COVER SHEET

2 1 1 3 4

S.E.C. Registration Number

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

(Company's Full Name)

M A C A R T H U R   H I G H W A Y   A B A N G A N   S U R

M A R I L A O   B U L A C A N

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

TERESITA RIMANDO

Contact Person

DEFINITIVE INFORMATION STATEMENT

843-30-33

Company Telephone Number

1 2 - 3 1

Month Day

Fiscal Year

2 0 - I S

FORM TYPE

Last Friday

0 6

Month Day

Annual Meeting

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

VITARICH

VITARICH CORPORATION
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
Friday, 24 June 2011 at 2:00 P.M.
Vitarich Compound, McArthur Highway, Abangan Sur
Marilao, Bulacan

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of **VITARICH CORPORATION** (the "Corporation") will be held on **Friday, 24 June 2011 at 2:00 P.M.** at the Vitarich Compound, McArthur Highway, Abangan Sur, Marilao, Bulacan.

The Agenda for the meeting is as follows:

1. Call to order;
2. Certification of notice to the stockholders and the presence of a quorum to do business;
3. Approval of the minutes of the previous stockholders' meeting;
4. Report by the Chairman;
5. Confirmation and ratification of the acts of the Board of Directors and officers;
6. Election of directors;
7. Appointment of the external auditors;
8. Appointment of the stock and transfer agent;
9. Other matters; and
10. Adjournment.

For the purpose of determining the stockholders entitled to notice of, and to vote at the meeting, the record date is 24 May 2011.

Proxies must be submitted to the Special Committee of Election Inspectors of the Corporation at the executive office of the Corporation located at the Conference Room, Unit 3 Bldg. 1 Villa Sole Compound, No. 345 Amang Rodriguez Avenue, Manggahan, Pasig City, Metro Manila on or before 13 June 2011. Proxies shall be validated by the Special Committee of Inspectors at the executive office of the Corporation on 17 June 2011.

On the day of the meeting, you or your duly designated proxy are hereby required to bring this Notice and any form of identification such as driver's license, passport, company I.D., voter's I.D., or TIN Card to facilitate registration. Registration shall start at 1:00 p.m. and will close at 1:45 p.m.

ATTY. PEDRO T. DABU, JR.
Asst. Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

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

3. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **21134**

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

6. **MacArthur Highway, Bo. Abangan Sur, Marilao, Bulacan** **3019**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 843-3033**

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

   Date : **Friday, 24 June 2011**
   Time : **2:00 p.m.**
   Place : **Vitarich Compound, MacArthur Highway, Bo. Abangan Sur, Marilao, Bulacan**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **1 June 2011**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Stock – Total Shares Issued and Outstanding as of May 15, 2011	**409,969,764 shares**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes **X** No ____

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

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holder

Friday, 24 June 2011 at 2:00 P.M.
at the Vitarich Compound, MacArthur Highway, Bo. Abangan Sur, Marilao, Bulacan

Definitive Information Statement shall be sent or given to security holders on Wednesday, 1 June 2011

Complete mailing address of the principal office of Vitarich Corporation:
MacArthur Highway, Bo. Abangan Sur, Marilao, Bulacan

Dissenter's Right of Appraisal

There is no other matter to be taken up during the annual stockholders' meeting that may give rise to the exercise by any dissenting stockholder of the right of appraisal. Any stockholder of the Corporation may exercise his right of appraisal against any proposed corporate action that qualifies as an instance under Section 81 of the Corporation Code and which gives rise to the exercise of such appraisal right pursuant to and in the manner provided under Section 82 of the Corporation Code. Sections 81 and 82 of the Corporation Code provide as follows:

> "SECTION 81. *Instances of Appraisal Right*. — Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:
>
> 1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
>
> 2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and
>
> 3. In case of merger or consolidation."
>
> "SECTION 82. *How Right is Exercised*. — The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: *Provided*, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

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

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

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

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders thereof

(a) number of shares outstanding : 409,969,764 shares

number of votes to which each class is entitled : one (1) vote per one (1) common share

(b) cut-off date / record date : 24 May 2011

The Corporation's capital stock consists of common shares. The stockholders have the same voting rights and privileges. Each share is entitled to one vote.

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

Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the Corporation's voting securities as of 30 April 2011 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 ** -G/F MSE Building, 6767 Ayala Avenue, Makati City -stockholder	Various beneficial owners [2]	Filipino	154,638,437 r	37.72%
Common Shares	Metropolitan Bank & Trust Company Metro Bank Plaza Sen. Gil J. Puyat Ave. Makati City	Various beneficial owners	Filipino	97,547,396 r	23.79 %
Common Shares	Sarmiento Management Corp. - stockholder -Km 19 Amang Rodriguez Avenue, Manggahan, Pasig City, -a company controlled by the majority of the stockholders of the Issuer	Various beneficial owners[1]	Filipino	87,320,199 r	21.30 %

Security of Ownership of Management

The number of common shares beneficially owned by directors and executive officers as of 30 April 2011 are as follows:

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF CLASS
Directors (excluding directors holding merely qualifying shares)				
Common	Rogelio M. Sarmiento	1,595,320 (r)	Filipino	0.39%
Common	Benjamin I. Sarmiento	312,713 (r)	Filipino	0.08%
Common	Ma. Luz S. Roxas-Lopez	1,305,320(r)	Filipino	0.32%
Common	Jose M. Sarmiento	1,305,320 (r)	Filipino	0.32%
Common	Ma. Victoria M. Sarmiento	1,387,520 (r)	Filipino	0.34%
Common	Ma. Socorro S. Gatmaitan	1,307,033 (r)	Filipino	0.32%

[2] PCD Nominee Corporation, a wholly-owned subsidiary of the Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Corporation's stock and transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares in their behalf or in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. To the knowledge of the Issuer, none of the beneficial owners of the PCD Nominee Corporation own more than 5% of the issuer's voting securities.

[1] Mr. Lorenzo M. Sarmiento Jr., as President of Sarmiento Management Corp, votes on behalf of the Sarmiento Management Corporation . He is also a director of the Issuer. None of the beneficial owners of Sarmiento Management Corporation directly own more than 5% of the issuer's voting securities.

Metropolitan Bank & Trust Company gave Sarmiento Management Corp. Sarphil Corporation, L.S. Sarmiento & Co Inc (LSSCI), Medityre Corp and Luz M. Sarmiento voting rights on the shares it foreclosed. In turn, Sarmiento Management Corp. Sarphil Corporation, L.S. Sarmiento & Co Inc (LSSCI), Medityre Corp and Luz M. Sarmiento appointed Mr. Lorenzo M. Sarmiento Jr. the right to vote on the shares.

Common	Lorenzo M. Sarmiento Jr.	841,095 (r)	Filipino	0.21%
Executive Officers				
Common	All Other Officers & Directors			
	As a group unnamed	16,501 (r)	Filipino	Nil

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

No change in control of the Corporation has occurred since the beginning of the last fiscal year.

Directors and Executive Officers

All of the directors and officers named herein have served their respective offices since 25 June 2010. 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.

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

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.

Nominees

The nominees for election as members of the Board of Directors and as Officers of the Corporation as of the date of sending of the Definitive Information Statement to security holders on 1 June 2011 are listed below.

Regular Directors:

The following are the nominees for regular directors for election to the Board of Directors of the Corporation for the ensuing calendar year:

1. Rogelio M. Sarmiento;
2. Ma. Victoria M. Sarmiento;
3. Lorenzo M. Sarmiento Jr.;
4. Benjamin I. Sarmiento Jr.;
5. Ma. Socorro S. Gatmaitan;
6. Ma. Luz S. Roxas – Lopez;
7. Jose M. Sarmiento;
8. Cesar L. Lugtu; and
9. Angelito M. Sarmiento.

Independent Directors
The independent directors of the Corporation are nominated by the stockholders and pre-screened by the Nomination and Compensation Committee of the Corporation under the procedures laid down in the Corporation's By-Laws and its Manual on Corporate Governance regarding election of directors, and possess all the qualifications and none of the disqualifications of being an independent director, pursuant to SRC Rule 38 of the Rules Implementing the Securities Regulations Code.

In approving the nominations for independent directors, the members of the Nominations Committee of the Corporation observed the guidelines prescribed in SEC Circular No. 16, Series of 2002 on the Guidelines on the Nomination and Election of Independent Directors, the Corporation's By-Laws and its Manual on Corporate Governance.

The following are the nominees for election as Independent Directors of the Corporation:

1. Jose Vicente C. Bengzon III - nominated by Cesar Duque; and
2. Manuel Q. Lim - nominated by Senen C. Bacani.

Mr. Senen C. Bacani and Mr. Cesar Duque, who nominated the two independent directors, are stockholders of the Issuer, and are not related to the aforementioned two nominees.

Officers:

Rogelio M. Sarmiento	-	Chairman/ Chief Executive Officer/President
Guillermo B. Miralles	-	Vice President, Vismin Operations
Ma.Victoria M. Sarmiento	-	Treasurer
Julieta M. Herrera	-	Controller
Atty. Tadeo F. Hilado	-	Corporate Secretary
Atty. Pedro T. Dabu Jr.	-	Assistant Corporate Secretary / Compliance Officer/ Corporate Information Officer

All nominees for directors and executive officers are Filipino citizens.

Following is a brief profile of the Corporation's Directors and Officers for the year 2010-2011 as well as the nominees for Director.

Rogelio M. Sarmiento, Filipino, 62 years old
Director (since 1980) / Chairman of the Board, Chief Executive Officer & President (since 1992)

Board / Committee Memberships
(will likely be nominated to retain the position)

- Chairman of the Board & President

Mr. Sarmiento is presently the Chairman of the Board of Directors of Sarmiento Management Corporation (1993 up to the present). From 1968 to 1981, he was the President of L. S. Sarmiento & Co., Inc., Sarmiento Industries, Inc., Fortuna Mariculture Corporation, and Sarphil Corporation. Mr. Sarmiento obtained his Bachelor of Science in Business Administration degree from the University of San Francisco and his Master of Business Administration degree from the University of Sta. Clara in the United States. 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 was then the Minister of State for Transportation and Communications. He also served as Deputy Director General of the National Economic and Development Authority and was a member of the House of Representatives of the Philippine Congress representing the First District of the Province of Davao del Norte from 1992 to 2001.

Lorenzo M. Sarmiento Jr., Filipino, 61 years old
Director (since 2006)
Board / Committee Memberships
(will likely be nominated to retain the position)

- Board member
- Member – Audit Committee

Mr. Sarmiento obtained his Bachelor of Science in Business Administration degree from the University of San Francisco and his Master of Business Administration degree from the University of Sta. Clara in the United States. He is at present the president of several companies, among others, Sarmiento Management Corporation from 1993 up to the present; Metro Manila Retreaders, Inc. from 1989 up to the present; Bicol Retreaders Inc. from 1986 up to the present; and Central Phil. Bandag Retreaders Inc. from 1980 up to the present.

Jose M. Sarmiento, Filipino, 55 years old
Director (since 1980)

Board / Committee Memberships
(will likely be nominated to retain the position)

- Board member
- Member – Compensation & Nomination Committee

Mr. Jose M. Sarmiento holds a Bachelor of Science in Agriculture degree from the Gregorio Araneta Foundation School. He is also a director of Gromax, Inc. from 1995 up to the present. He was previously the Vice-President of Luz Farms, Inc. from 1981 to 1983.

Ma. Socorro S. Gatmaitan, Filipino, 54 years old
Director (since 1997)

Board / Committee Memberships
(will likely be nominated to retain the position)

- Board member
- Member – Compensation & Nomination Committee

Ms. Sarmiento obtained her Bachelor of Science degree in Civil Engineering from the University of the Philippines. She is also a director of Gromax, Inc. from 1995 up to the present. On March 2008, she serves as the President of L. S. Properties up to the present.

Atty. Ma. Victoria M. Sarmiento , Filipino, 41 years old
Director (since 1999) / Treasurer (since 2003)

Board / Committee Memberships
(will likely be nominated to retain the position)

- Board member
- Member – Audit Committee
- Treasurer

Ms. Sarmiento is a graduate of B.S. Economics from the University of the Philippines, Diliman, Quezon City and obtained her Juris Doctor law degree from the Ateneo de Manila University. She attended the Export Akademie Baden-Wuerttenberg and completed the Carl Duisberg Gessellschaft Program in International Marketing for Furniture in Germany. She is the Corporate Secretary of Sarmiento Management Corporation from 2000 up to the present; the Executive Director of Sarmiento Foundation, Inc. from 2001 up to the present and a special counsel of Baterina Baterina Casals Lozada & Tiblani Law Office in 2008 up to the present. She became a licensed real estate broker in 2009. In 2010, she attended the advanced training course for intellectual property practitioners at the Japan Institute for Invention and Innovation (JIII). She is also the Treasurer of the Corporation.

Benjamin I. Sarmiento Jr., Filipino, 42 years old
Director (since 1998)
Board / Committee Memberships
(will likely be nominated to retain the position)

- Board member
- Member – Audit Committee
- Member – Compensation & Nomination Committee

Mr. Sarmiento is a graduate of the University of San Francisco with a degree of Bachelor of Arts in Economics. He is the Chief Executive Officer of Pacific Equity, Inc. from 1989 up to the present. He is also a Director of the following companies: M2 Ventures, International Inc. from 1991 up to the present, and for 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 also a director of Gromax, Inc. from 1995 up to the present.

Ma. Luz S. Roxas – Lopez, Filipino, 59 years old
Director (since 2002)

Board / Committee Memberships
(will likely be nominated to retain the position)

- Board member
- Member – Audit Committee
- Member – Compensation & Nomination Committee

Ms. Roxas obtained her Bachelor of Science in Social Work degree from the Maryknoll College. She was the Treasurer of Luz Farm Inc.

Cesar L. Lugtu, Filipino, 56 years old
Director (since 2005)

Board / Committee Memberships
(will likely be nominated to retain the position)

- Board member
- Member – Audit Committee
- Member – Compensation & Nomination Committee

Mr. Lugtu is presently the Senior Vice-President and Group Head - Special Accounts Management Group (SAMG) of the Metropolitan Bank & Trust Company. Prior to joining Metrobank in the year 2000, he held various positions at Solid Bank for 18 years, the latest being First Vice President/Division Head of its Special Account Management Division (1999-2000), Corporate Banking Group (CBG) from 1992-1999, and the Manila Banking Corporation for 3 years (1980-1982). He is a graduate of the De La Salle University and became a director of the Corporation in 2005.

Jose Vicente C. Bengzon III, Filipino, 53 years old
Independent Director (since 2007)

Board / Committee Memberships
(will likely be nominated to retain the position)

- Board member
- Chairman – Audit Committee

Mr. Bengzon is presently the Chief Operating Officer of DUMA Group of Companies. He is the Director of Panaro Minerals Phils Ltd since 2006 and Philippine Business Leaders Forum, Inc since 2005 He is also currently the Board of Director and President of UPCC Holdings Corporation since 2006. Prior to this, he was the Chief Privatization Officer of the Department of Finance, Representative of the Phils.

Privatization and Management Office in 2005; and 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 degree major in Economics from that university from 1975 to 1980 . He took his Masters of Business Administration at the Kellogg School of Management at Northwestern University in 1988.

Manuel Q. Lim, Jr. , Filipino, 80 years old
Independent Director (since 2003)

Board / Committee Memberships
(will likely be nominated to retain the position)

- Board member
- Chairman – Compensation & Nomination Committee

Mr. Lim is the incumbent Trustee for MFI Foundation, Inc., since 2001. He is also at present the Vice Chairman of the Board of Trustees of the Philippine Institute of Pure and Applied Chemistry and Trustee of Sarmiento Foundation, Inc.

Some of his former engagements are: Deputy Minister for the Ministry of Agriculture and Food; Private Sector Member of the Philippine Council for Agriculture Research and Development, and also for Industry and Energy Research and Development; Private Sector Member of Presidential Agrarian Reform Council; Executive Vice President of Economic Development Foundation, and also of Luzon Stevedoring group of companies; President of Hijo and Twin Rivers banana plantations, and President of National Agribusiness Development Foundation. He was also engaged as consultant in various government and private institutions in government- assisted projects.

He obtained his Bachelor degrees of Arts at the Ateneo de Manila, of Science in Mechanical Engineering at the University of the Philippines, and his Master's degree in Business Administration at the Ateneo de Manila University.

Angelito M. Sarmiento, Filipino, 64 years old
Director
(will be re-nominated for the position)

Board / Committee Memberships

- Board member

Currently a Director of Foundation for Resource Linkage & Development Inc.; the organizer of yearly Agrilink event; Director, Bulacan State University; Former President of Vitarich Corporation (1983-1988) and then Director up to 1997. Former Congressman (1992-2001); former Chairman of the House Committee on Agriculture (1998-2001); Former Presidential Adviser on Agricultural Modernization (February 2001 to December 2003); Former NFA Chairman (Sept 2001-Dec 2004);and a Former Mayor of City of San Jose del Monte Bulacan.

Other Executive Officers

Guillermo B. Miralles, Filipino, 46 years old
Vice President, Vismin Operation
Mr. Miralles obtained his degree on Bachelor of Arts (AB – Classical) major in English and Philosophy from Queen of Apostles College Seminary, Tagum City in 1986. He joined the Corporation in 1994, and since then, he handled different positions in the Visayas and Mindanao operations prior to his appointment as Vice President for Vismin Operations in October 2003. Before joining Vitarich Corporation, he was connected with Virginia Foods, Inc. as the Sales Manager thereof.

