2,786,497,901
Additional paid-in capital	21	**224,546,510**	224,546,510
Other comprehensive income	21	**276,012,435**	190,474,836
Deficit		**(2,417,045,094)**	(2,437,488,308)
Total Equity		**870,011,752**	764,030,939
		₱2,860,024,055	₱2,373,269,672

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	2016	2015	2014
SALE OF GOODS		**₱5,100,905,369**	₱3,445,208,941	₱2,366,055,560
COST OF GOODS SOLD	13	**(4,468,110,351)**	(2,938,147,805)	(2,183,855,648)
GROSS PROFIT		**632,795,018**	507,061,136	182,199,912
Operating expenses	15	**(473,510,631)**	(421,367,127)	(377,388,070)
Other operating income	14	**45,548,884**	37,519,107	72,175,782
		(427,961,747)	(383,848,020)	(305,212,288)
OPERATING PROFIT (LOSS)		**204,833,271**	123,213,116	(123,012,376)
OTHER CHARGES – Net	16	**(178,852,344)**	(122,570,883)	(689,451,328)
INCOME (LOSS) BEFORE INCOME TAX		**25,980,927**	642,233	(812,463,704)
INCOME TAX BENEFIT (EXPENSE)	19			
Current		**(13,566,878)**	(10,907,953)	(10,488,958)
Deferred		**5,094,879**	17,441,531	244,739,309
		(8,471,999)	6,533,578	234,250,351
NET INCOME (LOSS)		**17,508,928**	7,175,811	(578,213,353)
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to profit or loss:				
Revaluation increase on property, plant and equipment - net of tax	9	**88,471,885**	–	–
Actuarial gains - net of tax	17	**–**	1,415,754	375,535
		88,471,885	1,415,754	375,535
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱105,980,813**	₱8,591,565	(₱577,837,818)
INCOME (LOSS) PER SHARE - BASIC AND DILUTED	22	**₱0.006**	₱0.003	(₱0.21)

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date: APR 17 2017
RECEIVED
ROMEO Z. MIRANO

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, 2016		**₱2,786,497,901**	**₱224,546,510**	**(₱2,437,488,308)**	**₱190,474,836**	**₱764,030,939**
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	9	–	–	2,934,286	(2,934,286)	–
Total comprehensive income for the year:						
Net income		–	–	17,508,928	–	17,508,928
Revaluation increase on property, plant and equipment, net of tax	9	–	–	–	88,471,885	88,471,885
		–	–	20,443,214	85,537,599	105,980,813
Balance as at December 31, 2016		**₱2,786,497,901**	**₱224,546,510**	**(₱2,417,045,094)**	**₱276,012,435**	**₱870,011,752**
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	17	–	–	3,604,967	(2,523,476)	1,081,491
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	9	–	–	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	17	–	–	–	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	9	–	–	7,571,835	(7,571,835)	–
Transfer to deficit of revaluation reserve realized through disposal, net of tax	9	–	–	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	17	–	–	–	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

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	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**₱25,980,927**	₱642,233	(₱812,463,704)
Adjustments for:				
Depreciation and amortization	9	**33,580,370**	24,533,154	48,781,582
Provision for probable losses	16	**25,235,761**	–	2,992,128
Recovery of accounts written-off	14	**(12,648,000)**	–	–
Interest expense	23	**12,642,159**	–	–
Impairment losses on:				
Trade and other receivables	6	**12,286,037**	18,100,754	29,310,801
Property, plant and equipment	9	**488,533**	–	–
Other current assets	8	**–**	3,095,532	–
Due from a related party		**–**	–	3,051,516
Retirement benefit cost	17	**7,064,624**	8,706,438	1,117,559
Loss (gain) on fair value changes of investment properties	10	**(7,048,102)**	(1,685,952)	5,433,617
Interest income	5	**(928,803)**	(170,676)	(534,082)
Loss on sale of property, plant and equipment, investment properties and others	9	**–**	94,613,100	629,318,641
Loss on discounting of receivables	20	**–**	–	49,189,508
Operating income (loss) before working capital changes		**96,653,506**	147,834,583	(43,802,434)
Decrease (increase) in:				
Trade and other receivables		**(307,161,517)**	(98,403,186)	(143,719,461)
Inventories		**(148,333,186)**	(63,853,077)	206,669,544
Other current assets		**30,341,525**	(23,029,662)	(7,166,507)
Other noncurrent assets		**1,166,940**	(23,454,611)	(33,621)
Increase (decrease) in:				
Trade and other payables		**320,336,873**	46,409,521	(33,538,221)
Cash bond deposits		**3,352,244**	3,588,739	(5,337,199)
Net cash used for operations		**(3,643,615)**	(10,907,693)	(26,927,899)
Income tax paid		**(13,566,878)**	(10,938,064)	(15,100,759)
Interest paid		**(12,642,159)**	–	–
Interest received		**928,803**	170,676	316,586
Retirement benefits paid	17	**–**	(4,631,371)	(21,373,064)
Net cash used in operating activities		**(28,923,849)**	(26,306,452)	(63,085,136)

(Forward)

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	Note	2016	2015	2014
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	9	**(₱30,414,867)**	(₱55,706,718)	(₱32,319,540)
Investment properties	10	**(11,274,229)**	(13,402,922)	(16,820,528)
Proceeds from sale of:				
Investment properties	10	**1,701,600**	102,079,200	44,695,694
Property, plant and equipment		**–**	–	614,662,729
Net cash provided by (used in) investing activities		**(39,987,496)**	32,969,560	610,218,355
CASH FLOWS USED IN FINANCING ACTIVITY				
Payment of payable to a stockholder		**–**	(63,272,000)	(350,400,001)
NET INCREASE (DECREASE) IN CASH		**(68,911,345)**	(56,608,892)	196,733,218
CASH AT BEGINNING OF YEAR		**185,451,131**	242,060,023	45,326,805
CASH AT END OF YEAR		**₱116,539,786**	₱185,451,131	₱242,060,023

	Note	2016	2015	2014
NONCASH FINANCIAL INFORMATION				
Reclassification of property, plant and equipment to investment properties	10	**₱37,507,853**	₱–	₱–
Acquisition of property, plant and equipment through finance lease	23	**16,642,709**	–	–
Recovery of accounts written-off	10	**12,648,000**	–	–
Discounting of receivables offset against payable to stockholder	20	**–**	–	49,189,508
Receivable from disposal of properties	6	**–**	–	42,934,521
Trade payables acquired by a stockholder	20	**–**	–	32,097,944

See accompanying Notes to Consolidated Financial Statements.

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VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. 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 and livestock. On March 30, 2012, the SEC approved the extension of its corporate life for another 50 years. The Company's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

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 because these specialty feeds supplement the product offering of animal feeds produced by the Company. Pursuant to the reintegration, Gromax transferred all of 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 ₱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. The debt to equity conversion and the Company's increase in authorized capital stock were approved by the SEC on October 16, 2013. Consequently, Kormasinc acquired 85.29% ownership of the Company. In 2014, Kormasinc reduced its equity interest in the Company from 85.29% to 69.26%.

As at December 31, 2016 and 2015, Kormasinc has 69.26% equity interest in the Company. The Company's payable to Kormasinc amounted to ₱407.1 million as at December 31, 2016 and 2015 (see Note 20).

The Company has significantly increased 2016 sales to ₱5,100.9 million from ₱3,445.2 million and ₱2,366.0 million in 2015 and 2014, respectively, by expanding operations, intensive marketing activities, improving customer service and tolling operational partnerships.

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

On September 16, 2016, the Rehabilitation Court granted the Company's motion for a successful exit from the Plan.

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, 2016, 2015 and 2014 were approved and authorized for issue by the BOD on April 12, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

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 and SEC provisions.

Measurement Bases

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

The consolidated financial statements 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. Historical cost is generally based on the fair value of the consideration given in exchange for an asset.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by 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 3, Significant Judgment, Accounting Estimates and Assumptions
- Note 9, Property, Plant and Equipment
- Note 10, Investment Properties
- Note 25, Financial Instruments

Adoption of New and Amended 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, 2016:

- Amendments to PFRS 10,*Consolidated Financial Statements* IFRS 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.

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – 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 - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

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

New and Amended PFRS Not Yet Adopted
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). I t 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.

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company except for PFRS 9 and PFRS 16. Additional disclosures will be included in the consolidated financial statements, as applicable.

The Company anticipates that the application of PFRS 9 and 16 might have a significant effect on amounts reported in respect of the Company's financial assets and financial liabilities and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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 Assets and Liabilities

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 a financial 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 reporting date.

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.

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.

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

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
The Company assesses at each reporting date whether there is objective evidence that a financial or group 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 group of financial assets with similar credit risk and characteristics and that group 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 Assets and Liabilities
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 from local suppliers and upon delivery of the goods to the carrier from importation.

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

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. All costs directly attributable to acquisition of livestock, factory stocks and supplies inventories are included as part of costs of these inventories.

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

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), prepayment and input value added tax (VAT).

CWT. 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.

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.

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

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

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. These qualify as financial assets and are also disclosed under financial instruments.

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

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

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

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 and land which is stated at appraised value less any impairment losses) are stated at appraised values as determined by an independent firm of appraisers less accumulated depreciation and amortization, and 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.

Equity

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

Other Comprehensive Income (OCI). OCI comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. 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.

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

Other Income. Other income is recognized as incurred.

Costs and Expenses 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.

Leases where the lessor transfers substantially all the risks and rewards of ownership are classified as finance lease. Liability is recognized in the statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of minimum lease payments, determined at the inception of the lease and is subsequently measure at amortized cost using effective interest method.

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 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.

3. Significant Judgment, Accounting Estimates and Assumptions

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

Judgment

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

Determination of Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso, which is the currency of the primary economic environment in which the Company operates.

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

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

Assessment of Legal Contingencies. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with 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 ₱27.6 million, ₱26.5 million and ₱15.7 million in 2016, 2015 and 2014, respectively (see Note 23).

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 ₱12.0 million, ₱9.4 million and ₱7.7 million in 2016, 2015 and 2014, respectively (see Note 23).

Finance Leases. - The Company has entered into finance lease agreements covering its transportation equipment. The Company has determined that it retains the significant risks and rewards of ownership of this transportation equipment and accordingly the lease agreements are accounted for under finance lease (see Note 23).

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.

Project development costs as at December 31, 2016 and 2015 amounting to ₱31.4 million (see Note 8) was fully provided with allowance for impairment losses.

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation 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 ₱12.3 million, ₱18.1 million and ₱29.3 million in 2016, 2015 and 2014, respectively (see Note 6).

The carrying value of trade and other receivables amounted to ₱1,184.5 million and ₱889.6 million as at December 31, 2016 and 2015, respectively. Allowance for impairment of receivables as at December 31, 2016 and 2015 amounted to ₱501.5 million and ₱489.2 million, respectively (see Note 6).

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, 2016 and 2015 amounted to ₱481.6 million and ₱333.3 million, respectively (see Note 7).

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; € 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.

In December 2016, the Company's property, plant and equipment (except transportation equipment) were re-appraised by an independent firm of appraisers resulting to an additional revaluation reserve of ₱126.4 million before tax effect (see Note 9). Also, in December 2016, the Company's investment properties were re-appraised by an independent firm of appraisers resulting to an additional fair value gain of ₱7.0 million (see Note 10).

The carrying value of investment properties amounted to ₱495.2 million and ₱428.4 million as at December 31, 2016 and 2015 respectively (see Note 10). The carrying value of property, plant and equipment amounted to ₱516.6 million and ₱410.9 million as at December 31, 2016 and 2015 respectively (see Note 9).

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

The carrying amount of property, plant and equipment and computer software as at December 31, 2016 and 2015 follows:

	Note	2016	2015
Property, plant and equipment	9	**₱516,625,499**	₱410,949,445
Computer software	8	**7,616,454**	11,420,481
		₱524,241,953	₱422,369,926

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

In assessing whether there is any indication that an asset may be impaired, the Company considers the external and internal sources of information. External sources of information 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.

Impairment loss on property and equipment amounting to ₱0.5 million was recognized in 2016. No impairment loss was recognized in 2015 and 2014.

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 17 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 ₱85.6 million and ₱78.4 million as at December 31, 2016 and 2015, respectively, while fair value of plan assets amounted to ₱3.5 million and ₱3.3 million as at December 31, 2016 and 2015, respectively (see Note 17).

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 ₱124.0 million and ₱216.2 million as at December 31, 2016 and 2015, respectively (see Note 19). Management has assessed that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized.

Deferred tax assets recognized by the Company amounted to ₱145.4 million and ₱139.4 million as at December 31, 2016 and 2015, respectively (see Note 19).

4. 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):

	2016					
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	Consolidated
REVENUES						
Sale of goods	₱1,873,620	₱2,926,254	₱301,031	₱5,100,905	₱–	₱5,100,905
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	1,614,549	2,564,676	271,784	4,451,009	–	4,451,009
Depreciation and amortization	8,264	20,522	–	28,786	4,794	33,580
Operating expenses	56,149	146,118	–	202,267	254,764	457,031
Other operating income	(19,700)	(13,404)	–	(33,104)	(12,444)	(45,548)
	1,659,262	2,717,912	271,784	4,648,647	247,114	4,896,072
SEGMENT OPERATING PROFIT (LOSS)	₱214,358	₱208,342	₱29,247	₱452,258	(₱247,114)	₱204,833
Other charges - net						(178,852)
Income before tax						25,981
Tax expense						(8,472)
Net income for the year						₱17,509
ASSETS AND LIABILITIES						
Segment assets	₱299,321	₱888,014	₱312,847	₱1,500,182	₱1,359,842	₱2,860,024
Segment liabilities	343,322	60,382	3,682	407,386	1,582,626	1,990,012
OTHER INFORMATION						
Capital expenditures	₱2,748	₱13,519	₱8,723	₱24,990	₱45,989	₱70,979
Non-cash expenses other than depreciation and impairment losses	₱12,286	₱25,236	₱489	₱38,011	₱–	₱38,011

	2015					
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	Consolidated
REVENUES						
Sale of goods	₱1,221,778	₱2,059,028	₱164,403	₱3,445,209	₱–	₱3,445,209
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)	₱164,222	₱35,918	₱15,668	₱215,808	(₱92,595)	₱123,213
Other charges - net						(122,571)
Income before tax						642
Tax benefit						6,534
Net income for the year						₱7,176
ASSETS AND LIABILITIES						
Segment assets	₱356,790	₱635,313	₱261,882	₱1,253,985	₱1,119,285	₱2,373,270
Segment liabilities	325,565	147,562	11,925	485,052	1,124,187	1,609,239
OTHER INFORMATION						
Capital expenditures	₱2,741	₱13,486	₱8,702	₱24,929	₱44,181	₱69,110
Non-cash expenses other than depreciation and impairment losses	₱378	₱94,949	₱696	₱96,023	₱–	₱96,023

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.