Julieta M. Herrera, Filipino, 48 years old
Controller

Ms. Herrera is a Certified Public Accountant and a graduate of University of the East, having obtained her Bachelor of Science in Business Administration degree from that university in 1983. She became a member of Institute of Certified Management Accountants Australia last January 2005. She joined Vitarich in 1995, and was appointed as Controller of the Corporation & Gromax Inc., last January 2003. Prior to this, she was the chief accountant of Breeder Master Inc., a former joint venture of Vitarich & Cobb-Vantress USA. She was also the former accounting head of the Corporation's Poultry and Foods Accounting Division. Prior to this, she was the head of Budget and Disbursement Department of Phil. Cocoa Corporation (Goya-Hershey), a subsidiary of Nestle Philippines.

Atty. Tadeo F. Hilado, Filipino, 58 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.

Atty. Pedro T. Dabu Jr., Filipino, 54 years old
Assistant Corporate Secretary

Atty. Dabu obtained his law degree from the Manuel L. Quezon University (cum laude) and is taking up his Master of Laws in Civil Law at the San Beda College. Prior to his appointment as Assistant Corporate Secretary and Compliance Officer of Vitarich Corporation in July 2007, he served as City Administrator of San Jose Del Monte, Bulacan. In 1993 to 2000, he was the Corporation's Legal Manager and concurrently Asst. Corporate Secretary and Corporate Secretary of Vitarich's subsidiaries.

Family Relationships

Mr. Rogelio M. Sarmiento, the Chairman of the Board and the Chief Executive Officer of the Corporation; Lorenzo M. Sarmiento Jr.; Jose M. Sarmiento; Ma. Socorro S. Gatmaitan; and Ma. Victoria M. Sarmiento, who are all directors of the Corporation, are siblings.

<u>Compensation of Directors & Executive Directors</u>

Terms and Conditions of Employment Contract, Compensation Plan

The Chairman, Vice-President, and Controller are regular employees of the Corporation and are similarly remunerated with a compensation package comprising of twelve (12) months basic pay. In addition, based on the Corporation's performance, they also receive mid-year and year-end gratuity pay which the Board extends to the managerial, supervisory and rank & file employees of the Corporation.

The members of the Board of Directors are elected for a term of one (1) year. They receive remuneration for twelve (12) months in directors' fees for every meeting participated.

The Corporation has a stock compensation plan for its officers and other executives. Under the plan, 20% of the annual gross pay of the Corporation's executives shall be paid in shares of stock of the

Corporation. The shares of stock are not coming from unissued shares but from the issued and outstanding shares to be purchased through the stock exchange.

The Corporation's stock compensation plan (Plan) as fully disclosed in Note 19 to the consolidated financial statements is not covered by PFRS 2, Share-Based Payment. The Plan is merely a salary payment scheme, i.e., it merely pays the annual salaries of its executives and officers partly through shares of stock of the Corporation purchased from the stock exchange. There are no vesting requirement or exercise period or exercise prices attached to the shares of stock being given to the officers.

Standard Arrangement

The members of the Board of Directors are entitled to a per diem of P5,000 each for every meeting participated whereas the members of the Audit Committee and Compensation and Nomination Committee are entitled to a per diem of P500 for every meeting participated.

Arrangements with Directors & Officers

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

The 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, senior executive officers and senior managers is as follows:(in millions of Pesos)

NAME & PRINCIPAL POSITION		YEAR	SALARY	BONUS & Others
ROGELIO M. SARMIENTO-Chairman / CEO				
GUILLERMO B. MIRALLES –Vice Pres.-Vismin Operations				
JOSE D.L. ANGELES – Marketing Manager				
RICARDO MANUEL M. SARMIENTO- Sales & Marketing Dir.				
STEPHANIE NICOLE S. GARCIA–Operations Support Director				
T O T A L (Estimated)	-	2011	1.9	-
		2010	1.8	-
		2009	2.4	-
ALL OTHER OFFICERS & DIRECTORS AS A GROUP UNNAMED (Estimated)	-	2011	0.7	-
		2010	0.8	-
		2009	0.9	-

The following are the highest compensated directors, executive officers and senior managers of the Corporation :

1. Chairman / CEO /President - Rogelio M. Sarmiento
2. Vice President –Vismin Operations - Guillermo B. Miralles
3. Marketing Manager - Jose D.L. Angeles
4. Sales & Marketing Director - Ricardo Manuel M. Sarmiento
5. Operations Support Director - Stephanie Nicole S. Garcia

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 directors or executive officers are involved in any criminal or bankruptcy proceedings or are the subject of any order or judgment of any court or quasi-judicial agency, whether local or foreign, affecting their involvement in business, securities, commodities or banking activities.

Certain Relationships and Related Transactions

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

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

Related Party Transactions

Please refer to **Note** 21 of the Consolidated Audited Financial Statement of the Corporation.

Resignation of Directors

There is no director who resigned or declined to stand for re-election because of any disagreement.

Independent Public Accountants

The Corporation's independent public accountant is the accounting firm of Punongbayan and Araullo. For the calendar years 2008 up to 2010, the Corporation's independent public accountant (i.e., engagement partner) was Ms. Dalisay B. Duque of Punongbayan & Araullo. Prior to Ms. Duque, the audit engagement partner of the Corporation from Punongbayan & Araullo was Mr. Jessie C. Carpio. Representative of the said firm are expected to be present at the stockholders' meeting and are expected to be available to respond to appropriate question.

The accounting firm of Reyes Tacandong & Co. will be recommended for appointment as the external auditors of the Group for the calendar year 2011 at the Corporation's annual stockholders meeting to be held on 24 June 2011. In this regard, the representatives of Reyes Tacandong & Co. are expected to be present during the said meeting. They will also have the opportunity to make statements, if they desire to do so. In pursuant to SRC Rule 68.1 (Qualification and Reports of Independent Auditors),the Corporation engaged Reyes Tacandong & Co. for the examination of the Corporation's financial statements starting the calendar year 2011.

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

External Audit Fees and Services

The work of Punongbayan & Araullo consisted of an audit of the financial statements (individual and consolidated) of the Group to enable them to express an opinion on the fair presentation of the Group'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, Punongbayan & Araullo also reviewed the Corporation's computation of the annual income tax expense. For these services, Punongbayan & Araullo billed the Group the amount of P2.05 million for 2010 , P1.85 million in 2009 and P1.65 million in 2008, exclusive of VAT and out of pocket expenses.

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

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

The audit committee's approval policies and procedures for the above services:

Upon recommendation and approval of the audit committee, the appointment of the external auditor is being confirmed at the annual stockholders' meeting. On the other hand, financial statements should be approved by the Board of Directors before its release**.**

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 Corporation'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:
        - The effectiveness of the Corporation's internal control and risk management arrangement, systems and procedures, and management degree of compliance.
        - The effect and impact of new tax and accounting regulations and standards.
        - Cost benefit of the proposed undertaking.

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.

OTHER MATTERS

Appointment of the Stock Transfer Agent

Stock Transfer Service, Inc. (STSI), is recommended for re-appointment at the annual stockholders' meeting scheduled on 24 June 2011 as the Corporation's stock transfer agent for the ensuing year.

Action with Respect to Reports and Other Matters

The following are included in the Agenda of the Annual Meeting of Stockholders of the Corporation scheduled on 24 June 2011 for the approval of the stockholders:

1. Call to order;
2. Certification of notice to the stockholders and the presence of a quorum to do business;
3. Approval of the minutes of the previous stockholders' meeting;
4. Report by the Chairman on the operations of the Corporation;
5. Confirmation and ratification of the acts of the Board of Directors and officers;
6. Election of directors;
7. Appointment of the external auditors;
8. Appointment of the stock and transfer agent;
9. Other matters; and
10. Adjournment.

The brief summary of the Minutes of the Annual Meeting of Stockholders of the Corporation held on 25 June 2010 is as follows:

A quorum being present, the meeting was called to order and presided over by the Chairman of the Board of the Corporation, Mr. Rogelio M. Sarmiento. The Corporate Secretary, Atty. Tadeo F. Hilado, certified that written notices of the annual meeting of the stockholders of the Corporation were sent to the stockholders of record as of 25 May 2010.

Upon motion duly made and seconded, the reading of the minutes of the annual meeting of the stockholders held on 26 June 2009 was dispensed with and the said minutes were approved. Thereafter, the Chairman of the Corporation reported on the operations of the Corporation for the year ending on 31 December 2009.

Upon motion duly made and seconded, the stockholders confirmed and ratified the acts of the directors and officers of the Corporation since the last annual stockholders' meeting.

Then, the following were duly elected as members of the Board of Directors of the Corporation:

Rogelio M. Sarmiento
Lorenzo M. Sarmiento, Jr.
Benjamin I. Sarmiento, Jr.
Ma. Socorro S. Gatmaitan
Ma. Luz S. Roxas-Lopez
Ma. Victoria M. Sarmiento
Jose M. Sarmiento
Jose Vicente C. Bengzon III
Manuel Q. Lim
Cesar L. Lugtu
Angelito M. Sarmiento

Thereafter, upon motion duly made and seconded, the stockholders approved the appointment of Punongbayan and Araullo as the Corporation's external auditor for the ensuing year and to serve as such until its successor shall have been appointed and qualified. Then, upon motion duly made and seconded, the stockholders approved the appointment of Stock Transfer Services, inc. as the Corporation's stock transfer agent for the ensuing year and to serve as such until its successor shall have been appointed and qualified.

<u>The stockholders then proceeded to discuss the extension of the corporate term of the Corporation. The initial corporate term of the Corporation is about to expire on 31 July 2012, or fifty (50) years from the date of incorporation on 31 July 1962. Upon motion duly made and seconded, the stockholders representing at least 2/3 of the outstanding capital stock approved the extension of the corporate term for another fifty (50) years.</u>

The next item in the agenda was the issuance of the remaining 90,030,236 common shares of the Corporation from the unissued authorized capital stock. Upon motion duly made and seconded, the stockholders approved the issuance of the said unissued shares and their listing with the Philippine Stock Exchange ("PSE").

The last item in the agenda was the increase in the authorized capital stock of the Corporation by P500 million. Upon motion duly made and seconded, the stockholders representing at least 2/3 of the outstanding capital stock approved the increase in the authorized capital stock by P500 million, and the listing with the PSE of the shares to be issued pursuant to such increase.

Below is the list of the acts and resolutions of the Board of Directors and Officers of the Corporation from 31 August 2010 to 29 March 2011.

Date of Action	Description
Tuesday, 31 August 2010	Authorizing the Chairman of the Board and President Rogelio M. Sarmiento to file, or to cause the filing of, a petition for review on certiorari with the Supreme Court in the case of CA G.R. S.P. No. 98741 entitled Vitarich Corporation vs. Judge Victoria Villalon-Pornillos and Luzon, Inc." and to sign the verification, certification on non-forum shopping and any other instrument or document which may be

	required in the best interest of the Corporation.
Tuesday, 28 September 2010	No resolutions were passed.
Tuesday, 26 October 2010	No resolutions were passed.
Tuesday, 30 November 2010	The Corporation approves the request of First Sarmiento Property Holdings Inc. to swap its two hundred twenty one (221) square meter lot , located near the front gate of the hatchery property of the Corporation located at Gaya-Gaya, City of San Jose del Monte, Bulacan, with the same size of the Corporation's hatchery lot , one hundred fifty seven (157) square meters of which shall come from the side boundary line with the property of CityHomes and the other 64 square meters shall come from the back portion of the lot, the same to be used as drainage by CityHomes. The Corporation authorized the Chairman, Mr. Rogelio M. Sarmiento to execute the deed of exchange and other necessary documents provided that in this transactions all expenses, fees and taxes be borne by First Sarmiento Property Holdings Inc., that First Sarmiento and/or CityHomes rehabilitate at their own expense the dilapidated perimeter fence and such other conditions as the Chairman deems it best for the benefit of the Corporation. The Corporation and/or First Sarmiento Property Holdings Inc. shall seek the approval of the Rehabilitation Court for these transactions as required by law at the expense of First Sarmiento Property Holdings Inc.
Tuesday, 25 January 2011	a. The Corporation authorized the Chairman/President , Mr. Rogelio M. Sarmiento to import poultry equipment to be used in the Corporation's poultry breeding operation and for this purpose, he may authorized Creekside Farm Inc. to open a cash letter of credit at its own cost to pay for the said importation under such terms and conditions as may be imposed by the particular bank and as may be beneficial to the Corporation. Provided further, that Creekside Farm, Inc. shall execute an undertaking that it holds Vitarich free from any and all liability; b. The Corporation authorized the following: (1) Sales and Marketing Director (2) Heads of Mindanao and Visayas Operations, (3) Sales Manages in Visayas and Mindanao, (4) Controller, (4) Credit & Collection Supervisor-Luzon and (5) Legal Officer, Vismin, to file civil and criminal complaints (including petition in the appellate courts) against its delinquent customers to enforce payments or recover sums of money/property, and against employees of the Corporation for recovery of the Corporation's money/property or for any cause of action who embezzles whether in regular proceedings or in labor cases, including the power to defend the Corporation against suit by the said persons and for this purpose to sign the verifications/certification on non forum shopping, and to act as the representative of the Corporation during the pre-trial conferences. The Corporation authorized Atty. Pedro T. Dabu Jr. or Atty. Nenita dela Cruz-Tuazon, or any of the Corporation Assistant Credit and Collection Officer in Vismin Operation or any of the employees/officers mentioned in the preceding paragraph to represent the Corporation in pre-trial conferences, mediation proceedings, preliminary investigation and trial of said cases.
Tuesday, 22 February 2011	No resolutions were passed.
Tuesday, 29 March 2011	The Corporation authorized the Chairman of the Board, Mr. Rogelio M. Sarmiento, to execute and deliver the deed of sale and any and all papers, instruments and documents which may be necessary to implement the resolutions for the sale of its property located at Lake Sebu, South Cotobato.

Voting Procedures

Section 5, Article I of the Amended By-Laws of the Corporation reads:

"Section 5. At every meeting of the stockholders of the Corporation, every stockholder entitled to vote shall be entitled to one vote for such share of stock standing in his name in the books of the Corporation, provided however, that in case of election of directors, every stockholder entitled to vote shall be entitled to cumulate his votes in accordance with the provisions of law in such case. Every stockholder entitled to vote at any meeting of the stockholders may so vote by proxy provided that the proxy shall have been appointed in writing by the stockholder himself, or by his duly authorized attorney. The instrument authorizing a proxy to act shall be filed with the Secretary of the Corporation not later than ten (10) days, and shall be validated not later than five (5) days, prior to the scheduled stockholders' meeting. Unless otherwise provided by law, at any meeting of stockholders the presence of the holders on record of a majority of the stock of the Corporation then issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business, and in the absence of quorum, the stockholders attending or represented at the time and place at which such meeting shall have been called, or the officer entitled to preside over such meeting may adjourn such meeting. When a meeting of stockholders is adjourned to another time and place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which adjournment is taken. At the reconvened meeting, any business which might be transacted on the adjourned meeting may be taken up. (As amended on 25 March 1998.)"

The ratification of the acts of the Board of Directors and the Corporation's officers and the approval of the minutes of the Stockholders' Meeting requires the affirmative vote of a majority of the stockholders present and constituting a quorum during the Stockholders' Meeting of the Corporation.

For purposes of electing the members of the Board of Directors, the stockholders entitled to vote personally or by proxy, may adopt the cumulative method of voting the shares recorded in their names. The votes shall be counted by raising of hands or viva voce. Should there be a demand by a stockholder, the votes shall be counted and tallied after they are cast. This shall be done by representatives from the auditing firm of Punongbayan and Araullo who shall be available to entertain clarifications from the stockholders relating to the counting of votes.

Pursuant to SEC Memorandum Circular No.12 Series of 2002, the Corporation has created the Nomination Committee composed of the following:

1.	Mr. Manuel Q. Lim	-	Chairman
2.	Ms. Ma. Luz Roxas-Lopez	-	Member
3.	Ms. Ma. Socorro S. Gatmaitan	-	Member
4.	Mr. Benjamin I. Sarmiento Jr.	-	Member
5.	Mr. Jose M. Sarmiento	-	Member
6.	Mr. Cesar L. Lugtu	-	Member
7.	Ms. Ruby P. Macario	-	Non-Voting Member

who pre-screened and short-listed the nominees for the two (2) independent directors of the Board of Directors. The guidelines for nomination and the qualifications of the nominees have been set by the Committee. Several meetings were held to evaluate the curriculum vitae of persons nominated by the stockholders of the Corporation. The Nomination Committee selected Messrs. Jose Vicente C. Bengzon and Manuel Q. Lim as the two (2) nominees for independent directors.

Undertaking

The Corporation undertakes to provide, without charge to each security holder, on the written request of any such person, a copy of the Corporation's annual report on SEC Form 17-A. Such written request shall be addressed to:

> **Mr. Rogelio M. Sarmiento**
> **Chairman / CEO**
> **VITARICH CORPORATION**
> **Vitarich Corporation Compound**
> **Bo. Abangan Sur, MacArthur Highway**
> **Marilao, Bulacan**

At the discretion of the management of the Corporation, a charge may be made for reasonable expenses incurred to reproduce the exhibits to such report.