5. Cash

This account consists of:

	2016	2015
Cash on hand	**₱280,189**	₱308,498
Cash in banks	**116,259,597**	185,142,633
	₱116,539,786	₱185,451,131

Cash in banks earn interest at prevailing bank deposit interest rates of 0.2% to 0.3% in 2016 and 2015. Interest income on cash in banks amounted to ₱0.9 million, ₱0.2 million and ₱0.5 million in 2016, 2015 and 2014, respectively (see Note 16).

6. Trade and Other Receivables

This account consists of:

	Note	2016	2015
Trade		**₱1,105,524,203**	₱894,620,165
Insurance claims receivable		**157,512,740**	216,644,398
Nontrade		**146,413,141**	184,738,790
Due from related parties	20	**146,173,847**	–
Advances to:			
Suppliers		**102,370,344**	55,367,542
Officers and employees	20	**6,033,674**	4,173,145
Retention receivable		**2,189,126**	–
Others	9	**19,712,067**	23,223,585
		1,685,929,142	1,378,767,625
Allowance for impairment losses		**(501,456,871)**	(489,170,834)
		₱1,184,472,271	₱889,596,791

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

The Company has an outstanding claim for settlement for typhoon damages from Charter Ping An Insurance Corporation. Pursuant to the Insurance Code, the Company is entitled to interest on its claim at a rate twice the ceiling prescribed by the Monetary Board beginning March 12, 2010, 90 days from the date the Company has filed the claim. On August 17, 2016, the Company received ₱58.9 million as partial settlement. The Company, however, has continued to legally pursue the remaining outstanding balance of ₱157.5 million as at December 31, 2016. Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result in any significant adverse impact on the Company's financial condition and results of operations.

Nontrade receivables comprise mainly of receivables arising from incidental income of the Company such as tolling, rentals, hatching, hauling and laboratory analysis charges. These are settled within 30-60 days and are noninterest-bearing.

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

Advances to officers and employees are unsecured, noninterest–bearing and subject to salary deduction or liquidation for a specified period of time of about one year (see Note 20).

Retention receivable pertains to a portion of the Company's short-term loan from a local bank which bears interest of 5% per annum and is secured by trade receivables. The retention receivable will be released to the Company upon full collection of the trade receivables. As at December 31, 2016, the loan was fully settled. Interest expense related to the loan amounted to ₱12.4 million for the year ended December 31, 2016 (see Note 23).

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

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

	Note	2016	2015
Balance at beginning of year		**₱489,170,834**	₱471,070,080
Provision	15	**12,286,037**	18,100,754
Balance at end of year		**₱501,456,871**	₱489,170,834

7. **Inventories**

This account consists of:

	2016	2015
Raw materials and feeds supplement	**₱209,502,033**	₱157,144,693
Finished goods	**141,377,620**	81,433,988
Livestock	**72,456,672**	49,841,416
Supplies and animal health products	**57,609,557**	44,424,044
Factory stocks and supplies	**638,688**	407,243
	₱481,584,570	₱333,251,384

Inventories are valued at cost as at December 31, 2016 and 2015.

8. **Other Assets**

Other Current Assets

	2016	2015
CWT	**₱29,377,101**	₱34,274,039
Prepayments	**15,055,358**	3,815,515
Input VAT	**4,497,634**	41,182,064
	48,930,093	79,271,618
Allowance for impairment losses	**(4,497,634)**	(4,497,634)
	₱44,432,459	₱74,773,984

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

Allowance for impairment loss is mainly for input VAT. Movements in this account follow:

	Note	2016	2015
Balance at beginning of year		**₱4,497,634**	₱1,402,102
Provision	16	**–**	3,095,532
Balance at end of year		**₱4,497,634**	₱4,497,634

Other Noncurrent Assets

	2016	2015
Project development costs	**₱31,368,396**	₱31,368,396
Security deposits	**13,536,894**	14,706,634
Computer software	**7,616,454**	11,420,481
Others	**53,344,274**	53,344,274
	105,866,018	110,839,785
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)
	₱21,153,348	₱26,127,115

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

Movements of computer software follow:

	Note	2016	2015
Cost			
Balance at beginning of year		**₱11,420,481**	₱–
Additions		**2,800**	11,420,481
Balance at end of year		**11,423,281**	11,420,481
Accumulated Depreciation and Amortization			
Balance at beginning of year		**–**	–
Depreciation and amortization	9	**3,806,827**	–
Balance at end of year		**3,806,827**	–
Net carrying amount		**₱7,616,454**	₱11,420,481

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

9. Property, Plant and Equipment

The composition and movements of this account are presented below:

		2016							
		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		₱255,841,046	₱174,148,532	₱70,014,380	₱31,416,058	₱72,898,688	₱144,044,807	₱3,839,048	₱752,202,557
Additions		–	9,186,059	3,894,138	4,590,134	5,433,110	23,739,374	214,761	47,057,576
Revaluation		93,819,942	20,396,456	11,561,663	–	610,346	–	–	126,388,407
Reclassifications	10	(24,527,000)	(6,214,336)	3,839,048	(21,238,220)	(802,664)	–	(3,839,048)	(52,782,220)
Balance at end of year		325,133,988	197,516,711	89,309,227	14,767,972	78,139,480	167,784,181	214,761	872,866,320
Accumulated Depreciation, Amortization and Impairment									
Balance at beginning of year		–	109,958,888	76,295,360	21,543,094	66,464,433	116,991,337	–	341,253,112
Depreciation and amortization	13,15	–	11,811,263	4,066,928	1,540,731	4,016,753	8,337,868	–	29,773,543
Impairment		–	417,971	13,033	–	57,529	–	–	488,533
Reclassifications	10	–	(1,445,951)	–	(13,034,152)	(794,264)	–	–	(15,274,367)
Balance at end of year		–	120,742,171	80,375,321	10,049,673	69,744,451	125,329,205	–	356,240,821
Net carrying amount		₱325,133,988	₱76,774,540	₱8,933,906	₱4,718,299	₱8,395,029	₱42,454,976	₱214,761	₱516,625,499

		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	13,15	–	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

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

	2016							
	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	₱13,610,548	₱155,022,520	₱64,558,512	₱12,112,131	₱27,109,679	₱167,784,181	₱214,761	₱440,412,332
Accumulated depreciation and impairment	–	110,893,768	26,118,447	7,393,482	19,393,326	125,329,205	–	289,128,228
Net carrying amount	₱13,610,548	₱44,128,752	₱38,440,065	₱4,718,649	₱7,716,353	₱42,454,976	₱214,761	₱151,284,104

	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

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

	Revaluation Reserve	Deferred Tax Liability (see Note 19)	Net (see Note 21)
Balance as at January 1, 2016	**₱260,825,807**	**(₱78,247,742)**	**₱182,578,065**
Revaluation increase on property, plant and equipment	**126,388,407**	**(37,916,522)**	**88,471,885**
Transfer to deficit of revaluation reserve on property, plant and equipment realized through depreciation	**(4,191,837)**	**1,257,551**	**(2,934,286)**
Balance as at December 31, 2016	**₱383,022,377**	**(₱114,906,713)**	**₱268,115,664**
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

In 2016, property, plant, and equipment with a net book value of ₱37.5 million were reclassified to investment properties (see Note 10). The net carrying amount of ₱37.5 million becomes part of the cost of investment property. Corresponding revaluation reserve and deferred tax liabilities of the reclassified property, plant and equipment amounted to ₱17.7 million and ₱5.3 million, respectively, as at December 31, 2016 (see Note 19).

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.

The carrying value of property, plant and equipment, investment properties and others disposed off amounted to ₱196.7 million and ₱1,288.7 million in 2015 and 2014, respectively. Loss on sale of property, plant and equipment, investment properties and others amounted to ₱94.6 million and ₱629.3 million in 2015 and 2014, respectively (see Note 16). Receivables from disposal of property, plant and equipment, investment properties and others amounted to ₱1.3 million as at December 31, 2015, which was included in "Others" under "Trade and Other Receivables" account (see Note 6).

As at December 31, 2016 and 2015, fully depreciated property, plant and equipment with gross carrying value of ₱16.1 million and ₱10.3 million, respectively, are still in use.

Depreciation and amortization expense follows:

	Note	**2016**	2015
Property, plant and equipment		**₱29,773,543**	₱24,533,154
Computer software	8	**3,806,827**	–
	15	**₱33,580,370**	₱24,533,154

Fair Value Measurement

The Company's property, plant and equipment (except for transportation equipment) were appraised by an independent firm of appraisers. The latest appraisal report is at December 31, 2016. 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 2016	Range 2015
Land	Sales Comparison Approach	Price per square meter	**₱1,493-₱1,857**	₱857-₱1,036
		Value adjustments	**35%-48%**	3%-18%

	Valuation Technique	Significant Unobservable Inputs	Remaining useful life
Machinery and Equipment	Cost Reproduction Approach	Replacement cost less accrued depreciation	3 - 5 years remaining useful life
Buildings	Cost Reproduction Approach	Replacement cost less accrued depreciation	5 - 10 years remaining useful life
Land Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining useful life
Office Furniture, Fixtures and Equipment	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining useful life
Leasehold Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining useful life

The significant unobservable inputs to fair valuation are as follows:

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

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

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

10. Investment Properties

Investment properties comprise of the Company's hatchery buildings, dressing and rendering plants that are held to earn rentals (see Note 23) 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	2016	2015
Balance at beginning of year		**₱428,439,538**	₱610,042,964
Reclassifications	9	**37,507,853**	–
Additions		**23,922,229**	13,402,922
Gain on fair value changes	16	**7,048,102**	1,685,952
Disposals/dacion	9	**(1,701,600)**	(196,692,300)
Balance at end of year		**₱495,216,122**	₱428,439,538

In 2016, the Rehabilitation Court approved the memorandum of agreement involving dacion of Company properties to Kormasinc for the full settlement of debt amounting to ₱407.1 million as at December 31, 2016. The dacion will be fully implemented 2017.

Additions in 2016 include a parcel of land representing property foreclosed as collection of a previously written-off receivables. The fair value of the property amounted to the fair value of ₱12.6 million (see Note 14).

The composition of investment properties as at December 31, 2016 and 2015 are as follows:

	2016	2015
Cost	**₱367,622,091**	₱306,808,705
Cumulative gain on fair value changes	**127,594,031**	121,630,833
	₱495,216,122	₱428,439,538

Fair Value Measurement

Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal report is at December 31, 2016. The Company recognized fair value gain of ₱7.0 million and ₱2.8 million in 2016 and 2015, respectively and fair value loss of ₱5.4 million in 2014, presented as "Gain (loss) on fair value changes of investment properties" (see Note 16). The fair value measurement for investment properties has been categorized as level 3 (significant unobservable inputs).

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

	Valuation Technique	Significant Unobservable Inputs	Range 2016	Range 2015
Land	Sales Comparison Approach	Price per square meter	**₱875-₱1,200**	₱749-₱1,026
		Value adjustments	**5%-45%**	3%-33%

	Valuation Technique	Significant unobservable inputs	Remaining useful life
Building	Cost of Reproduction Approach	Replacement cost less accumulated depreciation	5 - 10 years remaining useful life

The significant unobservable inputs to fair valuation are as follows:

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

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

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

11. Trade and Other Payables

This account consists of:

	Note	2016	2015
Trade	20	**₱994,734,867**	₱778,875,480
Accrued expenses		**173,622,265**	116,301,227
Nontrade		**130,559,677**	131,049,437
Customers' deposits		**94,623,433**	46,161,033
Provisions		**51,048,403**	25,812,642
Due to related parties	20	**–**	1,004,955
Others		**8,013,415**	7,824,652
		1,452,602,060	1,107,029,426
Noncurrent portion		**–**	(168,143,713)
Current portion		**₱1,452,602,060**	₱938,885,713

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.

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

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

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

Provisions pertain to probable claims from third parties. It includes an estimated liability of ₱25.8 million of PFCI arising from a legal case for non-payment of rentals as at December 31, 2016 and 2015. PFCI ceased operations in 2005. The PFCI case is still pending decision before the Court of Appeals. This also includes provision for probable claims against third party amounting to ₱25.2 million. The information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed as it may prejudice the Company's position on the matter.

Other payables consist of advances from officers and employees, social security premiums payable and other statutory liabilities. These are normally settled within a year.

The noncurrent portion of trade and other payables were liabilities held for payment in the same manner as the restructured debt. Pursuant to the Company's motion for successful exit from Corporate Rehabilitation which was approved by the Regional Trial Court on September 16, 2016, these liabilities became due and demandable. Accordingly, these financial liabilities are presented as current liabilities as at December 31, 2016.

12. Cash Bond Deposits

Cash bond deposits amounting to ₱23.4 million and ₱20.0 million as at December 31, 2016 and 2015, 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.