SIGNATURES

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

VITARICH CORPORATION
Issuer

May 25, 2011
Date

ATTY. PEDRO T. DABU JR.
Assistant Corporate Secretary
Compliance Officer / Corporate Information Officer

MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

BUSINESS

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

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

By the early 1970s, the Corporation further expanded its operations and extended its vertical integration by acquiring dressing plants and cold storage facilities. In 1981, the Corporation expanded outside Luzon by setting up the Davao satellite feedmill. The following year, 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 is 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's outstanding liability to BMI. This will leave CVI as the sole shareholder of BMI.

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

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

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

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.

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

Aside from catering to its internal breeders and growers, it had expanded its animal health products to include hog and dairy products from cattle, goats and carabaos.

The registered office of Gromax is located at the Vitarich compound, Abangan Sur, Marilao, Bulacan. The registered office of its parent company is also the same with the registered office of the said company.

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

The franchise agreement allows the PFCI to use the Texas Chicken and Popeye's Chicken trade names, service marks, logos, food formulae and recipes, and other exclusive rights to the proprietary Texas and Popeye's Chicken System.

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

On October 1, 1998, the Board of Directors of PFCI approved the conversion into equity of the advances of Vitarich Corporation to PFCI amounting to P165 million to be applied to its unpaid subscriptions and for additional shares of stock of PFCI. Out of the P165 million advances to be converted into equity, P25 million was applied to Vitarich's unpaid subscription while the remaining P140 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 P140 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 proposed conversion was approved by the Board of Directors of PFCI 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 consolidated balance sheets) totaled P23.2 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 P100 million. Management believes that this case will 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's 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 04, 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 Board of Directors (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.

SARMIENTO FOUNDATION INC.

Sarmiento Foundation Inc. (SFI) began from the belief of the founders of Vitarich Corporation , the Sarmiento brothers – Feliciano, Lorenzo and Pablo Sarmiento of giving back to one's community. The Foundation was established in July 1988 and it institutionalized the corporate social responsibility initiatives of the Corporation. As the social development arm of the Corporation, SFI implemented various programs and services to ensure that the communities that touched VC operations would flourish along with the business. Due to the Corporation's current circumstances, SFI has continued to thrive on its own resources, its partnerships, and the support of many organizations and private donors that share the vision of the three founders. In 2010, SFI has continued its service in the Marilao Community in programs relating to education (Brigada 2010, Feeding program) and health through collaboration with business partners, employee- volunteers, employee cooperatives and other NGOs. Corporate social responsibility has been a long time and constant commitment of the Sarmiento brothers that SFI strives to continue despite the present constraints.

Product Distribution

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 60 days while bulk customers are given by Vitarich discounts of 3%. The Luzon area accounted for 48% of the total animal/aqua feeds sales volume, whereas the Vismin areas accounted for 52%.

Livestock & Poultry Products:

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

Broilers are sold either as live or dressed. Dressed chicken can mean fully dressed, gallantina (dressed chicken with head, feet and entrails intact), or cut-ups. Live broilers are directly purchased by middlemen at the farmgate, who, in turn, supply these to wet markets where these are sold to the general public on an unbranded basis.

Dressed chicken are delivered to wet markets, supermarkets, hotels and restaurants, and fast food chains. Dressed chicken are likewise sold to institutional clients.

Pangasius (Dory) Products

Pangasius, or commonly known as dory fish, originated from Vietnam and commonly found in the Mekong River. Pangasius is a genus of catfishes of the family Pangasiidae. This fish is now one of main export products of Vietnam. Last 2010, they already exported up to 5000 metric tons ($ 9.8 Million) here in the Philippines.

Vitarich is now one of the pioneers that locally cultures Pangasius and this extends to breeding, growing, processing up to marketing.

Dory Fish or Pangasius is now considered as one of the fast growing and durable fish relative to tilapia and milk fish. Its fillet part is in high demand mostly in fine dining restaurants and food chains as well. Its neutral and almost bland taste easily absorbs spices and flavours to the delight of customers.

Live, gutted and chilled were the original appearance of the fish that the market had been accustomed to. However, in the course of its development, value added products have been launched by Vitarich such as sausage, franks, dory balls, dory rolls, siomai, shanghai, skinless longaniza and embutido. Not only do these products add new flavor and twist to the traditional forms that the palate had been used to, they also provide healthy alternatives to the high-cholesterol products that abound the market.

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

Competition

Although the Corporation is focused on the poultry and feeds 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.

As of December 31, 2010, contribution to gross sales of the Corporation's business groups were as follows: feeds 70%, poultry 29% and dory at 1%.

The registrant is not dependent on, or has any major existing supply contract, with one or a limited number of its suppliers for the purchase of essential raw materials. It has also various customers from all product lines and 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. Further, the Corporation has existing sales contracts with business partners and customers in the normal and regular business transactions. These transactions cannot be considered as major transactions.

Manpower Complement

As of December 31, 2010 the Corporation and its subsidiaries have a total number of 529 employees composed of supervisors, managers, executives and rank and file, with 405 regulars and 124 contractors. 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 August 05, 2010, the Corporation signed a five-year Collective Bargaining Agreement (CBA) with the said bargaining agent, which CBA shall be in effect from August 01, 2010 to July 31, 2015.

There are no issues pertaining to labor unrest**.**

Employees Benefits

Post-employment Benefit
Post-employment benefit is provided to employees through a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits of this kind of pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plan covers all regular full-time employees. The post-employment defined benefit plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for post-employment defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognized immediately in consolidated profit or loss, unless the changes to the post-employment plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Compensation Paid in Shares of Stock

The Group's salary payment scheme calls for the payment of annual salaries of its executives and officers partly through shares of stock of the Company purchased from the stock exchange. There are no vesting requirement or exercise period or exercise prices attached to the shares of stock being given to the executives and officers. The fair value of the services received in exchange for the shares of stock is recognized as an expense. The expense recognized is equal to the fair value of the shares issued at the grant date.

Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. The amounts recognized are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Environmental Policies

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

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 Commission (NMIC) 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 the accreditation of the Department of Environment & Natural Resources (DENR) – for its dressing plant & rendering plant.

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.

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) quality and feed safety 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 adapted 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 June 19, 2010, the Governing Board of Certification International Philippines, Inc. has certified the Corporation's Feedmill Plant in Luzon as conforming to ISO 9001:2008 under Certification No. CIP/3999Q/07/10/544.

At present, the Corporation is continuously complying & maintaining the requirements of the standards for Luzon, Ilo-ilo & Davao Feed Mill Plants.

Research and Development

The Corporation has organized a Research and Development Department to focus on the following core activities: Product Quality, Research & Development, and Nutrition. A Nutrition/R&D Manager and QC/QA Manager direct these activities, which generally include the following: animal nutrition; diagnostic laboratory services; feeds and feeds quality control; poultry genetic research, new product development and technical extension services for contract breeders & growers. In January 2001, the renovated Research Center of the Corporation was inaugurated. This will upgrade the chemical laboratory capability and further improve the analysis procedure. Duration for analyzing will be shortened through the acquisition of modern laboratory equipments.

The Chemical Laboratory is located in the Vitarich Marilao Feed Mill compound, which handles most of the laboratory services needed for feed processing, from raw material analyses to finished products tests. The Diagnostic Laboratory, located in Vitarich Dressing Plant compound in Sta. Rosa I, Marilao, Bulacan, 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, Inductively Coupled Plasma (ICP) mineral analyzer, Gas Chromatograph (GC) Free Fatty Acid analyzer, Near Infrared System (NIRS) for the simultaneous determination of various nutrients, and the Ankom Fiber analyzer. The Diagnostic Laboratory also acquired additional capabilities, particularly for swine serological tests.

Both laboratories currently service external customers for a whole variety of laboratory and field technical needs.

For research and development activities, the Corporation spent P0.9M in 2010 , P1.5 M in 2009 and P 3.6 M in 2008.

Sometime on May 26, 2008, Precisione International Research & Diagnostic Laboratory Inc. was formed with the aim of providing laboratory and quality testing facilities to the Company and other commercial establishments.

PROPERTIES

The Corporation operates and/or leases numerous production facilities which include feed mills, dressing plants and hatcheries, most of which are owned by the Corporation as of Dec. 31, 2010 These facilities include the following.

FEEDMILL CAPACITY
<u>LUZON</u>

Mill & Blending Capacity

	Model	Rated ***(Tons per hour)***	Remarks

2TFM		Chia-Tung	2	Owned/Mortgaged
20TFM		Buhler	20	Owned/Mortgaged
40TFM		Buhler	40	Owned/Mortgaged
		Total Rated Capacity	62	

Pellet Mill Capacity

No. of Unit/s		Model	Rated (tons per hr)	Remarks
2TFM	1	Chia-Tung (taiwan pelletmill)	2	Owned/Mortgaged
20TFM	3	DPBA – Buhler model	30	Owned/Mortgaged
30TFM	3	DPBA – Buhler model	42	Owned/Mortgaged
40TFM	1	DPBA – Buhler model	14	Owned/Mortgaged
	1	DPAS - Buhler model	25	Owned/Mortgaged
Total	9	Total Rated Capacity	113	

Extrusion Capacity

No. of Unit/s		Model	Rated (tons per hr)	Remarks
EXTRUSION 1	1	Extrutech E925	4.0	Owned/Mortgaged
EXTRUSION 2	1	Extrutech E925	4.0	Owned/Mortgaged
EXTRUSION 3	1	Extrutech E925	4.5	Owned/Mortgaged
Total	3	Total Rated Capacity	12.5	

VISAYAS

	No. of Unit/s	Model	Rated (tons per hr)	Remarks
Mill & Blending Capacity 20TFM	1	Buhler	20	Owned/Mortgaged
Pellet Mill Capacity	1	DPCA –Buhler	10	Owned/Mortgaged
Extrusion Capacity	**2**	Insta Pro	**0.6**	Owned/Mortgaged

MINDANAO

	No. of Unit/s	Model	Rated (tons per hr)	Remarks
Mill & Blending Capacity	1	Cojet / Jesma	6	Owned/Mortgaged
Pellet Mill Capacity	1	**DPBA-Buhler**	**4**	Owned/Mortgaged
Extrusion	2	Insta Pro	0.5	Owned/Mortgaged
Feed Mixing	1	Fabricated	8	Owned/Mortgaged
Mill & Blending Capacity	**1**	**Fabricated**	**0.75**	**Owned/Mortgaged**
Feed Mixing	**1**	**Fabricated**	**2**	**Owned/Mortgaged**

DRESSING PLANTS (BIRDS PER HOUR)

	Location	Brand	Capacity	Remarks
LUZON				
	Marilao – VDP[1]*	LINCO/STORK	3,600	Owned/Mortgaged
	Cut-ups (KPH)	STORK	750	Owned/Mortgaged
VISAYAS				
	Iloilo	BAYLE	1,200	Toll
MINDANAO				
	Davao*	STORK/LINCO/ABB	1,500	Owned/Mortgaged
TOTAL			**7,050**	

HATCHERIES (MILLION EGGS/SET)

	Location	No. of Unit	Brand	Capacity	Remarks
LUZON					
	CENTRAL * (San Jose del Monte)	1	CHICK MASTER	3.9	Owned/Mortgaged
	SAN PABLO * (San Pablo, Laguna)	1	CHICK MASTER	3.6	Owned/Mortgaged
	TARLAC * (Anao, Tarlac)	1	CHICK MASTER	2.4	Owned/Mortgaged
VISAYAS					
	CVO (Cebu)*	5	CHICK MASTER	7.9 M/Year	Owned/Mortgaged
	CVO (Cebu)*	1	CHICK MASTER	1.6 M/Year	Owned/Mortgaged
	WVO (Iloilo)*	3	JAMESWAY	4.6M/Year	TOLL
MINDANAO					
	SMO (Davao)	4	CHICK MASTER	6.3 M/Year	TOLL
TOTAL		14		30.3	

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

LEGAL PROCEEDINGS

Although, the rehabilitation plan was already approved, there are still incidents pending in Court.

There have been no violations or possible violation of laws or regulations in any jurisdiction whose effects should be considered for disclosure in financial statements.

There have been no communications from regulatory agencies or government representatives concerning investigations or allegations on noncompliance with laws or regulations in any jurisdiction, or deficiencies in financial reporting practices or other matters that could have material effect on the financial statements.

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

MARKET INFORMATION

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:

[1]* Under lease arrangement with third party

	2008		2009		2010		2011	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
Qtr.1	0.32	0.32	0.125	0.125	0.35	0.35	0.38	0.38
Qtr.2	0.29	0.29	0.12	0.12	-	-		
Qtr.3	0.30	0.30	-	-	-	-		
Qtr.4	0.165	0.165	0.35	0.35	0.29	0.23		

The price of the Corporation's common shares as of the last trading date – May 16, 2011 was P0.30/ share.

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

Sales of Unregistered Securities

In the past three (3) years, there has been no sale of unregistered security nor has there been a request for exemption from the registrations of such security.

HOLDERS

The Corporation has only one class of shares i.e., common shares. The total number of stockholders as of April 30, 2011 is 4,681 and the total number of shares outstanding on that date was 409,969,764.

Listed below are the top 20 stockholders of the Corporation as of April 30 2011:

	STOCKHOLDERS	NATIONALITY	TOTAL NO. OF SHARES	CLASS	PERCENTAGE
1.	PCD Nominee Corporation	Filipino	154,638,437	Common	37.72%
2.	Metropolitan Bank & Trust Company	Filipino	97,547,396	Common	23.79%
3.	Sarmiento Management Corporation	Filipino	87,320,199	Common	21.30%
4.	PCD Nominee Corp..	Non-Filipino	11,519,230	Common	2.81%
5.	Pacific Equity Inc.	Filipino	11,070,217	Common	2.70%
6..	Sarphil Corporation	Filipino	10,000,090	Common	2.44%
7.	Greli S. Legaspi	Filipino	2,390,000	Common	0.58%
8.	LI CHIH-HUI	Filipino	2,000,000	Common	0.49%
9.	Rogelio M. Sarmiento	Filipino	1,595,320	Common	0.39%
10.	Yasar Corporation	Filipino	1,402,520	Common	0.34%
11.	Senen C. Bacani	Filipino	1,389,441	Common	0.34%
12.	Ma. Victoria M. Sarmiento	Filipino	1,387,520	Common	0.34%
13.	Ma. Socorro S. Gatmaitan	Filipino	1,307,033	Common	0.32%
14.	Ma. Lourdes S. Cebrero	Canadian	1,305,320	Common	0.32%
15.	Jose M. Sarmiento	Filipino	1,305,320	Common	0.32%
16.	Ma. Luz S. Roxas	Filipino	1,305,320	Common	0.32%
17.	Lorenzo M. Sarmiento Jr.	Filipino	841,095	Common	0.21%
18.	Gliceria M. Sarmiento	American	690,000	Common	0.17%
19.	Delia S. Atizado	Filipino	527,860	Common	0.13%
20.	Nelia Cruz	Filipino	527,850	Common	0.13%
	Sub-total		390,070,168		95.15%
	Other Stockholders		19,899,596	Common	4.85%
	Total Shares		409,969,764	Common	100.00%

In 1995, the Corporation declared a cash dividend of P0.10 per share. For the years 1996 up to 2010, the Corporation did not declare any dividend because of the losses suffered by the Corporation.

Description of Vitarich Shares
Vitarich's securities 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.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS:

RESULTS OF OPERATIONS – 1ST Quarter ended MARCH 2011

First quarter consolidated sales revenue of Vitarich Corporation and its subsidiary amounted to P628.7 million, 25 % higher than same period last year. This was primarily due to improvement in sales volume of all product lines and a modest increase in selling prices, However, cost of good sold increased by almost 32% due to significant increase on prices of major raw materials. Revenue growth as well was negated by the increase in costs. Limited supply of raw materials continuously affect the company in terms of business performance. As a result, the Company's consolidated net losses for the quarter ended amounted to P2.3 million as against last year losses of P7K.

Operating cost went up slightly by 3% from last year on account of variable product related cost. Several economic conditions contributed to the increase in operating expenses such as gasoline & transportation expenses, as well as freight and handling costs. The Company continues to undertake measures in implementing its cost savings measures and accordingly, will continues to concentrate in trimming down production costs, likewise improving productivity and better feed formulations to further reduced production costs.

On the other hand, other operating income for the first quarter grew by almost P 13.2 million from the same period last year of P10.9 million.

The company will continue with its aggressive marketing campaigns to further expand its sales and distribution network, strengthen market visibility of company products and likewise, identify its potential areas of expansion.

As the Company is under corporate rehabilitation, the management is continuously instituting certain measures to address these conditions such as the following:

- adopting a program for corporate branding and image rebuilding;
- launching of new products in the market;
- expanding the Company's sales and distribution networks by conducting series of seminars in various areas related to new product lines, providing ample advertisements relative to existing product lines and implementing various programs;
- strengthening business ties with trading partners, local and abroad; and,
- continuously improving product quality including rehabilitation and standardization of certain plants to also qualify for international standardization and accreditations.

Financial Condition
Unaudited Balance Sheet as of March 31, 2011 vs. Audited December 31, 2010

The Company's consolidated total assets as at current-quarter end stood at ₱3.8 billion, slightly lower as against December 2010 level. Consolidated current assets slightly decreased by 1%. Trade receivables and due from related accounts almost maintained its last year level. However, inventories and other current asset accounts increase by 3% and 30% respectively.