13. Cost of Goods Sold

This account consists of:

	Note	2016	2015	2014
Inventories used		**₱4,363,081,294**	₱2,865,704,189	₱2,131,753,846
Contractual services		**31,437,545**	11,030,555	12,278,119
Salaries and employee benefits	15	**28,040,721**	28,081,267	16,792,772
Communication, light and water		**17,463,380**	11,483,600	8,535,488
Depreciation	15	**17,101,069**	14,623,776	9,125,685
Repairs and maintenance		**8,518,813**	5,601,816	4,163,697
Others		**2,467,529**	1,622,602	1,206,041
		₱4,468,110,351	₱2,938,147,805	₱2,183,855,648

14. Other Operating Income

This account consists of:

	Note	2016	2015	2014
Rentals	23	**₱27,647,585**	₱26,487,499	₱15,710,269
Recovery of accounts written-off	10	**12,648,000**	–	25,256,631
Sale of scrap materials		**5,213,651**	–	–
Revenue from toll milling and toll hatching		**39,648**	1,874,120	30,347,926
Foreign currency exchange gain		**–**	4,657,996	–
Others		**–**	4,499,492	860,956
		₱45,548,884	₱37,519,107	₱72,175,782

Others include, among others, sale of experimental fatteners and laboratory analysis charges.

15. Operating Expenses

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

	2016	2015	2014
Administrative expenses	**₱249,144,949**	₱224,778,914	₱201,318,221
Selling and distribution expenses	**224,365,682**	196,588,213	176,069,849
	₱473,510,631	₱421,367,127	₱377,388,070

The details of operating expenses by nature are shown below:

	Note	2016	2015	2014
Transportation, travel, freight and handling		**₱160,305,846**	₱155,360,515	₱90,505,550
Salaries and employee benefits		**84,769,115**	104,239,910	58,337,788
Input VAT on exempt sales		**42,761,102**	–	–
Advertising and promotions		**30,566,344**	19,172,724	6,867,210
Professional fees		**27,597,307**	21,558,576	19,796,984
Representation and entertainment		**23,501,076**	17,525,344	7,813,917
Depreciation and amortization		**16,479,301**	10,172,148	39,655,897
Contractual services		**14,183,996**	11,080,311	10,174,918
Taxes and licenses		**12,309,529**	9,647,197	18,266,592
Provision for impairment loss on receivables	6	**12,286,037**	18,100,754	29,310,801
Rentals	23	**11,997,898**	9,350,366	7,731,084
Commissions		**11,975,275**	9,857,770	5,338,911
Supplies		**8,594,416**	4,510,117	6,562,383
Communications, light and water		**7,193,243**	12,341,864	12,193,687
Insurance		**4,067,549**	4,025,438	3,471,624
Repairs and maintenance		**1,426,117**	5,494,014	6,004,601
Others		**3,496,480**	8,930,079	55,356,123
		₱473,510,631	₱421,367,127	₱377,388,070

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

Employee Benefits

Costs and expenses recognized as employee benefits are presented below:

	Note	2016	2015	2014
Salaries and wages		**₱100,375,235**	₱118,483,461	₱69,435,755
Retirement benefits	17	**7,064,624**	8,706,438	1,117,559
Other short term benefits		**5,369,977**	5,131,278	4,577,246
		₱112,809,836	₱132,321,177	₱75,130,560

The amount of salaries and employee benefits is allocated as follows:

	Note	2016	2015	2014
Cost of goods sold	13	**₱28,040,721**	₱28,081,267	₱16,792,772
Administrative expenses		**45,220,209**	55,606,933	31,120,379
Selling and distribution expenses		**39,548,906**	48,632,977	27,217,409
		₱112,809,836	₱132,321,177	₱75,130,560

Depreciation and Amortization

The amount of depreciation and amortization is allocated as follows (see Note 9):

	Note	2016	2015	2014
Cost of goods sold	13	**₱17,101,069**	₱14,623,776	₱9,125,685
Administrative expenses		**10,821,664**	5,286,172	21,154,497
Selling and distribution expenses		**5,657,637**	4,623,206	18,501,400
		₱33,580,370	₱24,533,154	₱48,781,582

16. **Other Income (Charges)**

This account consists of:

	Note	2016	2015	2014
Tax compromise settlement		**(₱92,245,484)**	₱–	₱–
Demurrage on cargo release		**(56,217,312)**	–	–
Provision for probable losses	11	**(25,235,761)**	–	(2,992,128)
Interest expense	6	**(12,642,159)**	–	–
Gain (loss) on fair value changes of investment properties	10	**7,048,102**	1,685,952	(5,433,617)
Interest income	5	**928,803**	170,676	534,082
Impairment losses on:				
Property, plant and equipment	9	**(488,533)**	–	–
Other current assets	8	**–**	(3,095,532)	(3,051,516)
Loss on sale of property, plant and equipment, investment properties and others	9	**–**	(94,613,100)	(629,318,641)
Legal fees		**–**	(14,672,209)	–
Loss on discounting of receivables	20	**–**	–	(49,189,508)
Others		**–**	(12,046,670)	–
		(₱178,852,344)	(₱122,570,883)	(₱689,451,328)

Tax compromise settlement pertains to payment made to Bureau of Internal Revenue for the Company's tax assessments.

Demurrage on cargo release pertains to penalties paid for late unloading of inventories charged by the shipping line.

Provision for probable losses pertains to provision to cover claims from a third party.

Legal fees paid in 2015 pertain to payments made by the Company in pursuing insurance claims.

17. 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:

	2016	2015	2014
Current service costs	**₱3,227,518**	₱5,686,315	₱7,110,908
Interest expense	**4,005,883**	3,173,560	4,707,679
Interest income	**(168,777)**	(153,437)	(148,064)
Settlement gain	**–**	–	(10,552,964)
	₱7,064,624	₱8,706,438	₱1,117,559

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

	2016	2015
Present value of the obligation	**₱85,626,405**	₱78,393,004
Fair value of plan assets	**(3,471,649)**	(3,302,872)
	₱82,154,756	₱75,090,132

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

	2016	2015
Balance at beginning of year	**₱78,393,004**	₱76,323,164
Interest expense	**4,005,883**	3,173,560
Current service costs	**3,227,518**	5,686,315
Benefits paid	**–**	(4,631,371)
Actuarial gain	**–**	(2,158,664)
Balance at end of year	**₱85,626,405**	₱78,393,004

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

	2016	2015
Balance at beginning of year	**₱3,302,872**	₱3,285,593
Interest income	**168,777**	153,437
Actuarial loss	**–**	(136,158)
Balance at end of year	**₱3,471,649**	₱3,302,872

Actual returns on plan assets amounted to ₱18,362 and ₱17,279 in 2016 and 2015, respectively.

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

	2016	2015
Cash and cash equivalents	**46.98%**	46.98%
Debt instruments	**29.67%**	29.67%
Equity instruments	**26.74%**	26.74%
Others	**-3.39%**	-3.39%

There are no expected future contributions in the plan in 2017.

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

	2016	2015
Less than one year	**₱492,561**	₱656,748
Between one and five years	**4,716,729**	6,288,972
Over five years	**33,715,916**	44,954,555
	₱38,925,206	₱51,900,275

The cumulative actuarial gains recognized in OCI as at December 31, 2016 and 2015 are as follows:

	Cumulative Remeasurement Gain	Deferred Tax (see Note 19)	Cumulative Remeasurement Gain, Net of Tax (see Note 21)
Balance as at December 31, 2016	**₱11,281,101**	**₱3,384,330**	**₱7,896,771**
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

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

	2016	2015
Discount rates	**5.1%**	4.67%
Expected rate of salary increase	**8.0%**	7.0%
Average remaining working life of an employee retiring at the age of 60:		
Male	**23**	23
Female	**26**	26

The weighted average duration of the present value of defined benefit obligation is 17 years and 17.1 years in 2016 and 2015, respectively.