First quarter ending cash balance declined to ₱32.2 million from ₱65.9 million as of end 2010. The reduction in cash was attributed to net cash outflows used in operating activities particularly for working capital requirements.

Trade and other payables account slipped to P910.3 million or 3% lower from end 2010, due to payment made to its suppliers and reduction in purchases.
Stockholder's equity slightly decreased from P 276.5 million to P274.3 million, basically due to incurred losses for the first quarter ended.

2010 RESULTS OF OPERATIONS AS COMPARED AGAINST 2009 and 2008

Vitarich Corporation and its subsidiaries ended the year 2010 with consolidated revenues reaching P2.3 billion, 14% & 18 % lower as compared to 2009 and 2008 respectively. Cost of good sold correspondingly declined with the decrease in consolidated sales revenue. The decline in sales performance was brought about by lower chicken prices and the continuing influx of cheap imported chicken into the domestic market. This was also negatively affected by oversupply of chicken, due to lower demand during the year. Feeds sales volume was also slightly lower for the year ended as compared to last year due to the effect of a series of natural calamities that hit the country.

Volatile market condition continued to have its impact on the Company's financial results and reflected a much different capital market environment. The Company also continued to be affected by the high cost of major raw materials such as wheat, corn, oil and soybean. The effect of limited supply continued felt in terms of business performance. The poor market condition was aggravated by the spiraling increase in costs which squeezed the Company's profit margins. With this, the Company continues to concentrate in trimming down production costs, with improved productivity and better feed formulations. Alternative sourcing of raw materials and negotiations to reduce cost were done to lower cost structure. Nevertheless, the improved selling price and cost saving programs augmented this. Hence, the Company still managed to post a gross profit of P169.1 million for the year ended, 14% lower as compared to last year but 39% higher than year 2008.

Operating costs went up by almost 9% from last year on account of higher administrative expenses and selling and distribution costs. These include increased in repairs and maintenance costs, advertising & promotional expenses as well as communications, light and water expenses. The Company is continuing its cost containment initiatives.

As the Company's business activities are carried out in competitive environment competing in terms of geographic distribution, market reach, market share, quality, diversity of products, and pricing, among other factors, the Company focused on the implementation and enhancement of its various programs in order to respond to the preferences of its customers. Various marketing activities were also been conducted continuously to support corporate branding and image building program. Such included aggressive marketing campaigns to further expand its sales and distribution network and strengthen market visibility of the Company's products. This also included the adoption of new business development programs and technological advancement that would enhance quality of products and services. The Company will continually focus its efforts to expand its performance along with its current product lines. The various initiatives will further bolster the Company's path to recovery. Notwithstanding the financial and economic global outlook, the Company expects sales volume to surge, as it implements programs to enhance production output despite the diversity of products that it intends to generate. The Company will also continue to take action to mitigate the impact of volatile economic and market factors.

For 2010, the Company posted a net loss of P204.5 million, higher than last year's loss of P179.0 million but slightly lower than 2008 losses of P268.4 million. The net loss for the year was to a large extent the result of recorded finance costs which amounted to P284.2 million. These include amortization of the excess of face value over the fair value of the interest-bearing loans of P97.7 million, a nominal interest payable to creditor banks amounted to P94.9 million and the impairment loss on trade & other receivables of P91.5 million. However, there was gain on sale of investment property and property equipment which amounted to P31.8 million as the Company sold, through dacion en pago executed on November 30, 2010, certain non-core assets to Kormansinc, for a total bid amount of P184.7 million which reduced the Company's outstanding interest-bearing obligation to Kormansinc by P167.6 million. The total carrying value of the assets amounted to P152.9 million, composed of property, plant and equipment and investment property with a carrying value of P143.9 million and P9.0 million respectively. Accordingly, in 2010, the Company recognized a total gain of P31.8 million on sale of non-core assets (P30.0 million on property, plant and equipment and P1.8 million on investment property). Such sale also resulted in the transfer of Revaluation Reserve on Property related to non-core assets sold to Retained Earnings amounting to P32.9 million.

As the Company is under corporate rehabilitation (The Company's rehabilitation plan is discussed more fully on Note 12 of the Notes to Consolidated Financial Statements) , it will continue to focus on the plans and programs for its core business and strive to improve operations.

Financial Condition

Consolidated Assets as of December 31,,2010 stood at P3.8 billion from P4.1 billion in 2009. Total current assets decreased by 3% from P1.4 billion to P1.3 billion primarily due to 10% decreased in inventory account. Trade & other receivables almost maintained their level from last year's balance. However, other current assets increased by 19% due to prepaid interest account paid for the settlement of its outstanding interest-bearing loan to Kormansinc.

Cash ending balance amounted to P65.9 million, higher as against last year of P56.5 million. Cash generated during the year was able to sustain the Company's funding requirements.

Trade & other payables went up by 9% basically due to increase in the accrual of interest from P139.8 million to P224.7 million. Trade payable account also increased by 4% as well as accrued expenses by 13% from last year level.

Stockholders' equity as of the end of December 31, 2010 amounted to P248.5 million, lower as against last year's balance P481.0 million as a result of losses incurred during the year.

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

1) Sales Volume, Price and Revenue Growth
Actual sales volume for feeds business decreased by almost 10% from the previous year's volume. However, average selling price improved during the current year as compared to previous year. Foods division sales volume also dropped by 18% as against the previous year, as a result of the Corporation's direction to focus on its feeds business.

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.

Sales Revenue	**December 2010**			**December 2009**		
	Volume	Price	Revenue (000) omitted	Volume	Price	Revenue (000) omitted
Feeds						
Animal	955.1	1,025.3	979.3	1,042	1,053.7	1,097.8
Aqua	434.2	1,112.4	483.0	503	1,139.8	573.0
Poultry						
DOC	5,279.4	19.09	100.8	7,497.3	23.61	177.0
Hogs	.7	4,482.9	3.1	.6	3,358.8	8.9
Foods	5,645.4	6	488.7	6,656.6	88.58	712.3
		86.56				

Cost Contribution	December 2010	December 2009
Feeds	(000 omitted in peso)	(000 omitted in peso)
Animal	843.6	942.7
Aqua	418.6	501.7
Poultry		
DOC	105.7	130.3
Hogs	2.0	19
Foods	490.0	577.10

Gross Profit Rate	December 2010	December 2009
Feeds		
Animal	14%	14%
Aqua	13%	12%
Poultry		
DOC	-5%	26%
Hogs	35%	0%
Foods	0%	5%

Operating Margin	December 2010	December 2009
Feeds	(000 omitted in peso)	(000 omitted in peso)
Animal	46.1	74.9
Aqua	.8	(6.2)
Poultry		
DOC	7.8	51.4
Hogs	1.0	(2.3)
Foods	(6.5)	11.1

All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

- Not applicable.

Any material commitment for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.

-Not applicable.

Any significant element of income or loss that did not arise from the registrant's continuing operations.

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

Any known trend, or any demand, commitment, event or uncertainty that will result in or that are reasonably likely to result to registrant's liquidity increasing or decreasing in any material way.

The following affect the Corporation's financial conditions and results of operations:

INTEREST-BEARING LOANS
Omnibus Agreement

On July 1, 1998, the Company entered into an Omnibus Agreement with various local creditor banks where its existing debt amounting to P3.176 billion was restructured into a Revolving Credit Line in the amount of P503.0 million, a 7-year Term Loan amounting to P1.668 billion and 10-year Convertible Notes amounting to P1.005 billion.

First Amendment to Omnibus Agreement – 2001

On November 14, 2001, the Omnibus Agreement was amended (First Amendment) by restructuring the Convertible Notes amounting to P1.005 billion as follows:

(a) P500 million was made part of the existing Revolving Credit Line Facility in addition to the existing Revolving Credit Line Facility, and (b) P505 million, together with the accrued interest of P150 million, was converted into a term loan (Term Loan 2) to mature on September 30, 2007.

The interest rates under the Omnibus Agreement and First Amendment were still at market rates as the loans bear the interest rates of the original loans prior to their restructuring.

Second Amendment to Omnibus Agreement – 2004

On March 19, 2004, the Omnibus Agreement was further amended (Second Amendment) where the existing debt was reclassified into Serviceable Debt and Non-Serviceable Debt. The Second Amendment took effect retroactively on January 2, 2003 upon fulfillment of all conditions precedent as stated in the agreement. Under this agreement, the Company's P3.198 billion loans were classified into two major components, as follows:

(a) Serviceable Debt - P1.040 billion; and
(b) Non-serviceable Debt - P2.158 billion.

The Second Amendment provides for a re-examination of the terms and conditions of the Second Amendment six months before January 1, 2006, with the end in view of entering into another Amendment to the Omnibus Agreement which takes into account the prevailing financial condition of the Company and economic environment in the Philippines.

Amendment to the Second Amendment Agreement – 2006

Based on the Company's assessment of its financial capability, as well as the prospects of the poultry and feed mills industry in the Philippines, the Company renegotiated for another amendment to the Second Amendment. The proposed amendment calls for a more permanent restructuring agreement and therefore the rescheduling of the repayment of the debt over a longer period subject to acceleration in case the Company's financial condition significantly improves.

While the renegotiations were on going for the amendment of the terms and conditions of the Second Amendment, several creditor banks transferred their respective rights, titles and interests over the loan obligations of the Company (amounting to P1.458 billion) to various asset management companies or Special Purpose Asset Vehicle (SPAV) companies (collectively referred to as assignees). While the Company and the SPAV were resolving some pending issues, on March 30, 2006, the Company and certain local creditor banks (holding loan balance of P1.810 billion) agreed to enter into an Amendment to the Second Amendment Agreement.

Under this Amendment, the principal obligation to the local creditor banks is divided into three equal tranches as follows:

(a) Tranche 1 Debt – P603 million
(b) Tranche 2 Debt – P603 million
(c) Tranche 3 Debt – P603 million

The Amendment to the Second Amendment Agreement with the local creditor banks was not signed by all the local creditor banks. The creditor banks which did not sign were given the option to be a party to the said Agreement through an Accession Agreement where such creditor banks are deemed, for all intent and purposes, to be original parties to the Amendment to the Second Amendment Agreement.

As mentioned in the earlier paragraphs of this Note, several creditor banks transferred their respective rights, titles and interests over the loan obligation of the Company (amounting to P1.458 billion) to various assignees. These assignees have not yet entered into any amendment agreement with the Company. However, the remaining local creditor banks stipulated in a Supplemental Agreement to the Amendment to the Second Amendment Agreement that the Company will not grant more favorable terms to the assignees of the other creditor banks without the written consent of the former. Improvements on the terms or conditions given to the assignees of the other creditors without such written consent will automatically be granted to the local creditor banks or will result in an event of default.

Excess of the Face Value over the Fair Value of Interest-bearing Loans

The Second Amendment and also the Amendment to the Second Amendment agreement of the Omnibus Agreement include provisions under which portions of the interest-bearing loans are not subject to interest for a certain period of time. The remaining portion of the loans carried interest at 9.0%. The computation of the amortized cost of the loans based on the future cash flows commenced from the Second Amendment and concluded at the end of the repayment term of the Amendment to the Second Amendment Agreement. The absence of interest on portions of the loans for certain period of time brought the nominal interest rate to about 3.5% overall for the total restructured loans of P3.268 billion.

The use of 3.5% effective interest rate indicates that the fair value of the Company's interest-bearing loans is below the amount that would have been contractually payable by the Company. To compute for the fair value of the interest-bearing loans, the Company used 9.0% discount rate determined by reference to the renegotiated interest rate of the financial instrument as indicated in the Second Amendment and the Amendment to the Second Amendment Agreement (the loan agreements existing as of the transition date to PFRS). The difference between the amount of interest-bearing loans and its fair value at the date of Amendment to the Second Amendment agreement amounted to P1.2 billion, recognized as excess of face value over the fair value of interest-bearing loans at Company's transition to PFRS. Subsequently, these loans are measured at amortized cost using effective interest method. This amount, net of impairment losses and valuation allowances, recognized as a result of the change in the Company's credit risk was accounted for as an adjustment to the beginning deficit as of January 1, 2005 reducing the deficit balance by P777.5 million as of that date.

The excess of the face value over the fair value of the interest-bearing loans at the initial date of recognition is being amortized over the terms of the loans. Such amortizations which increased the carrying value of interest-bearing loans by P97.7 million, P176.7 million and P162.1 million as of December 31, 2010, 2009 and 2008, respectively, as restated (see Note 22.2), are recognized as part of Finance Costs for the years then ended (see Note 12.7).

Corporate Rehabilitation – 2006

On September 15, 2006, the Company filed a petition for corporate rehabilitation before the Court and proposed several strategies in order to effect a viable rehabilitation such that within the proposed period, the Company will not only be able to pay-off its liabilities to creditors but at the termination of the rehabilitation will have an ample supply of cash to support its operations.

On September 19, 2006, the Court has issued a Stay Order pending the approval of the petition for corporate rehabilitation.

Based on such Court-directed Stay Order, the Company suspended payments of its interest-bearing loans and trade payables and stopped accruing interest on such loans or recognizing the interest following the effective interest method starting on the month-end immediately preceding the date of issuance of the Stay Order. The Company's management believed that the Court's order to stay the enforcement of claims included the non-recognition of interest expense from the date of the issuance of the Stay Order, including the amortization of the excess of the face value over the fair value of the interest-bearing loans. The Company's position was based on the opinion of its legal counsel that the Stay Order also covers the non-accrual of interest. The accrued interest as well as amortization of excess of face value over the fair value of the interest-bearing loans not recognized amounted to P72.6 million in 2006 and remained unrecognized until the remeasurement of the amortized cost of interest-bearing loans in 2010 (see Note 12.6).

On February 14, 2007, the Court gave due course to the petition for corporate rehabilitation where it referred the petition to a rehabilitation receiver for evaluation. On April 27, 2007, the Court-appointed rehabilitation receiver submitted its recommendation with regard to the Company's proposed rehabilitation plans and in its order dated May 7, 2007, the Court gave the Company, its creditors and other interested parties 15 days from the publication of the said order, to comment on the Receiver's Report. The Court received no comment on the Receiver's Report.

Court Approval on May 31, 2007 of the Rehabilitation Plan

On May 31, 2007, the Court acted favorably on the petition of the Company and issued its decision for the approval of the rehabilitation plan (Approved Rehabilitation Plan) of the Company as submitted by the Court-appointed receiver. The Approved Rehabilitation Plan of the Company provides, among others, the following salient points:

(a) a modified debt restructuring scheme for a period not exceeding 15 years (which the Company's management believes should take effect immediately on the date of Court's approval of the rehabilitation plan);

(b) payment of interest to all the Company's creditors on the following basis:

(i) Years 1 to 3 – at 1% per annum to be accrued on Year 4,
(ii) Years 4 to 6 – at 2% per annum,
(iii) Years 7 to 9 – at 3% per annum, and,
(iv) Years 10 to 15 – at 4% per annum;

(c) implementation of certain programs as indicated in the Receiver's Report, particularly the change in the feeds distribution system by adopting the Farmers Enterprise System;

(d) implementation of the rehabilitation plan will be reviewed on the 5th year to determine whether the effects of the Farmers Enterprise System are favorable and whether at that time, the finances of the Company could already sustain payments of increased interest rates from Year 6 onwards;

(e) also on the Year 5, the creditors may be given the option to avail of Receiver's Payment and Capital Note so that 50% of the debt will be paid on a graduated scale as set out under the rehabilitation plan, without interest, but payment may be accelerated so that the debt can be paid in 5 years at the rate of 20% per year, and the remaining 50% thereof may be converted into 40% of the outstanding capital stock of the Company.

The Approved Rehabilitation Plan covers the liabilities previously transferred to the SPAV companies, i.e., such loans are to be treated in the same manner as the original creditors and repayment of the obligation assigned to them are to be in accordance with the repayment scheme under the Approved Rehabilitation Plan.
As of December 31, 2010, 2009 and 2008, the loans (at face value) are due to the following:

	2010	2009	2008
Creditor banks	**P1,546,458,088**	P 1,554,215,097	P1,554,215,097
SPAV companies	**1,540,294,464**	1,700,151,924	1,700,151,924
	P 3,086,752,552	P 3,254,367,021	P3,254,367,021

Revised Amortized Cost of Interest-bearing Loan as of May 31, 2007

The Approved Rehabilitation Plan has effectively resulted in the restructuring of the terms of the loans under the Amendment to the Second Amendment Agreement as the Approved Rehabilitation Plan includes extension of payment terms to 15 years and the reduction in interest rates. Consequently, the interest-bearing loans were re-measured at fair value (subsequently at amortized cost) using as a basis the terms of the approved rehabilitation plan effective immediately on the date of Court's Approval of the Rehabilitation Plan, which is on May 31, 2007. The new amortized cost of the loans amounted to P1.610 billion as of the date of approval of the rehabilitation plan

Adjustment in 2007 of Existing Amortized Cost

On the other hand, the amortized cost of interest-bearing loans under the Amendment to the Second Amendment agreement was adjusted to recognize the amortization of the excess of face value over the fair value of the interest-bearing loans not accrued in 2006 and the amortization of the excess of face value over the fair value of the interest-bearing loans from January 1, 2007 up until the effective date of the Approved Rehabilitation Plan. In 2010, the Company retrospectively recognized those previously unrecorded amounts (see Note 22.2).

Income Recognized in 2007 Arising from the Approval of the Rehabilitation Plan

The difference between the amortized cost of interest-bearing loans under the approved rehabilitation plan and the terms under the Amendment to the Second Amendment computed as at May 31, 2007 (date of approval of the rehabilitation plan) amounting to P859.7 million was recognized as income arising from the Court's approval of rehabilitation plan. This income was the result of the longer loan repayment period and of the further decrease in the effective interest rate.

Corporate Rehabilitation – 2010

<u>Motion for Modification of Approved Rehabilitation Plan and Creditors' Motion to Terminate Rehabilitation Proceedings</u>

In July 8, 2010, the Company filed a motion for modification of the Approved Rehabilitation Plan dated May 31, 2007. The proposed modification consisted of two categories. The first category pertains to the payment of the loans through the basic and essential rehabilitation plan with sources which are as follows:

(a) P21.0 million which was ordered to be returned to the Company by the Court;

(b) the proceeds from sale through dacion en pago of the non-core assets of the Company;

(c) the proceeds from the sale in cash or through offsetting of non-moving accounts receivables of the Company of P100.0 million; and,

(d) the disposition of other non-core assets of the Company projected to raise at least P1.200 billion.

The second category consisted of payment through sources such as the following:

(a) Moringa Oleifera Plan;
(b) the P300.0 million insurance claim;
(c) the deferred "white knight" plan;
(d) the debt to equity conversion; and,
(e) the eventual conversion of the Marilao Plant into a mixed-use residential/commercial development.

As of December 31, 2010, the approval of the motion for the modification of the Approved Rehabilitation Plan is still pending. However, on February 18, 2011, the Court denied the Company's petition on the ground that the nature of the proposed Moringa Oleifera Plan does not inspire belief in its soundness as an investment proposition, considering that it is in dire financial strait and that it is in no position to infuse its resources in such an investment.

On the other hand, the Company's creditors filed the same motions on August 18, 2010, August 27, 2010 and September 1, 2010, respectively. On October 26, 2010, a creditor bank filed a manifestation adopting a motion to terminate proceedings filed by another creditor bank. The creditors argued that the Company is in default of its obligations due to them, referring to the first payment of the loans for the year, which they argue, is due to them in June 2010, as well as on the ground that the Company was not able to achieve the desired targets set forth in the Approved Rehabilitation Plan, dated May 31, 2007 (see Note 12.5).

As of December 31, 2010, the Court has no decision yet on the motions filed by the Company's creditor banks. However, also on February 18, 2011, the Court decided in favor of the Company, denying the motion of the creditors to terminate the rehabilitation proceedings, agreeing to the Receiver's stand that the Company is not in default of its obligations as the Approved Rehabilitation Plan states that the payment is due in Year 4 which starts in June 1, 2010, and that when the law speaks of years, it shall be understood that years are of 365 days each; thus, in so saying, the Company has until the end of Year 4, which falls on May 31, 2011, to perform its obligation to the creditors. The Receiver also argued that the Company was doing good until 'Ondoy' destroyed the Company's finished products, raw material inventories, buildings, plants, machineries and equipments. The Court also stated that the call for termination of the rehabilitation proceedings is premature, and that the Court finds it just and in accordance with the Approved Rehabilitation Plan to give the Company the opportunity to comply with its payment obligation in accordance with the schedule specified in the Approved Rehabilitation Plan.

<u>Revised Amortized Cost of Interest-bearing Loans in 2010</u>

Based on the opinion provided by the Company's legal counsel dated April 18, 2011, the terms of payment of the Company's existing debt is on an annual basis, contrary to the previous assumptions used, that is on a quarterly basis. This was further affirmed in the Rehabilitation Court's order dated February 18, 2011, which denied the motion to terminate the rehabilitation proceedings filed by some creditors.

Furthermore, as mentioned in Note 11, the Company's sale of its non-core assets through dacion en pago in 2010 reduced the principal amount of its interest-bearing loan payable to Kormansinc. The Company and its legal counsel believe that the remaining principal of the Company's loan obligation to Kormansinc will be settled annually within the remaining term of the loan.

Based on the revised computation applying the aforementioned factors, the new amortized cost of the interest-bearing loans at the beginning of 2010 amounted to P2.140 billion. The Company revised the computation of the existing amortization of its interest-bearing loans based on the opinion provided by the Company's legal counsel, which resulted in a prior period adjustment to decrease the previously recognized excess of face value over the fair value of the loans in June 2007 and increase the amortization of the excess of face value over the fair value of the interest-bearing loan from June 1, 2007 to December 31, 2009 amounting to P113.6 million.

Any event that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

Under the Second Amendment dated March 19, 2003, entered into by the Corporation with the creditor banks, if the Corporation defaults in its obligations therein, this shall be considered as an event of default under the Amended Omnibus Agreement, and will result to an adverse financial liability against the Corporation.

However, with the filing of the Petition for Corporate Rehabilitation, all the terms of the second Amendment shall be subject to the decision of the Rehabilitation Court.

2009 RESULTS OF OPERATIONS AS COMPARED AGAINST 2008 and 2007

Consolidated revenues of Vitarich Corporation and its subsidiary for the year ended 2009 amounted to P2.6 billion, 5% lower as compared to the same period last year. The decrease in consolidated revenue was brought about by the decision to prioritize products that contributed better margin for the Company. With this, margins improved as compared to last year's level as the Company's sales effort was directed towards selling high margin products and achieving cost efficiency to boost margins. However, this effort was affected by a decrease in consumer spending and the challenging business climate as a result of the current worldwide economic slowdown. Correspondingly, cost of sales decreased by 8% as compared last year. Amidst the global economic crisis and natural calamities, particularly typhoon "Ondoy" last September 26, 2009 that greatly affected the Marilao Feedmill and Dressing Plant Operation which resulted in a huge income opportunity loss, the Company still managed to post an operating income of P11.6 million for the period ended December 31, 2009, a complete reversal of last year operating loss of P75.6 million.

On the other hand, selling and administrative expenses were reduced by 18% & 7% versus 2008 & 2007 respectively as a result of continuous strategic activities implemented by the Company to further lower the level of operating expenses. Management continues to implement programs to optimize the use of its resources as well as generate savings. These include continuous adoption of TOU (Time of Use) that charges lower rate per kilowatt hour during night time as well as improvement in plant utilization which reduced the Company's cost of power consumption. Prudent cost management likewise accounted for this favorable performance.

The Company is also banking on its growth strategy in the selling and distribution activities of Dory (Pangasius) products. Dory fish has evolved into a very well diversified product. Initially known as fillet in the market, the Company also introduced the dory as live, gutted and chilled for the people to know the original appearance of the fish. But, since there are still many products seen to add more value for the fish, the Company pursued to develop the value-added products, namely: sausage, franks with cheese, dory balls and dory rolls.

Finance costs include the amortization of the excess of face value over the fair value of the interest-bearing loans amounting to P172.6 million and impairment losses on long outstanding receivables of P55.2 million. The allowance provided is based on the estimate of collectivity of accounts specifically for those not covered by any collateral.

As a result, the Company incurred net losses of P 174.9 million in 2009, lower as compared to last year's loss of P264.2 million.

Moving forward, the Company will continually endeavor to expand its performance along its current product lines and improve production capabilities as well as develop new products. Deliberate efforts of the Company in pursuing its strategies to increase market coverage and broaden customer base are continually being undertaken to further boost the Company's performance and enhance the quality of its products. The Company shall continue to keep watch on its productivity levels and cost structure amidst the volatile raw material prices. Aggressive marketing campaigns will continue to be conducted through series of events and visibility campaigns in potential and existing areas throughout the country.

Since the Company is under corporate rehabilitation, it will continue to focus on its core business and strive to improve operations. The Company expects to sustain its product growth for both aqua and animal feeds, with effective marketing support and enhanced sales and distribution network, while keeping all costs down.

Financial Condition

The Company's total consolidated asset as of December 2009 remained at P4.1 billion of which 34% or P 1.4 billion is under current assets . This is lower compared last year due to the 8% decrease in inventory account , 15% decrease in other current assets and 6% decrease in due from related parties account . However, trade and other receivables increase by almost 6% .

Cash ending balance amounted to P56.5 million, lower as against last year of P75.6 million. The reduction in cash was attributed to net cash outflows used in operating activities particularly for working capital requirements.

Trade & other payables account increased by 2% , basically due to interest-bearing loans that amounted to P32.9 million and income tax payable of P2.1 million. Nonetheless, trade and other payables account slightly decreased by 2% due to payment made to its suppliers and reduction in purchases.

Stockholders' equity as of the end of December 31, 2009 amounted to P594.6 million, lower as against last year's balance of P769.5 million as a result of losses incurred during the year.

<u>2008 RESULTS OF OPERATIONS AS COMPARED AGAINST 2007 and 2006</u>

Vitarich & its subsidiaries ended the year 2008 with consolidated revenues reaching P2.8 billion, 12% higher versus same period last year of 2007 & 2006 respectively, boosted by higher selling price and the impact of modest increase in sales volume.

Cost of sales increased by 17% from last year with the growth in revenues and with the continued rise in the cost of major raw materials. Nonetheless, gross profit margins declined to 36% from 2007 level , also on the account of higher raw materials cost that affected the Company's performance in 2008. The effort to improve margins was made by increasing prices, but these increases were not sufficient to cover the rise in material cost.

Selling and administrative expenses likewise increased by almost 13% as against the same period last year in spite of continued cost reduction measures implemented by the Company. However, the Company's commitment for quality, consistent and safe products was strengthened. In order to continuously push revenue growth, steps are underway for product/brand awareness and intensification of marketing programs. Focus is veered towards its core businesses to further increase its feeds volume as well as to obtain the strategic goals.

The Company's net loss as of the end of 2008 amounted to P264.2 million as against last year's income of P769.7 million. The effect of last year's recognition of income arising from Court's approval of the rehabilitation plan was taken up in 2007.

As discussed more fully in Note 11 of the Audited Financial Statement, the Company filed the petition for corporate rehabilitation last September 15, 2006 and the Court issued a Stay Order on September 19, 2006 and gave due course to the petition by appointing a rehabilitation receiver on February 14, 2007. On May 31, 2007, the Regional Trial Court (the Court) of Malolos, Bulacan acted favorably on the petition of the Company and issued its decision for the approval of the modified rehabilitation plan of the Company as submitted by the Court-appointed rehabilitation receiver last April 27, 2007.

The Court-approved rehabilitation plan provides, among others, the following:

(a) A modified debt restructuring scheme for a period not exceeding 15 years (which the Company's management implemented immediately on the date of the Court's approval of the rehabilitation plan);

(b) Payment of interest to all the Company's creditors on the following basis:
    (i) Years 1 to 3 – at 1% per annum to be accrued on Year 4,

(ii) Years 4 to 6 – at 2% per annum,
(iii) Years 7 to 9 – at 3% per annum,
(iv) Years 10 to 15 – at 4% per annum; and

(c) Implementation of certain programs as indicated in the Receiver's Report, particularly the change in the feeds distribution system by adopting the Farmers Enterprise System.

With the approval of the Rehabilitation plan, the management is continuously instituting certain measures to address these conditions such as the following:

- adopting a program for corporate branding and image rebuilding;
- launching of new products in the market;
- expanding the Company's sales and distribution networks by conducting series of seminars in various areas related to new product lines, providing ample advertisements relative to existing product lines and implementing various programs;
- strengthening business ties with trading partners, local and abroad; and,
- continuously improving product quality including rehabilitation and standardization of certain plants to qualify for international standardization and accreditations.

As the Company is under corporate rehabilitation, it will continue to focus on its core business and strive to improve operations, giving particular attention to growing the existing market base, maintaining a sound financial position, and improving manufacturing efficiencies to enhance competitive standing.

Financial Condition

The Company's total consolidated asset as of December 2008 & 2007 is P4.1 billion and P4.0 billion respectively. Current assets as of the end of 2008 amounted to P1.4 billion, comprising 34% of the Company's total assets.

Total current assets went up by almost 6%, brought about by 10% increase in inventory account and a modest increase by 2% on trade and other receivables.

Cash ending balance amounted to P75.6 million, higher as against last year of P62.5 million as cash generated during the year was able to sustain the Company's funding requirements.

Trade & other payables increased by 19% to P882.6 million in 2008 from P744.0 million in 2007 due to the Company's decision to impose strict measures on cash disbursement to reserve more cash for operations.

Stockholders' equity as of the end of December 31, 2008 amounted to P769.5 million, lower as against last year's balance of P1,033.7 million as a result of losses incurred during the year.

FINANCIAL STATEMENTS

The Consolidated Audited Financial Statement of the Corporation for the year-ended December 31,2010 including the applicable schedules listed in the accompanying index to financial statements and supplementary schedules are filed as part of this form 17-A.

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.

Certain Relationship and Related Transactions

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

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

Related Party Transactions

Please refer **to Note 21**of the Consolidated Audited Financial Statement of the Corporation.

EXHIBITS AND SCHEDULES
Exhibits and Reports on SEC Form 17-C

(a) Exhibits

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

(b) Reports on SEC Form 17-C

The following are the items reported under SEC Form 17-C (during the last 6 months)

Date of Report	R E M A R K S
June 25, 2010	a. Election of Board of Directors, Officers, Audit Committee and Compensation & Nomination Committee during the Annual Stockholders' Meeting. b. Board Resolution for the extension of the Corporate Term and Issuance of the remaining 90,030,236 common shares and the listing thereof with the PSE
July 08, 2010	Filing of the Certification of Qualification of the Company's Independent Directors.
Jan 03, 2011	Filing of the Compliance Officer's Sworn Certification on the compliance of the Company of the provisions of the Manual on Corporate Governance
Feb 22, 2011	a. Resignation of Mr. Angelito M. Sarmiento as Director of the Corporation. b. Rehabilitation Court, Regional Trial Court of Bulacan Branch 7 has issued an order on February 18, 2011, ordering the issuance of a writ of execution against Philippine Charter Insurance Corporation to pay Vitarich Corporation the sum of P150 million pesos as partial payment of the Corporation's claim from the floods brought about by typhoon "Ondoy" on September 26, 2009.
March 09, 2011	Regional Trial Court of Bulacan, Branch 7 has issued an order , approving the sale of the company's non core assets located in the Visayas and Mindanao to Kormasinc Inc. for P184M plus by way of reduction of corporate debt.

PART V – CORPORATE GOVERNANCE

On September 2, 2002, the Corporation submitted to the Securities and Exchange Commission its Manual of Corporate Governance in accordance with SEC Memorandum Circular No. 2 Series of 2002 dated April 4, 2002. Thereafter, a Compliance Officer was appointed to monitor compliance with the said Manual.

Evaluation System to Measure Compliance with Manual to Corporate Governance

There is no particular system presently being applied to measure the Corporation's compliance with the provisions of its Manual on Good Corporate Governance. Compliance with the Manual on Good Corporate Governance is validated by the Corporation using the Corporate Governance Self-Rating Form.

Measures being Undertaken to fully comply with the Adopted Leading Practices on Good Corporate Governance

The following are some of the measures undertaken by the "Corporation to ensure that full compliance with the leading practices on good governance are observed:

a Compliance Officer has been designated to monitor compliance with the provisions on requirements of the Corporation's Manual on Corporate Governance;
b. The Corporation has designated an audit committee, and a compensation & nomination committee;
c. The Corporation has elected two independent directors to its Board;

d. The nomination committee pre-screens and shortlists all candidates nominated to become directors in accordance with the qualification and disqualification set up and established;
e. During the scheduled meetings of the Board of Directors, the attendance of each director is monitored and recorded; and
f. The directors & officers were provided copies of the Manual of the Corporate Governance of the Corporation for their information, guidance and compliance.

Deviation from the Corporation's Manual of Corporate Governance

The Corporation substantially complied with the Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange ("Guidelines") for the year 2010.

There is no deviation of any kind from the registrant's Manual of Corporate Governance nor was there any disclosure of the name and position of the person/s involved and sanction/s imposed on any individual.

Any plan to improve corporate governance of the company

The Company will continue monitoring compliance with its Manual on Corporate Governance to ensure full compliance thereto.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **MANUEL Q. LIM JR.** Filipino, of legal age and a resident of 18 Milflores Drive, Beverly Hills, Antipolo City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **VITARICH CORPORATION**

2. In addition to my serving as an independent director of the Corporation, I am also affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
MFI Foundation Inc.	Vice Chairman - BOT	2001 to present
Phil Inst of Pure & Applied Chemistry	Vice Chairman - BOT	1990 to present
Sarmiento Foundation Inc.	Trustee	2004 to present

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

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director of the Corporation under the Securities Regulation Code.

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

Done this ______ day of MAY 16 2011 at MARILAO BULACAN.

[signature]
Affiant

SUBSCRIBED AND SWORN to before me this __ day of MAY 16 2011 2011, at MARILAO BULACAN, affiant who is personally known to me exhibiting to me his Community Tax Cert. No. ____________ issued at ____________ on __________ 2011.

Doc. No. 84;
Page No. 18;
Book No. 88;
Series of 2011.