A quantitative sensitivity analysis for changes in assumptions as at December 31, 2016 is shown below (amounts in thousands):

	Change in Assumptions	Effect to retirement liability
Discount rate	+100 bps	(₱6,069)
	-100 bps	7,554
Salary rate	+100 bps	29,884
	-100 bps	(29,884)

18. 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 nil, ₱4.4 million and ₱4.0 million in 2016, 2015 and 2014, respectively, were converted to cash (see Note 20).

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.

19. Taxes

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

	2016	2015	2014
Reported in Consolidated Profit and Loss			
Current tax expense - MCIT at 2%	**₱13,566,878**	₱10,907,953	₱10,488,958
Deferred tax benefit relating to origination and reversal of temporary differences	**(5,094,879)**	(17,441,531)	(244,739,309)
Income tax expense (benefit)	**₱8,471,999**	(₱6,533,578)	(₱234,250,351)
Reported in Consolidated Other Comprehensive Income			
Deferred tax expense related to additional revaluation reserve on property, plant and equipment	**₱37,916,522**	₱–	₱–
Deferred tax expense related to accumulated unrealized actuarial gain	**–**	606,752	160,944
	₱37,916,522	₱606,752	₱160,944

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

	2016	2015	2014
Income tax expense (benefit) at statutory tax rate	**₱7,794,278**	₱192,670	(₱243,739,111)
Change in unrecognized deferred tax assets	**(92,199,053)**	(30,654,380)	(20,845,473)
Adjustment for income subjected to lower income tax rates	**(278,640)**	(30,982)	(94,977)
Tax effects of:			
Nondeductible expenses	**61,389,314**	32,894,594	33,825,994
Expiry of unrecognized deferred tax asset on:			
NOLCO	**24,338,850**	549,121	22,500
MCIT	**7,427,250**	7,412,103	4,659,028
Other deductible expenses	**–**	(16,896,704)	(8,078,312)
	₱8,471,999	(₱6,533,578)	(₱234,250,351)

The components of the recognized net deferred tax assets and liabilities as at December 31, 2016 and 2015 are as follows:

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income (Profit or Loss)		
	2016	2015	**2016**	2015	2014
Deferred tax assets:					
Allowance for impairment losses on:					
Trade and other receivables	**₱107,116,900**	₱103,431,089	**3,685,811**	₱1,378,281	(₱5,653,885)
Product development costs	**9,410,519**	9,410,519	**–**	–	–
Property, plant and equipment	**5,392,850**	5,246,289	**146,560**	(452,140)	–
Inventories	**–**	–	**–**	–	(29,366,335)
Retirement liability	**23,448,766**	21,329,379	**2,119,387**	(1,056,631)*	(6,076,651)
	145,369,035	139,417,276	**5,951,758**	(130,490)	(41,096,871)
Deferred tax liabilities:					
Revaluation reserve on property, plant and equipment	**(114,906,713)**	(78,247,742)	**1,257,552****	1,506,574	263,580,938
Changes in fair value of investment properties	**(38,603,681)**	(36,489,250)	**(2,114,431)**	16,065,447	22,255,242
	(153,510,394)	(114,736,992)	**(856,879)**	17,572,021	285,836,180
Deferred tax expense (benefit)			**₱5,094,879**	₱17,441,531	(₱244,739,309)
Net deferred tax assets (liabilities)	**(₱8,141,359)**	₱24,680,284			

**Excludes income tax effect on actuarial gain of ₱0.6 million in 2015.*
***Excludes income tax effect on revaluation increase of ₱37.9 million in 2016.*

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
2016	₱–	₱99,391	₱–	₱99,391	2019
2015	8,331,507	–	–	8,331,507	2018
2014	3,801,370	–	–	3,801,370	2017
2013	327,894,994	(246,765,493)	(81,129,501)	–	2016
	₱340,027,871	(₱246,666,102)	(₱81,129,501)	₱12,232,268	

MCIT

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2016	₱–	₱13,566,878	₱–	₱13,566,878	2019
2015	10,907,953	–	–	10,907,953	2018
2014	10,488,958	–	–	10,488,958	2017
2013	7,427,250	–	(7,427,250)	–	2016
	₱28,824,161	₱13,566,878	(₱7,427,250)	₱34,963,789	

The amount of NOLCO, MCIT and other deductible temporary differences as at the end of 2016 and 2015 for which the related deferred tax assets have not been recognized are shown below.

	2016		2015	
	Amount	**Tax Effect**	Amount	Tax Effect
NOLCO	**₱12,232,268**	**₱3,669,680**	₱340,027,871	₱102,008,361
MCIT	**34,963,789**	**34,963,789**	28,824,161	28,824,161
Allowance for impairment losses on:				
Trade and other receivables	**144,400,537**	**43,320,161**	144,400,537	43,320,161
Other assets	**54,746,376**	**16,423,913**	54,746,376	16,423,913
Property, plant and equipment	**50,949,449**	**15,284,835**	50,949,449	15,284,835
Provisions	**25,812,642**	**7,743,793**	25,812,642	7,743,793
Retirement liability	**7,597,172**	**2,279,152**	7,597,172	2,279,152
Loss on fair value changes of investment properties	**1,084,906**	**325,472**	1,084,906	325,472
	₱331,787,139	**₱124,010,795**	₱653,443,114	₱216,209,848

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.

20. Related Party Transactions

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

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, ₱2.4 billion of the restructured 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 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. In 2014, Kormasinc reduced its equity interest in the Company from 85.29% to 69.26%.

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

			2016		2015	
	Relationship	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Kormasinc	Parent Company	Restructured debt acquired	**-**	**₱175,027,457**	(₱63,272,000)	₱175,027,457
		Trade payables acquired	**-**	**32,097,944**	-	32,097,944
		Interest on restructured debt	**-**	**199,985,490**	-	199,985,490
				₱407,110,891		₱407,110,891

The terms of the payment of the loan are still subject to negotiation. Interest on the loan from the period September 2013 to December 2016 was waived by Kormasinc. Proceeds from the disposal of several core and noncore assets amounting to ₱63.3 million in 2015 were applied against the outstanding debt.

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 Notes 6 and 11).

		2016		2015	
Related parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Due from (to) related parties					
Entity under common control	Working capital advances	**₱147,178,802**	**₱146,173,847**	₱1,662,779	(₱1,004,955)
Stockholder	Working capital advances	–	–	(57,500,000)	–
			₱146,173,847		(₱1,004,955)

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 11).

		2016		2015	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Stockholder	Purchases	**₱–**	**(₱37,256,155)**	₱–	(₱37,256,155)

Advances to (from) Officers and Employees

The Company grants unsecured, noninterest-bearing advances to its officers which are normally collected within one year through salary deduction (see Note 6). Certain officers also pay operating expenses on behalf of the Company which are payable upon demand (see Note 11). Shown below are the movements in the accounts.