NENITA D.C. TUAZON
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
ROLL # 47194
LIFE NO.591042 5/19/2003
PTR NO.0307562 1/3/11
TIN NO.170-907-664

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JOSE VICENTE C. BENGZON III** Filipino, of legal age and a resident of 348 Santiago Loop, Ayala Alabang Village, Muntilupa Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **VITARICH CORPORATION**

2. In addition to my serving as an independent director of the Corporation, I am also affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Phil. Business Leader Forum, Inc.	Board of Director	2005 - present
UPCC Holdings Corp.	Board of Director /President	2006 - present
Pres Jose P Laurel		
Rural Bank Inc.	Board of Director	2010 -
Phil. National		
Construction Corp.	Board of Director	2011 -

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

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director of the Corporation under the Securities Regulation Code.

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

Done this MAY 1 6 2011 day of ______ at MARILAO BULACAN.

JOSE VICENTE C. BENGZON III
Affiant

SUBSCRIBED AND SWORN to before me this MAY 1 6 2011 day of ______ 2011, at MARILAO BULACAN, affiant who is personally known to me exhibiting to me his Community Tax Cert. No. ______ issued at ______ on ______ 2011.

Doc. No. 83;
Page No. 18;
Book No. 88;
Series of 2011.

NENITA D.C. TUAZON
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
ROLL # 47194
LIFE NO. 591042 5/19/2003
PTR NO. 0307562 1/3/11
TIN NO. 170-907-664

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

VITARICH CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED MARCH 31, 2011 AND 2010
(IN THOUSANDS)

	2011	2010	AUDITED
	JAN - MARCH	JAN - MARCH	DEC 31, 2010
SALES OF GOODS	628,660	502,337	2,263,868
COSTS AND EXPENSES	565,500	426,116	2,094,722
GROSS PROFIT	63,160	76,221	169,146
OTHER OPERATING EXPENSES (INCOME)			
Operating Expenses	89,493	87,114	325,826
Other Operating Income	(24,077)	(10,886)	(149,873)
	65,416	76,228	175,953
OPERATING PROFIT (LOSS)	(2,256)	(7)	(6,807)
OTHER CHARGES (INCOME)			
Finance costs			284,165
Gain on sale of investment property and property and equipment - net			(31,792)
Finance income			(418)
	-	-	251,954
PROFIT (LOSS) BEFORE TAX	(2,256)	(7)	(258,761)
TAX EXPENSE (INCOME)			(54,272)
NET LOSS	(2,256)	(7)	(204,489)
EARNING / (LOSS) PER SHARE WERE COMPUTED AS FOLLOWS:			
Profit (loss)	(2,256)	(7)	(204,489)
Divided by the weighted average number of outstanding shares	409,970	409,970	409,970
EARNING/ (LOSS) PER SHARE	(0.006)	(0.000)	(0.50)

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE FIRST QUARTER ENDED MARCH 31, 2011 AND THE YEAR ENDED DECEMBER 31, 2010
(IN THOUSANDS)

ASSETS

	MARCH 2011	(audited) DEC. 2010
CURRENT ASSETS		
Cash	32,241	65,926
Trade & other receivables-net	713,914	714,495
Inventories - net	452,044	437,622
Due from related parties - net	100,996	102,203
Other current assets - net	18,726	14,364
Total Current assets	1,317,921	1,334,610
NON-CURRENT ASSETS		
Trade & Other Receivables - net	150,134	139,915
Property, plant and equipment - net	1,566,487	1,599,867
Investment property	719095	712,707
Other Non-current Assets - net	32,453	29,492
Total Non - Current assets	2,468,169	2,481,981
TOTAL ASSETS	3,786,090	3,816,591

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 2011	(audited) DEC. 2010
CURRENT LIABILITIES		
Interest-bearing loans -net	78,165	78,165
Trade & other payables	910,333	939,744
Income Tax Payable	1,493	1,493
Total Current Liabilities	989,991	1,019,401
NON-CURRENT LIABILITIES		
Interest-bearing loans	1,992,387	1,992,387
Trade & other payables	248,151	248,151
Deferred tax liabilities - net	154,468	154,468
Retirement benefit obligation	107,140	105,669
Cash bond deposits	19,665	19,971
Total Non-Current Liabilities	2,521,811	2,520,646
Total Liabilities	3,511,802	3,540,048
EQUITY		
Capital stock	409,970	409,970
Additional Paid-in capital	913,740	913,740
Revaluation reserve on property	756,430	756,430
Retained earnings	(1,805,852)	(1,803,596)
Total Equity	274,288	276,544
TOTAL LIABILITIES & EQUITY	3,786,090	3,816,591

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED MARCH 31, 2011 AND 2010

	MARCH 2011	MARCH 2010	AUDITED DEC 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax	(2,256)	(7)	(258,761)
Adjustments to reconcile net income to net cash			
Interest expense			192,640
Impairment loss on trade & other receivables			91,520
Depreciation & amortization	19,644	25,064	69,056
Gain on sale of property, plant and equipment-net and investment property			(31,792)
Impairment loss on property and equipment			1,507
Interest income			(418)
Sub-Total	17,388	25,057	63,751
Net Changes in Working Capital			
Decrease (increase) in:			
Trade & other receivables	(9,638)	(3,199)	(39,759)
Inventories	(14,422)	1,638	47,204
Other Current Assets	(4,362)	(18,811)	(7,087)
Net Due from related parties	1,207	1,158	703
Other non-current assets	(2,961)	(3,966)	867
Increase (decrease) in:			
Trade & other payables	(29,411)	(43,248)	17,872
Cash bond deposits	(306)	(3,009)	(2,094)
Retirement Benefit Obligation	1,471	467	7,873
Total Changes in Working Capital	(41,034)	(43,913)	89,331
Interest received			418
Cash paid for income taxes			(2,239)
Net Cash Provided by Operating Activities	(41,034)	(43,913)	87,510
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investment property	(6,387)		(15,386)
Net acquisitions of property and equipment	13,736	5,088	(62,680)
Proceeds from sale of property and equipment			-
Net cash Used in Investing Activities	7,349	5,088	(78,066)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of interest-bearing loans			
Net Cash Provided by (Used in) Financing Activities	-	-	-
NET INCREASE(DECREASE) IN CASH	(33,685)	(38,825)	9,444
CASH AT BEGINNING OF YEAR	65,926	56,482	56,482
CASH AT END OF PERIOD	32,241	17,657	65,926

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED MARCH 31, 2011 AND 2010

	MARCH 2011	MARCH 2010	AUDITED DEC 31, 2010
CAPITAL STOCK	409,970	409,970	409,970
ADDITIONAL PAID-IN CAPITAL	913,740	913,740	913,740
REVALUATION RESERVE ON PROPERTY			
Balance, beginning of year	756,430	824,682	824,682
Transfer to deficit of revaluation reserve absorbed through depreciation			(2,925)
Transfer to deficit of revaluation reserve realized through sale			(65,328)
Balance, end of quarter	756,430	824,682	756,430
RETAINED EARNINGS			
Balance, beginning of year	(1,803,596)	(1,553,749)	(1,553,748)
Prior period adjustments			(113,610)
As restated	(1,803,596)	(1,553,749)	(1,667,359)
Transfer to deficit of revaluation reserve absorb through depreciation	-	-	2,925
Transfer to deficit of revaluation reserve realized through sale			65,328
Net income (loss)	(2,256)	(7)	(204,489)
Balance, end of quarter	(1,805,852)	(1,553,756)	(1,803,596)
TOTAL EQUITY	274,288	594,636	276,544

VITARICH

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Vitarich Corporation & its subsidiaries is responsible for all information and representations contained in the financial statements for the years ended December 31, 2010, 2009 and 2008. The financial statements have been prepared in accordance with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRS)and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weakness in the internal controls; and (iii) any fraud that involves management or other employees who have significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

ROGELIO M. SARMIENTO	**JULIETA M. HERRERA**
Chairman / CEO	Controller

Subscribed and sworn before me this APR 27 2011, who has satisfactorily proven to me their identity through their SSS ID Number below, that they are the same person who personally signed before me the foregoing affidavit and acknowledged that they executed the same.

	SSS ID Number
Rogelio M. Sarmiento	03-21175371
Julieta M. Herrera	03-33374225

NENITA D.C. TUAZON
NOTARY PUBLIC
UNTIL DECEMBER 31, 2012
ROLL # 47194
LIFE NO.591042 5/19/2003
PTR NO.0307562 1/3/11
TIN NO.170-907-664

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Main Office: Abangan Sur, McArthur Highway, Marilao, Bulacan
Tel. Nos.: (632) 843-3033 and (044) 711-2829 (Connecting All Depts.)
Fax No. : (632) 843-0297 ZIP CODE: 3019

Punongbayan & Araullo

Report of Independent Auditors

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

The Board of Directors and Stockholders
Vitarich Corporation and Subsidiaries
Bo. Abangan Sur
McArthur Highway
Marilao, Bulacan

We have audited the accompanying consolidated financial statements of Vitarich Corporation (the Company) and subsidiaries (collectively referred to as the Group), which comprise the consolidated statements of financial position as at December 31, 2010, 2009 and 2008, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion in the Consolidated Financial Statements

In 2009, the Company incurred damages on a portion of its inventories and other properties, as well as certain accounting records and documents caused by floods that occurred in the latter part of that year. We were not able to perform certain audit procedures on some items included in Trade and Other Receivables (about P6.9 million) and Trade and Other Payables (about P11.0 million) and the related profit or loss accounts mainly because of the unavailability of certain supporting documents. As a consequence, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts relating to such items in the consolidated financial statements for the year ended December 31, 2009. In 2010, all supporting documents relating to the significant transactions in 2010 were made available for our examination. However, we cannot still ascertain the completeness of the recorded receivables and payables as of December 31, 2009 and the possible effects of this matter on the 2010 profit or loss and changes in cash flows.

Qualified Opinion

In our opinion, except for the possible effects on the 2010 consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows and 2009 consolidated financial statements of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2010, 2009 and 2008, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates that the Group incurred significant recurring losses from its operations in prior years resulting in significant deficit as of December 31, 2010, 2009 and 2008. Further, because of the difficulties in meeting its debt covenants as it tries to recover from its losses from operations, the Company filed a petition for corporate rehabilitation, which the Regional Trial Court approved. The success of the modified rehabilitation plan hinges on certain plans and programs specified in the petition. Moreover, the plan is anchored over the ability of the Company to generate profit and cash from operating activities to support its operations during the rehabilitation period. These conditions raise substantial doubt about the Group's ability to continue as a going concern. However, management has recognized the situation and, accordingly, it has prepared some plans and initiated certain measures as more fully discussed in Note 1.3 to the consolidated financial statements. The consolidated financial statements do not include any adjustments on the recoverability and classification of the assets or the amounts and classification of the liabilities arising from these uncertainties.

PUNONGBAYAN & ARAULLO

Dalisay B. Duque

By: Dalisay B. Duque
Partner

CPA Reg. No. 0022692
TIN 140-240-854
PTR No. 2641851, January 3, 2011, Makati City
Partner's SEC Accreditation No. 0012-AR-2 (until Feb. 1, 2012)
BIR AN 08-002511-9-2008 (until Nov. 24, 2011)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

April 26, 2011

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009 (As restated - See Note 22.2)	2008 (As restated - See Note 22.2)
A S S E T S				
CURRENT ASSETS				
Cash		**P 65,925,992**	P 56,482,032	P 75,601,631
Trade and other receivables - net	5	**714,495,416**	715,549,552	677,884,379
Due from related parties - net	21	**102,202,924**	102,906,302	109,177,581
Inventories - net	6	**437,622,206**	486,704,700	527,250,261
Other current assets - net	7	**14,363,740**	3,953,327	8,876,049
Total Current Assets		**1,334,610,278**	1,365,595,913	1,398,789,901
NON-CURRENT ASSETS				
Trade and other receivables - net	5	**139,915,279**	190,621,852	173,005,407
Property, plant and equipment - net	8	**1,599,867,071**	1,749,778,337	1,743,777,405
Investment property	9	**712,706,960**	706,277,851	710,307,471
Other non-current assets - net	7	**29,491,631**	30,358,555	40,765,273
Total Non-current Assets		**2,481,980,941**	2,677,036,595	2,667,855,556
TOTAL ASSETS		**P 3,816,591,219**	P 4,042,632,508	P 4,066,645,457

	Notes	2010	2009 (As restated - See Note 22.2)	2008 (As restated - See Note 22.2)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans - net	12	**P 78,164,538**	P 140,874,060	P -
Trade and other payables	11	**939,744,138**	857,432,891	876,869,003
Income tax payable		**1,492,606**	2,084,504	1,687,889
Total Current Liabilities		**1,019,401,282**	1,000,391,455	878,556,892
NON-CURRENT LIABILITIES				
Interest-bearing loans - net	12	**1,992,387,328**	1,999,566,821	1,963,707,231
Trade and other payables	11	**248,150,777**	227,616,585	228,079,975
Deferred tax liabilities - net	20	**154,468,234**	214,163,950	217,137,877
Retirement benefit obligation	18	**105,668,585**	97,795,423	97,120,239
Cash bond deposits	13	**19,971,342**	22,065,167	21,976,134
Total Non-current Liabilities		**2,520,646,266**	2,561,207,946	2,528,021,456
Total Liabilities		**3,540,047,548**	3,561,599,401	3,406,578,348
EQUITY				
Capital stock	22	**409,969,764**	409,969,764	409,969,764
Additional paid-in capital		**913,739,669**	913,739,669	913,739,669
Revaluation reserve	23	**756,430,055**	824,682,288	777,106,003
Deficit	1	**(1,803,595,817)**	(1,667,358,614)	(1,440,748,327)
Total Equity		**276,543,671**	481,033,107	660,067,109
TOTAL LIABILITIES AND EQUITY		**P 3,816,591,219**	P 4,042,632,508	P 4,066,645,457

See Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009 (As restated - See Note 22.2)	2008 (As restated - See Note 22.2)
SALE OF GOODS - Net	21	**P 2,263,867,725**	P 2,630,742,850	P 2,757,507,214
COST OF GOODS SOLD	14	**2,094,721,578**	2,434,353,493	2,635,728,865
GROSS PROFIT		**169,146,147**	196,389,357	121,778,349
OTHER OPERATING EXPENSES (INCOME)				
Administrative expenses	16	**183,474,621**	155,484,864	191,058,976
Selling and distribution costs	16	**142,351,412**	144,140,169	173,903,614
Other operating income	15	**(149,872,736)**	(114,827,818)	(167,573,285)
		175,953,297	184,797,215	197,389,305
OPERATING PROFIT (LOSS)		**(6,807,150)**	11,592,142	(75,610,956)
OTHER CHARGES (INCOME)				
Finance costs	17	**284,164,572**	231,919,336	215,706,271
Fair value loss from investment property	9	-	19,665,570	-
Impairment loss on intangible asset	7	-	10,456,132	-
Gain on sale of property plant, and equipment and investment property - net	8, 9	**(31,792,206)**	(130,000)	(420,079)
Finance income		**(418,059)**	(37,647)	(3,900,827)
		251,954,307	261,873,391	211,385,365
LOSS BEFORE TAX		**258,761,457**	250,281,249	286,996,321
TAX INCOME	20	**(54,272,021)**	(19,857,922)	(18,571,154)
NET LOSS		**204,489,436**	230,423,327	268,425,167
OTHER COMPREHENSIVE INCOME				
Additional revaluation increment on property, plant and equipment	8, 23	-	73,413,322	-
Tax expense	23	-	(22,023,997)	-
		-	51,389,325	-
TOTAL COMPREHENSIVE LOSS		**P 204,489,436**	P 179,034,002	P 268,425,167
Loss per Share - Basic and Diluted	25	**P 0.50**	P 0.56	P 0.65

See Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Revaluation Reserve	Deficit	Total
Balance at January 1, 2010						
As previously reported		P 409,969,764	P 913,739,669	P 824,682,288	(P 1,553,748,423)	P 594,643,298
Prior period adjustments	22	-	-	-	(113,610,191)	(113,610,191)
As restated		409,969,764	913,739,669	824,682,288	(1,667,358,614)	481,033,107
Transfer to deficit of revaluation reserve realized through sale, net of tax	23	-	-	(65,327,531)	65,327,531	-
Transfer to deficit of revaluation reserve absorbed through depreciation, net of tax	23	-	-	(2,924,702)	2,924,702	-
Net loss for the year		-	-	-	(204,489,436)	(204,489,436)
Balance at December 31, 2010		**P 409,969,764**	**P 913,739,669**	**P 756,430,055**	**(P 1,803,595,817)**	**P 276,543,671**
Balance at January 1, 2009						
As previously reported		P 409,969,764	P 913,739,669	P 777,106,003	(P 1,331,273,666)	P 769,541,770
Prior period adjustments	22	-	-	-	(109,474,661)	(109,474,661)
As restated		409,969,764	913,739,669	777,106,003	(1,440,748,327)	660,067,109
Transfer to deficit of revaluation reserve absorbed through depreciation, net of tax	23	-	-	(3,813,040)	3,813,040	-
Total comprehensive income for the year						
Net loss for the year		-	-	-	(230,423,327)	(230,423,327)
Other comprehensive income, net of tax	23	-	-	51,389,325	-	51,389,325
		-	-	51,389,325	(230,423,327)	(179,034,002)
Balance at December 31, 2009		P 409,969,764	P 913,739,669	P 824,682,288	(P 1,667,358,614)	P 481,033,107
Balance at January 1, 2008						
As previously reported		P 409,969,764	P 913,739,669	P 953,727,764	(P 1,299,780,634)	P 977,656,563
Prior period adjustments	22	-	-	(172,776,520)	123,612,233	(49,164,287)
As restated		409,969,764	913,739,669	780,951,244	(1,176,168,401)	928,492,276
Transfer to deficit of revaluation reserve absorbed through depreciation, net of tax	23	-	-	(3,845,241)	3,845,241	-
Net loss for the year		-	-	-	(268,425,167)	(268,425,167)
Balance at December 31, 2008		P 409,969,764	P 913,739,669	P 777,106,003	(P 1,440,748,327)	P 660,067,109

See Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

	Notes	2010	2009 (As restated - See Note 22.2)	2008 (As restated - See Note 22.2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		P 258,761,457	P 250,281,249	P 286,996,321
Adjustments for:				
Interest expense	12	**192,639,679**	176,733,650	162,140,964
Impairment loss on trade and other receivables	5	**91,519,642**	55,185,686	53,554,307
Depreciation and amortization	8	**69,056,047**	81,406,668	79,311,560
Gain on sale of property, plant and equipment - net and investment property	8, 9	**(31,792,206)**	(130,000)	(420,079)
Impairment loss on property, plant and equipment		**1,507,133**	-	-
Interest income		**(418,059)**	(37,647)	(3,900,827)
Fair value loss from investment property	9	-	19,665,570	-
Impairment loss on intangible assets	7	-	10,456,132	-
Operating profit before working capital changes		**63,750,779**	92,998,810	3,689,604
Increase in trade and other receivables		**(39,758,933)**	(110,467,304)	(63,024,139)
Decrease (increase) in due from related parties		**703,378**	6,271,279	(3,245,057)
Decrease (increase) in inventories		**47,204,406**	40,545,561	(47,922,284)
Decrease (increase) in other current assets		**(7,086,978)**	1,919,621	(2,413,489)
Decrease (increase) in other non-current assets		**866,924**	220,330	(16,370,120)
Increase (decrease) in trade and other payables		**17,871,617**	(19,899,502)	162,792,753
Increase in retirement benefit obligation		**7,873,162**	675,184	17,800,875
Increase (decrease) in cash bond deposits		**(2,093,825)**	89,033	4,141,060
Cash generated from operations		**89,330,530**	12,353,012	55,449,203
Interest received		**418,059**	37,647	3,900,827
Cash paid for income taxes		**(2,238,740)**	(1,740,286)	(200,286)
Net Cash From Operating Activities		**87,509,849**	10,650,373	59,149,744
CASH FLOWS FROM INVESTING ACTIVITIES				
Net acquisitions of property, plant and equipment	8	**(62,680,305)**	(14,264,022)	(44,705,536)
Acquisitions of investment property	9	**(15,385,584)**	(15,635,950)	(1,793,932)
Proceeds from sale of property, plant and equipment		-	130,000	420,079
Net Cash Used in Investing Activities		**(78,065,889)**	(29,769,972)	(46,079,389)
NET INCREASE (DECREASE) IN CASH		**9,443,960**	(19,119,599)	13,070,355
CASH AT BEGINNING OF YEAR		**56,482,032**	75,601,631	62,531,276
CASH AT END OF YEAR		**P 65,925,992**	P 56,482,032	P 75,601,631

Supplemental Information on Noncash Investing and Financing Activities:

(1) In November 2010, the Company sold through dacion en pago certain property and equipment and investment properties to Kormansinc, Inc., with a total carrying value of P152.9 million resulting in a decrease on the Company's outstanding loan by P167.6 million and the recognition of a gain on sale of such assets of P31.8 million (see Notes 8, 9, 12, and 22).

(2) In 2009, the carrying amount of property, plant and equipment increased by P73.4 million due to the additional revaluation (see Notes 8, 21 and 22).

(3) In 2008, the Group acquired certain parcels of land through foreclosure proceedings against the Group's customers as payment for the latter's liabilities to the Group (see Note 9).

See Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Vitarich Corporation (the Company or parent company) was registered with the Securities and Exchange Commission (SEC) on July 31, 1962. Its shares of stock are registered with the Philippine Stock Exchange. The Company holds 100% interests in Gromax, Inc. (Gromax) and Philippines' Favorite Chicken, Inc. (PFCI), which are both domestic corporations. PFCI ceased commercial operations in 2005.

The Company is presently engaged in the manufacture and distribution of various poultry products such as live and dressed chicken, day-old chicks, animal and aqua feeds, while Gromax is engaged in the manufacture and distribution of animal health and nutritional products.

PFCI, up until April 2005, held the exclusive rights to develop Texas Manok's restaurants in the Philippines and served as the sole distributor of raw materials to the franchisees. In 2005, PFCI discontinued operations of its Texas Manok's restaurants. Accordingly, it terminated all its employees and provided full valuation allowances on its remaining assets.

Below are the net assets and liabilities of PFCI as of December 31, 2010, 2009 and 2008 that were included in consolidation after appropriate adjustments were made to align the financial statements of PFCI with that of the parent company and Gromax:

Net Assets:		
Trade and other receivables	P	130,894,053
Inventories, prepayments and other assets		54,746,378
Property and equipment		49,442,316
		235,082,747
Less accumulated depreciation, amortization and impairment		235,082,747
	P	-
Liabilities –		
Trade and other payables	P	28,454,815

The registered and main office of the Company and its subsidiaries (collectively referred to hereinafter as the Group), which is also their principal place of business, is located at Bo. Abangan Sur, McArthur Highway, Marilao, Bulacan. The Company has operating offices in some parts of Luzon, in Iloilo and in Davao, and various satellite offices in some parts of Southern Philippines.

The consolidated financial statements of the Group for the year ended December 31, 2010 (including the comparatives for the years ended December 31, 2009 and 2008) were authorized for issue by the Company's Board of Directors (BOD) on April 26, 2011.

1.2 Corporate Rehabilitation

As discussed more fully in Note 12, the Company filed a petition for corporate rehabilitation on September 15, 2006 and the Regional Trial Court of Malolos, Bulacan (the Court) issued a Stay Order on September 19, 2006 and gave due course to the petition by appointing a rehabilitation receiver for the Company on February 14, 2007. On May 31, 2007, the Court acted favorably on the petition of the Company and issued its decision for the approval of the modified rehabilitation plan of the Company as submitted by the Court-appointed rehabilitation receiver on April 27, 2007.

The Court-approved rehabilitation plan provides, among others, the following:

(a) A modified debt restructuring scheme for a period not exceeding 15 years (which the Company's management believes should take effect immediately on the date of the Court's approval of the rehabilitation plan);

(b) Payments of interest to all the Company's creditors on the following basis:
  (i) Years 1 to 3 – at 1% per annum to be accrued on Year 4,
  (ii) Years 4 to 6 – at 2% per annum,
  (iii) Years 7 to 9 – at 3% per annum, and,
  (iv) Years 10 to 15 – at 4% per annum.

(c) Implementation of certain programs as indicated in the Receiver's Report, particularly the change in the feeds distribution system by adopting the Farmers Enterprise System.

1.3 Status of Operations

The accompanying consolidated financial statements of the Group have been prepared on a going concern basis. As shown in the consolidated financial statements, the Group has reported losses of P204.5 million, P230.4 million and P268.4 million in 2010, 2009 and 2008, respectively, which increased the deficit from P1.4 billion as of December 31, 2008 to P1.8 billion as of December 31, 2010.

Because of the difficulties in meeting its debt covenants, even as it tries to recover from its losses from operations, the Company filed a petition for corporate rehabilitation, which the Court approved. These conditions raise issues about the Group's ability to continue as a going concern. Management has recognized this situation, and in conjunction with the receipt of favorable ruling from the Court, in terms of longer repayment period and lower interest rate, it has instituted certain measures to address these conditions including the following:

- adopting a program for corporate branding and image rebuilding;

- launching of new products in the market;

- expanding the Company's sales and distribution networks by conducting series of seminars in various areas related to new product lines, providing ample advertisements relative to existing product lines and implementing various programs;

- strengthening business ties with trading partners, local and abroad; and,

- continuously improving product quality including rehabilitation and standardization of certain plants to qualify for international standardization and accreditations.

The consolidated financial statements do not include any adjustments on the recoverability and classification of the assets or the amounts and classification of the liabilities arising from these uncertainties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies in the succeeding pages.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements.* The Group presents all items of income and expenses in a single consolidated statement of comprehensive income. Two comparative periods are presented for the consolidated statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements.

In 2010, the Group presented two comparative periods for the consolidated statement of financial position due to retrospective restatement arising from the remeasurement of the amortized value of the Group's interest-bearing loans and reclassification of certain accounts in the 2009 and 2008 consolidated financial statements to conform with the 2010 presentation (see Note 22.2).

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise stated.

Items included in the consolidated financial statements of the Group are measured using the functional currency, the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) Effective in 2010 that are Relevant to the Group

In 2010, the Group adopted the following new revisions and amendments to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after July 1, 2009, or January 1, 2010:

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements
PFRS 2 (Amendment)	:	Share-Based Payment
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 18	:	Transfers of Assets from Customers
Various Standards	:	2009 Annual Improvements to PFRS

Discussed below are the effects on the consolidated financial statements of the new and amended standards.

(i) PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements*. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the consolidated financial statements as there were no transactions with non-controlling interests during the year.

(ii) PFRS 2 (Amendment), *Share-based Payment*. The amendment clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and regardless of whether the transaction is equity-settled or cash-settled. The Group's payment arrangement is not affected by this amendment.

(iii) Philippine Interpretation IFRIC 18, *Transfers of Assets to Customers*. This interpretation provides guidance on how to account for items of property, plant and equipment received from customers; or cash that is received and used to acquire or construct specific assets. It is only applicable to agreements in which an entity receives from a customer such assets that the entity must either use to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. The adoption of the interpretation did not have a material impact in the consolidated financial statements of the Group.

(iv) 2009 Annual Improvements to PFRS. Most of these amendments became effective for annual periods beginning on or after January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the consolidated financial statements but which did not also have any material impact on the consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the Group's equity instruments.

- PAS 7 (Amendment), *Statement of Cash Flows*. The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 17 (Amendment), *Leases*. The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17.

- PAS 18 (Amendment), *Revenue*. The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Presently, the Group is the principal in all of its business undertakings.

(b)

(c) Effective in 2010 but not Relevant to the Group

The following amended standards and interpretations to published standards are mandatory in 2009 but are not relevant to the Group's operations:

PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 1 (Amendment)	:	Additional Exemptions for First-time Adopters
PFRS 3 (Revised 2008)	:	Business Combinations
Philippine Interpretations		
IFRIC 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39
IFRIC 17	:	Distribution of Non-cash Assets to Owners

(d) *Effective Subsequent to 2010*

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2010. Among those pronouncements, management has initially determined the following, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 12 (Amendment), *Income Taxes* (effective from January 1, 2012). An entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, when the asset is measured using the fair value model in PAS 40, *Investment Property,* it can be difficult and subjective to assess whether recovery will be through use or through sale; accordingly, an amendment to PAS 12 was made. The amendment introduces a presumption that recovery of the carrying amount will be or normally be through sale. Consequently, Philippine Interpretation SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in Philippine Interpretation SIC-21, which is accordingly withdrawn. As of December 31, 2010, management is still evaluating the effect of this amendment to the Group's consolidated financial statements.

(ii) PAS 24 (Revised), *Related Party Disclosures* (effective from January 1, 2011). Earlier application of the standard, in whole or in part, is permitted but the Group opted not to early adopt the standard. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group is currently reviewing the impact of the standard on its related party disclosures in time for its adoption of the revised standard in 2011.

(iii) Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a PAS 19, *Employee Benefits*, surplus for defined benefit plans that are subject to a minimum funding requirement. Management of the Group does not expect that its future adoption of the amendment will have a material effect on its financial statements because it does not usually make substantial advance contributions to its retirement fund.

(iv) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with PAS 39;

- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;

- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,

- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

Management has determined that the adoption of the interpretation will not have a material effect on its consolidated financial statements as management does not anticipate to extinguish financial liabilities through equity swap in the subsequent periods.

(v) PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective from July 1, 2011). The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. The Group believes that adoption of the amendments in 2012 will not have any significant effect on its consolidated financial statements as they only affect disclosures and the Group usually provides adequate information in its consolidated financial statements in compliance with disclosure requirements.

(vi) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are still being finalized.

Management is yet to assess the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

(vii) 2010 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2010* (the 2010 Improvements). Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. The Group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on its consolidated financial statements.

2.3 Consolidation and Investment in Subsidiaries

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate an impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared as of the same reporting period as the parent company, using consistent accounting policies, except for the financial statements of PFCI, which were prepared under the liquidation basis of accounting. Adjustments are made to bring into line any dissimilar accounting policies that exist.

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through voting rights. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Subsidiaries are consolidated from the date the Company obtains control until such time that such control ceases.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

2.4 Financial Assets

Financial assets, which are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchase and sale of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs.

The Group's financial assets are currently classified as loans and receivables which are presented as Cash, Trade and Other Receivables, and Due from Related Parties in the consolidated statement of financial position.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

The relevant financial assets of the Group are categorized as loans and receivables. Loans and receivables are subsequently remeasured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in the consolidated profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

All income and expense relating to financial assets recognized in the consolidated profit or loss are presented in the consolidated statement of comprehensive income line items Finance Income and Finance Costs, respectively.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit and loss when earned, regardless of how the related carrying amount of the financial assets is measured.

Derecognition of financial assets occurs when the right to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location are accounted for as follows:

(d) *Finished goods, factory stocks and supplies and other livestock 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.

(e) *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.

Net realizable value 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. Net realizable value of raw materials is the current replacement cost.

2.6 Property, Plant and Equipment

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

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 statement 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 profit or loss. Annually, an amount from the Revaluation Reserve is transferred to Deficit 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. The depreciation and amortization periods for property, plant and equipment, based on the above policies, are as follows:

Buildings	20 years
Machinery and equipment	10 to 20 years
Office furniture, fixtures and equipment	3 to 10 years
Transportation equipment	4 to 5 years
Leasehold and land improvements	2 to 5 years

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 (see Note 2.15).

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

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 consolidated profit or loss in the year the item is derecognized.

2.7 Investment Property

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

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in profit or loss as Fair Value Loss (Gain) on Investment Property and Gain (Loss) on Sale of Investment Property and Property, Plant and Equipment, respectively, in the consolidated statement of comprehensive income.

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

Investment property is 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 property are reported as part of Other Operating Income and Selling and Distribution Costs, respectively, in the consolidated statement of comprehensive income, and are recognized as described in Note 2.11.

2.8 Intangible Asset

Intangible asset represents 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 recognized as expensed in profit or loss in the consolidated statement of comprehensive income as they are incurred. Costs that are directly attributable to the development phase of the Company's aqua feeds and aqua culture projects are recognized as intangible asset 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.

Directly attributable costs include the development fees charged by the Group's technical partner as discussed in Note 25.3. However, until completion of the development project, the assets are subject to impairment testing as described in Note 2.15. Amortization commences upon completion of the asset.

All other development costs are expensed as incurred.

2.9 Financial Liabilities

Financial liabilities, which include interest-bearing loans, trade and other payables, and cash bond deposits, are recognized when the Group becomes a party to the contractual agreements of the instrument.

All interest-related charges are recognized as an expense in consolidated profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans are raised for support of long-term funding of operations. They are initially recognized at proceeds received, net of direct issue costs. 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 amortization using the effective interest method of any difference between that initial amount and the maturity amount. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method. Finance costs, are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables and cash bond deposits are recognized initially at their nominal values and subsequently measured at amortized cost less settlement payments.

A substantial modification to the terms of a financial liability is accounted for as an extinguishment of the existing liability and the recognition of a new or modified liability at its fair value. 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 Group 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 statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.10 Provisions and Contingencies
2.11

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. 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. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured, it is probable that the economic benefits will flow to the Group, and the costs incurred or to be incurred can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized when the risk and rewards of ownership of the goods have passed to the buyer. This is generally when the customer has taken undisputed delivery of goods.

(b) *Tolling* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered.

(c) *Rental* – Revenue from operating leases is recognized on a straight-line basis over the lease term.

(d) *Interest* – Income is recognized as the interest accrues taking into account the effective yield on the assets.

Costs and expenses are recognized in the consolidated profit or loss upon consumption of goods, utilization of the services or at the date they are incurred. Finance costs are reported on an accrual basis and are recognized using the effective interest method.

2.12 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease receipts are recognized as income in the consolidated profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.13 Foreign Currency Transactions

The accounting records of the Group are maintained in Philippine pesos, its functional currency. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of profit or loss from operations.

2.14 Related Party Transactions

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.15 Impairment of Non-financial Assets

The Group's intangible asset, property, plant and equipment, and investment property are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.
For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting the market conditions less cost to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating units.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.
2.16

2.16 Employee Benefits

(a) Post-employment Benefit

Post-employment benefit is provided to employees through a defined benefit plan.

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits of this kind of pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies.