		Amount of Transactions		Outstanding Balances	
	Note	**2016**	2015	**2016**	2015
Advances to officers and employees	6	**₱1,860,529**	(₱162,608)	**₱6,033,674**	₱4,173,145
Advances from officers	11	–	3,598,773	–	–

Compensation of Key Management Personnel

The compensation includes the following:

	Note	**2016**	2015	2014
Short-term employee benefits		**₱57,240,454**	₱31,966,885	₱28,966,161
Retirement benefits		**2,913,467**	2,663,907	2,413,847
Compensation paid in share of stock/equivalent value in cash	18	–	4,424,172	4,008,876
Others		**17,958,438**	17,672,343	16,013,444
		₱78,112,359	₱56,727,307	₱51,402,328

21. 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:

	2016	2015
Authorized	**3,500,000,000**	3,500,000,000
Issued and outstanding	**2,786,497,901**	2,786,497,901

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, 2016 and 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	1,929,839,491	69.26%
Owned by public	790,201,386	28.36%
Owned by directors and officers	66,457,024	2.38%
Total	2,786,497,901	

Of the total shares owned by the public, 291.3 million shares are foreign-owned.

The total number of shareholders of the Company is 4,255 and 4,303 as at December 31, 2016 and 2015, respectively.

Other Comprehensive Income

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

	Revaluation Reserve (see Note 9)	Accumulated Actuarial Gains (see Note 17)	Total
Balance at January 1, 2016	**₱182,578,065**	**₱7,896,771**	**₱190,474,836**
Revaluation increase on property, plant and equipment	**88,471,885**	**–**	**88,471,885**
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	**(2,934,286)**	**–**	**(2,934,286)**
Balance at December 31, 2016	**₱268,115,664**	**₱7,896,771**	**₱276,012,435**
Balance at January 1, 2015	₱186,093,405	₱9,004,493	₱195,097,898
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	(3,515,340)	–	(3,515,340)
Transfer to deficit of actuarial gain	–	(2,523,476)	(2,523,476)
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

22. **Earnings (Loss) Per Share**

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

	2016	2015	2014
Net income (loss) for the year	**₱17,508,928**	₱7,175,811	(₱578,213,353)
Divided by the weighted average number of outstanding shares	**2,786,497,901**	2,786,497,901	2,786,497,901
Earnings (loss) per share - basic and diluted	**₱0.006**	₱0.003	(₱0.21)

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

23. **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 ₱27.6 million, ₱26.5 million and ₱15.7 million in 2016, 2015 and 2014, respectively, and are shown as part of "Other operating income" account in the consolidated statements of comprehensive income (see Note 14).

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 ₱12.0 million, ₱9.4 million and ₱7.7 million in 2016, 2015 and 2014, respectively (see Note 15).

Future minimum lease payments under the lease agreements follow:

	2016	2015
Within one year	₱10,285,403	₱9,350,366
More than one year but not more than five years	20,570,805	18,700,732
More than five years	–	–
	₱30,856,208	₱28,051,098

Finance Lease Agreement - Company as Lessee

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

As at December 31, 2016, details of the account follow:

Current portion	₱2,814,057
Noncurrent portion	13,828,652
	₱16,642,709

Interest expense charged to operations in 2016 follows:

	Note	
Loans payable	6	₱12,356,276
Finance lease liabilities		285,883
		₱12,642,159

The carrying value of the transportation equipment as at December 31, 2016 acquired through finance lease agreements amounted to ₱19.8 million.

Future minimum lease payments under the lease agreements follow:

Within one year	₱2,814,057
More than one year but not more than five years	13,828,651
More than five years	–
	₱16,642,708

24. 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.

25. 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:

	2016		2015	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash in banks	**₱116,259,597**	**₱116,259,597**	₱185,142,633	₱185,142,633
Trade and other receivables*	**1,060,883,344**	**1,060,883,344**	814,647,373	814,647,373
Security deposits	**13,536,894**	**13,536,894**	14,706,634	14,706,634
	₱1,190,679,835	**₱1,190,679,835**	₱1,014,496,640	₱1,014,496,640
Financial Liabilities				
Trade and other payables**	**₱1,458,854,294**	**₱1,458,854,294**	₱1,102,449,691	₱1,102,449,691
Payable to a stockholder	**407,110,891**	**407,110,891**	407,110,891	407,110,891
Finance lease liabilities	**16,642,709**	**16,642,709**	–	–
Cash bond deposits	**23,360,528**	**23,360,528**	20,008,284	20,008,284
	₱1,905,968,422	**₱1,905,968,422**	₱1,529,568,866	₱1,529,568,866

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱102.4 million, ₱15.2 million and ₱6.0 million, respectively, in 2016 and ₱55.4 million, ₱15.4 million and ₱4.2 million, respectively, in 2015.*

***Excluding statutory liabilities amounting to ₱5.2 million and ₱4.6 million in 2016 and 2015, 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.

26. 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, 2016 and 2015, 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.

	2016	2015
Cash in banks	**₱116,259,597**	₱185,142,633
Trade and other receivables*	**1,060,883,344**	814,647,373
Security Deposits	**13,536,894**	14,706,634
	₱1,190,679,835	₱1,014,496,640

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱102.4 million, ₱15.2 million and ₱6.0 million, respectively, in 2016 and ₱55.4 million, ₱15.4 million and ₱4.2 million, respectively, in 2015.*

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:

	2016					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Total	Past Due but not Impaired	Impaired	Total
Cash in banks	₱116,259,597	₱–	₱116,259,597	₱–	₱–	₱116,259,597
Trade and other receivables*	860,977,400	–	860,977,400	199,905,944	501,456,871	1,562,340,215
Security deposits	13,536,894	–	13,536,894	–	–	13,536,894
	₱990,773,891	₱–	₱990,773,891	₱199,905,944	₱501,456,871	₱1,692,136,706

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱102.4 million, ₱15.2 million and ₱6.0 million, respectively.*

	2015					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Total	Past Due but not Impaired	Impaired	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	14,706,634	–	₱14,706,634	–	–	14,706,634
	₱670,665,814	₱–	₱670,665,814	₱343,830,826	₱489,170,834	₱1,503,667,474

**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.*

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, 2016 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	**₱407,110,891**	**₱–**	**₱–**	**₱–**
Trade and other payables*	**727,919,211**	**730,935,083**	**–**	**–**
Finance lease liability	**2,814,057**	**–**	**13,828,652**	**–**
Cash bond deposits	**–**	**–**	**–**	**23,360,528**
	₱1,137,844,159	**₱730,935,083**	**₱13,828,652**	**₱23,360,528**

**Excluding statutory liabilities amounting to ₱5.2 million in 2016.*

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	₱407,110,891	₱–	₱–	₱–
Trade and other payables*	503,488,282	430,837,696	–	168,143,713
Cash bond deposits	–	–	–	20,008,284
	₱910,599,173	₱430,837,696	₱–	₱188,151,997

**Excluding statutory liabilities amounting to ₱4.6 million in 2015.*

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. Pursuant to the Company's motion for successful exit from Corporate Rehabilitation which was approved by the Regional Trial Court on September 16, 2016, these liabilities became due and demandable (See Note 11).

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.

27. 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 and 2016, excluding interest of ₱200.0 million.

Company liabilities and equity are shown below.

	2016	2015
Total liabilities	**₱1,990,012,303**	₱1,609,238,733
Total equity	**870,011,752**	764,030,939

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone +632 982 9100
Fax +632 982 9111
Website www.reyestacandong.com

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 (a subsidiary of Kormasinc, Inc.) AND SUBSIDIARIES (the Company), as at and for the year ended December 31, 2016, on which we have rendered our report dated April 12, 2017.

In compliance with Securities Regulations Code Rule No. 68, as amended, we are stating that the Company has three thousand two hundred thirty eight (3,238) stockholders owning at least one hundred (100) or more shares each.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-1 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-4-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

April 12, 2017
Makati City, Metro Manila

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8741 Paseo de Roxas
Makati City 1226 Philippines
Phone +632 982 9100
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Website www.reyestacandong.com

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, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 included in this Form 17-A and have issued our report thereon dated April 12, 2017. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2016 are the responsibility of the Company's management. These supplementary schedules include the following:

- Adoption of Effective Accounting Standards and Interpretations
- Financial Ratios
- Schedule of Parent Company's Retained Earnings Available for Dividend Declaration
- Schedules required by Part II of Securities Regulation Code (SRC) Rule 68, as Amended

These schedules are presented for purposes of complying with SRC Rule 68 Part II, as amended, and are not part of the consolidated financial statements. These information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-2 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-004-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

April 12, 2017
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
Date APR 17 2017
RECEIVED

VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2016

		Amount
Deficit as shown in the financial statements at beginning of year		(₱2,326,475,358)
Balance at beginning of year of:		
Cumulative gain on fair value changes of investment properties		(121,630,833)
Net deferred tax assets that flow through profit or loss		(98,132,419)
Cumulative revaluation reserve transferred to deficit, net of tax		12,013,643
Deficit as adjusted to available for dividend declaration at beginning of year		(2,534,224,967)
Net loss actually incurred during the year:		
Net loss closed to deficit	(32,387,364)	
Gain on fair value changes of investment properties	(7,048,102)	
Movement of deferred tax assets recognized in profit or loss	(5,094,879)	
Depreciation of revaluation reserve, net of tax	2,934,286	(41,596,059)
Total deficit available for dividend declaration at end of year		(₱2,575,821,026)

Reconciliation:

	Amount
Deficit as shown in the financial statements at end of year	(₱2,355,928,436)
Balance at end of year of:	
Cumulative gain on fair value changes of investment properties	(128,678,935)
Net deferred tax assets that flow through profit or loss	(101,969,747)
Cumulative revaluation reserve transferred to deficit, net of tax	14,947,929
Depreciation of revaluation reserve recognized in profit or loss	(4,191,837)
Total deficit available for dividend declaration at end of year	(₱2,575,821,026)

VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

FINANCIAL RATIOS

DECEMBER 31, 2016

Below is a schedule showing financial soundness indicators in the years 2016, 2015 and 2014.

	2016	2015	2014
Current/Liquidity Ratio	**0.98**	1.10	1.01
Current assets	**1,827,029,086**	1,483,073,290	1,375,592,543
Current liabilities	**1,862,527,008**	1,345,996,604	1,362,889,194
Solvency Ratio	**0.03**	0.02	(0.33)
Net income (loss) before depreciation	**51,089,298**	31,708,965	(529,431,771)
Total liabilities	**1,990,012,303**	1,609,238,733	1,620,490,023
Debt-to-equity Ratio	**2.29**	2.11	2.15
Total liabilities	**1,990,012,303**	1,609,238,733	1,620,490,023
Total equity	**870,011,752**	764,030,939	754,357,883
Asset-to-equity Ratio	**3.29**	3.11	3.15
Total assets	**2,860,024,055**	2,373,269,672	2,374,847,906
Total equity	**870,011,752**	764,030,939	754,357,883
Interest rate coverage Ratio	**3.06**	3.91	-
Pretax income (loss) before interest	**38,623,086**	862,768	(812,463,704)
Interest expense	**12,642,159**	220,535	-
Profitability Ratio	**0.02**	0.01	(0.77)
Net income (loss)	**17,508,928**	7,175,811	(578,213,353)
Total equity	**870,011,752**	764,030,939	754,357,883

VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2016

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: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	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	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: 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			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
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: Classification of Servicing Equipment			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
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 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
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			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and 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			✓
	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: Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

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			✓
IFRIC 14	PAS 19 - 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			✓

VITARICH CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF SRC RULE 68 AS AMENDED
DECEMBER 31, 2016

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VITARICH CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2016

Description	Carrying Value	Fair Value
Loans and receivables:		
Cash in banks	₱116,259,597	₱116,259,597
Trade and other receivables*	1,060,883,344	1,060,883,344
Security deposits	13,536,892	13,536,892
	₱1,190,679,833	₱1,190,679,833

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱102.4 million, 15.2 million and ₱6.0 million, respectively, in 2016*

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES and PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2016

Name and Designation of Debtor	Balance at beginning of Year	Additions	Deductions		Ending Balance		Balance at end of year
			Collected	Written Off	Current	Noncurrent	
Advances to Officers and Employees:							
Mailyn Acero, Sales Manager	–	998,538	408,573				589,965
Roel Galang, Sales Manager	–	947,545	452,276				495,269
Guillermo B. Miralles, Vice President and General Manager	–	667,000	191,397				475,603
Rey D. Ortega, Vice President and General Manager	683,267	–	214,801				468,466
Jonemar Espiritu, Sales Manager	19,543	251,809	96,310				175,042
Aaron Cruz, Supervisor	–	200,000	83,333				116,667
Alfredo Espiritu Jr., District Sales Manager	33,333	125,000	47,131				111,202
Teddy Mendoza, Credit and Collection Officer	–	120,000	10,000				110,000
Others*	3,437,002	8,891,180	8,836,722	–	–	–	3,491,460
	₱4,173,145	₱12,201,072	₱10,340,543	₱–	₱–	₱–	₱6,033,674

*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, 2016

			Deductions			Ending Balance		
Related Party	Balance at beginning of period	Additions	Collections	Write Off	Amounts written off	Current	Noncurrent	Balance at end of period
Amounts Due from Related Parties								
Gromax, Inc.	₱40,193,477	₱82,528,549	₱–	₱–	₱–	₱82,528,549	₱–	₱122,722,026

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
December 31, 2016

			Deductions			Ending Balance		
Related Party	Balance at beginning of period	Additions	Collections (Payments)	Discounting	Write Off	Current	Noncurrent	Balance at end of period
Entity under common control	(₱1,004,955)	₱147,178,802	₱–	₱–	₱–	₱146,173,847	₱–	₱146,173,847

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER
December 31, 2016

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the statement of financial position caption	Number of shares reserved for options, warrants, conversion & other rights	Number of shares held by		
				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	-	1,929,839,491	66,457,024	790,201,386

VITARICH CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP

DECEMBER 31, 2016