The Group's post-employment defined benefit pension plan covers all regular full-time employees. The post-employment defined benefit plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for post-employment defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognized immediately in consolidated profit or loss, unless the changes to the post-employment plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(c)

(c) Compensation Paid in Shares of Stock

The Group's salary payment scheme calls for the payment of annual salaries of its executives and officers partly through shares of stock of the Company purchased from the stock exchange. There are no vesting requirement or exercise period or exercise prices attached to the shares of stock being given to the executives and officers. The fair value of the services received in exchange for the shares of stock is recognized as an expense. The expense recognized is equal to the fair value of the shares issued at the grant date.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. The amounts recognized are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.17 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense (income) in the consolidated profit or loss.

Deferred tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in consolidated other comprehensive income or directly in equity.

2.18 Equity

Capital stock represents the nominal value of shares of stock that have been issued.

Additional paid-in capital includes any premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserve pertains to appreciation in value of assets arising from revaluation or appraisal of property, plant and equipment.

Deficit includes all current and prior period results reported in profit or loss section of the consolidated statement of comprehensive income.

2.19 Earnings (Loss) per Share

Basic earnings (loss) per share is determined by dividing net profit (loss) by the weighted average number of issued and outstanding shares subscribed and issued during the year after retroactive effect for any stock dividend, stock split or reverse stock split during the current year, if any.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares to assume conversion of dilutive potential shares.

Currently, the Group does not have dilutive potential shares, hence, diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

2.20 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s strategic steering committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines require different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 is the same as those used in its financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Distinction Between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(b) Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production and supply of goods and for administrative purposes. If these portions can be sold separately (or leased out separately under finance leases), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgments.

(b) *Operating Leases*

The Group has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by the Group's management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(c) *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 (see Note 2.8). 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. As of December 31, 2008, the Group had already stopped developing the aqua feeds and aqua culture projects. The accumulated capitalized development costs as of December 31, 2010, 2009 and 2008 amounted to P31.4 million; allowance for impairment amounted to P10.5 million as of December 31, 2010 and 2009 and nil as of December 31, 2008 (see Note 7).

(d) *Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. The policy on recognition and disclosure of provisions is presented in Note 2.10 while disclosures relating to contingencies are discussed in Note 27.

The Group records losses for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of the amount of reserves required, if any, is based on an analysis of each individual issue, often with the assistance of outside legal counsel.

3.2 Key Sources of Estimation Uncertainty

Following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) *Determining Net Realizable Values of Inventories*

In determining the net realizable values of inventories, management takes into account the most reliable evidence available at the times the estimates are made. The Group's inventories, which are subject to expiration and decline in value, and its core business are affected by certain factors which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories (P437.6 million, P486.7 million and P527.3 million as of December 31, 2010, 2009 and 2008, respectively, as presented in Note 6) is 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. These items are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

(b) *Revaluation of Property, Plant and Equipment*

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

The value of the property, plant and equipment (except for land) was arrived at using the Cost Approach. Under this approach, an estimate is made 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.

The value of the land was arrived at using the Market 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 comparables. 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.
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.

On December 16, 2009, all of the Group's property, plant and equipment (except for transportation equipment) were re-appraised by an independent firm of appraisers resulting in an additional appraisal increase of P73.4 million before tax effect (see Notes 8 and 23). On the other hand, a recent appraisal was made in January 2011 on Gromax's furniture, fixtures and equipment as of December 31, 2010 by an independent firm of appraisers. Such appraisal indicated that the assets were impaired and, accordingly, resulted in the recognition of Impairment loss on property and equipment of P1.5 million under Other Operating Expenses in the 2010 statement of comprehensive income (see Note 8). Hence, no revaluation increment was recognized.

(c) *Estimated Useful Lives of Property, Plant and Equipment*

The useful lives of property, plant and equipment are estimated based on the period over which the property, plant and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of property, plant and equipment. The analysis of carrying amounts of property, plant and equipment are presented in Note 8. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. In 2010, the Group revised the estimated useful lives of the property, plant and equipment based on the report of the independent appraisers in prior year.

(d) *Allowance for Impairment of Trade and Other Receivables*

Allowance is made for specific accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience, and historical loss experience.

Analyses of net realizable values of trade and other receivables and the allowance for impairment of receivables are presented in Note 5.

(e) *Allowance for Inventory Obsolescence*

Allowance for inventory obsolescence is maintained at a level considered adequate to provide for potentially non-valuable or worthless items. The level of allowance is based on the turnover/movement of specific inventories and other physical factors affecting usefulness of specific inventories.

Allowance for inventory obsolescence and decline in value, which were based on management's estimates, amounted to P52.4 million, P53.0 million and P52.9 million as of December 31, 2010, 2009 and 2008, respectively (see Note 6).

(f) *Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that its is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets recognized in the books offset against the deferred tax liabilities of the Group amounted to P226.0 million, P195.5 million and P178.1 million as of December 31, 2010, 2009 and 2008, respectively (see Note 20.1). The deferred tax assets relating to the Group's net operating loss carryover (NOLCO), and minimum corporate income tax (MCIT) and other temporary differences totaling to P132.0 million, P118.3 million and

P150.3 million as of December 31, 2010, 2009 and 2008, respectively, were not recognized as management believes that the related tax benefits may not be utilized in foreseeable future.

(g) Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present.

The Group's policy on estimating impairment on intangible asset, property, plant and equipment, and investment property is discussed in detail in Note 2.15. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized on non-financial assets amounted to P1.5 million in 2010 as a result of the recent appraisal conducted on Gromax's property and equipment at the end of year and P10.5 million in 2009 arising from the Group's Intangible Asset. No impairment losses were recognized on the Group's non-financial assets in 2008 based on management's assessment (see Notes 7, 8 and 9).

(h)

(i) Post-employment Benefit

The determination of the Group's obligation and cost for post-employment benefit is dependent on the selection of certain assumptions used by actuary in calculating such amounts. Those assumptions are described in Note 18.2 and include, among others, discount rates, expected return on plan assets and expected rates of increase in salaries. In accordance with PFRS, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in the Group's actual experience of significant changes in the assumptions may materially affect the pension and other retirement benefit obligation.

The estimated retirement benefit obligation amounted to P105.7 million, P97.8 million and P97.1 million as of December 31, 2010, 2009 and 2008, respectively, while fair value of plan assets as of those dates amounted to P2.5 million, P2.1 million and P1.6 million, respectively (see Note 18.2).

4. SEGMENT REPORTING

4.1 Business Segments

For management purposes, the Group 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.

(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.

4.2

4.2 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, net of allowances. 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.

4.3 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 Group generally accounts for intersegment sales and transfers at cost.

4.4 Segment Information

The Group generally accounts for intersegment sales and transfers at cost. Relevant information on the Group's consolidated financial position and results of operations are as follows (in thousands):

	FOOD			FEEDS			FARMS		
	2010	2009 (As restated - see note 22.2)	2008 (As restated - see note 22.2)	2010	2009 (As restated - see note 22.2)	2008 (As restated - see note 22.3)	2010	2009 (As restated - see note 22.2)	2008 (As restated - see note 22.2)
REVENUES									
Sale of goods - net	**P 495,617**	P 593,980	P 713,151	**P 1,652,685**	P 1,858,941	P 1,989,903	**P 115,566**	P 177,822	P 54,453
COST ANF OTHER OPERATING EXPENSES									
Cost of sales excluding deprecitation and amortization	**P 457,659**	P 525,093	P 575,522	**P 1,462,419**	P 1,703,195	P 1,839,040	**P 117,187**	P 129,882	P 147,367
Depreciation and amortization	**16,832**	26,527	19,332	**39,579**	43,861	45,457	**4,567**	6,866	5,245
Operating expenses	**44,597**	23,840	50,961	**140,441**	120,920	160,481	**1,917**	2,839	2,191
Other operating income	**(1,116)**	(31,038)	(1,243)	**(118,089)**	(63,089)	(131,760)	**(21,467)**	(21,467)	(23,952)
	517,972	544,422	644,572	**1,524,350**	1,804,887	1,913,218	**102,204**	118,120	130,851
SEGMENT OPERATING PROFIT (LOSS)	**(P 22,355)**	P 49,558	P 28,986	**P 128,335**	P 54,054	P 16,639	**P 13,362**	P 59,702	P 12,636
Other charges - net									
Profit (loss) before tax									
Tax expense (income)									
Profit (loss) for the year									
ASSETS AND LIABILITIES									
Segment assets	**P 1,266,484**	P 1,296,124	P 409,067	**P 1,924,321**	P 1,852,828	P 3,175,359	**P 254,052**	P 222,166	P 489,932
Segment liabilities	**P 680,658**	P 688,388	P 663,435	**P 690,358**	P 843,063	P 667,585	**P 24,981**	P 22,252	P 35,622
Interest-bearing loans	**-**	-	-	**-**	-	-	**-**	-	-
Total liabilities	**P 680,658**	P 688,388	P 663,435	**P 690,358**	P 843,063	P 667,585	**P 24,981**	P 22,252	P 35,622
OTHER INFORMATION									
Capital expenditures - net	**-**	-	-	**P 1,441**	P 719	P 2,815	**-**	-	-
Non-cash expenses other than depreciation and amortization and impairment losses	**P 860**	P 1,789	-	**P 76,789**	P 26,007	P 466	**-**	P 973	-

	TOTAL SEGMENTS			Corporate and Eliminating Accounts			Consolidated		
	2010	2009 (As restated - see note 22.2)	2008 (As restated - see note 22.2)	2010	2009 (As restated - see note 22.2)	2008 (As restated - see note 22.2)	2010	2009 (As restated - see note 22.2)	2008 (As restated - see note 22.2)
REVENUES									
Sale of goods - net	**P 2,263,868**	**P 2,630,743**	P 2,757,507	-	-	-	**P 2,263,868**	P 2,630,743	P 2,757,507
COST ANF OTHER OPERATING EXPENSES									
Cost of sales excluding deprecitation and amortization	**P 2,037,265**	P 2,358,170	P 2,561,929	**(P 1,269)**	(P 765)	(P 1,066)	**P 2,035,996**	P 2,357,405	P 2,560,863
Depreciation and amortization	**60,978**	77,254	70,034	**8,078**	4,153	9,278	**69,056**	81,407	**79,312**
Operating expenses	**186,955**	147,599	213,633	**128,542**	147,568	146,884	**315,497**	295,167	**360,517**
Other operating income	**(140,672)**	(115,594)	(156,955)	**(9,202)**	766	(10,618)	**(149,874)**	(114,828)	**(167,573)**
	2,144,526	2,467,429	2,688,641	**126,149**	151,722	144,478	**2,270,675**	2,619,151	**2,833,119**
SEGMENT OPERATING PROFIT (LOSS)	**P 119,342**	P 163,314	P 58,261	**(P 126,149)**	(P 151,722)	(P 133,872)	**(P 6,807)**	P 11,592	(P 75,611)
Other charges - net							**(251,954)**	(261,873)	(211,385)
Profit (loss) before tax							**258,761**	250,281	286,996
Tax expense (income)							**54,272**	19,858	18,571
Profit (loss) for the year							**P 204,489**	P 230,423	P 268,425
ASSETS AND LIABILITIES									
Segment assets	**P 3,444,857**	P 3,371,118	P 4,074,358	**P 371,734**	P 671,514	(P 7,712)	**P 3,816,591**	P 4,042,632	P 4,066,646
Segment liabilities	**P 1,395,997**	P 1,553,703	P 1,366,642	**P 101,497**	(P 132,544)	P 76,229	**P 1,469,496**	P 1,421,159	P 1,442,871
Interest-bearing loans	-	-	-	**2,070,552**	2,140,441	1,963,707	**2,070,552**	2,140,441	1,963,707
Total liabilities	**P 1,395,997**	P 1,553,703	P 1,366,642	**P 2,172,049**	P 2,007,897	P 2,039,936	**P 3,540,048**	P 3,561,600	P 3,406,578
OTHER INFORMATION									
Capital expenditures - net	**P 1,441**	P 719	P 2,815	**P 61,239**	P 13,545	P 41,891	**P 62,680**	P 14,264	P 44,706
Non-cash expenses other than depreciation and amortization and impairment losses	**P 77,649**	P 28,769	P 466	**P 13,871**	P 26,417	P 53,088	**P 91,520**	P 55,186	P 53,554

5. TRADE AND OTHER RECEIVABLES

5.1 Breakdown of Receivables

The current and non-current portion of trade and other receivables are composed of the following:

	Notes	2010	2009	2008
Current:				
Trade receivables		**P 513,285,784**	P 577,820,551	P 610,724,530
Advances to officers and employees	21.2	**6,959,616**	8,778,829	7,564,552
Others		**474,163,490**	397,968,953	297,590,096
		994,408,890	984,568,333	915,879,178
Allowance for impairment	5.2	**(279,913,474)**	(269,018,781)	(237,994,799)
		714,495,416	715,549,552	677,884,379
Non-current:				
Trade receivables		**563,200,975**	537,943,577	504,540,249
Allowance for impairment	5.2	**(423,285,696)**	(347,321,725)	(331,534,842)
		139,915,279	190,621,852	173,005,407
		P 854,410,695	P 906,171,404	P 850,889,786

Trade receivables are usually due within 30 to 90 days and do not bear any interest.

Advances to officers and employees are unsecured, noninterest-bearing and subject to liquidation for a specified period of time of about one year (see Note 21.2).

Other receivables comprised mainly of unsecured, noninterest-bearing advances to suppliers and other third parties, insurance claims receivables arising from claims for typhoon and other damages and outstanding receivables arising from incidental income of the Group such as tolling and rentals.

The non-current portion of Trade Receivables pertains to receivables that are long-outstanding and have already been referred to the Group's lawyers for collection. These accounts are the subject of the foreclosure proceedings on the land collaterals from the customers.

5.2 Impairment of Receivables

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade and other receivables were found to be impaired and allowance for impairment has been recorded accordingly. The impaired trade receivables are mostly due from the small business competitors.

A reconciliation of the allowance for impairment at the beginning and end of each year is shown below.

	Notes	2010	2009	2008
Balance at beginning of year		**P 616,340,506**	P 569,529,641	P 516,324,208
Impairment loss during the year	17	**91,519,642**	55,185,686	53,554,307
Receivables written-off		**(4,363,747)**	-	-
Recovery of receivables previously provided with allowance		**(297,231)**	(8,374,821)	(348,874)
Balance at end of year		**703,199,170**	616,340,506	569,529,641
Less balance applied to current portion	5.1	**279,913,474**	269,018,781	237,994,799
Balance applied to non-current portion	5.1	**P 423,285,696**	P 347,321,725	P 331,534,842

6. INVENTORIES

The details of inventories are shown below (see also Note 14).

	2010	2009	2008
Feeds:			
Finished goods	**P 61,941,575**	P 80,548,461	P 77,730,477
Raw materials and feeds supplements	**139,901,576**	160,709,351	174,416,944
Livestock	**90,472,980**	96,095,935	117,124,067
Supplies and animal health products	**32,949,422**	30,515,086	29,617,299
Materials in-transit	**1,406,452**	6,662,092	1,203,807
Factory stocks and supplies	**163,397,329**	165,175,640	180,055,122
	490,069,334	539,706,565	580,147,716
Allowance for obsolescence and decline in value	**(52,447,128)**	(53,001,865)	(52,897,455)
	P 437,622,206	P 486,704,700	P 527,250,261

A reconciliation of the allowance for obsolescence and decline in value of inventories at the beginning and end of each year is shown below.

	2010	2009	2008
Balance at beginning of year	**P 53,001,865**	P 52,897,455	P 51,064,177
Inventory loss during the year	-	243,579	1,878,645
Reversal of valuation allowance	**(554,737)**	(139,169)	(45,367)
Balance at end of year	**P 52,447,128**	P 53,001,865	P 52,897,455

Inventory write-down is included in the Cost of Goods Sold account in the consolidated statements of comprehensive income (see Note 14).

Portions of the Group's inventories were bought, sold or transferred to and from related parties (see Note 21.1).

7. OTHER ASSETS

This account consists of:

	2010	2009	2008
Current:			
Prepaid interest	**P 7,100,288**	P -	P -
Input VAT	**2,932,817**	3,112,031	4,808,711
Prepayments and other assets	**4,330,635**	841,296	4,067,338
	P 14,363,740	P 3,953,327	P 8,876,049
Non-current:			
Intangible asset – net	**P 20,912,262**	P 20,912,262	P 31,368,394
Deposits	**8,579,369**	9,446,293	9,396,879
	P 29,491,631	P 30,358,555	P 40,765,273

Prepaid interest pertains to interest due on January to June 2011 paid by the Company as part of settlement of its outstanding interest-bearing loan to Kormansinc Inc. (Kormansinc), a Philippine company (see Note 12.6).

Intangible asset represents capitalized development costs relating to the Group's aqua feeds and aqua culture projects (see Notes 22.2 and 26.3).

The movements in the Intangible Asset account are presented below.

	2010	2009	2008
Balance at beginning of year	**P 31,368,394**	P 31,368,394	P 15,558,554
Additions	**-**	-	15,809,840
	31,368,394	31,368,394	31,368,394
Allowance for impairment	**(10,456,132)**	(10,456,132)	-
Balance at end of year	**P 20,912,262**	P 20,912,262	P 31,368,394

Intangible asset is subject to impairment testing whenever there is an indication of impairment. Based on the management's evaluation, an impairment loss amounting to P10.5 million was recognized in 2009. No impairment losses were recognized in 2010 and 2008 as the Group has determined that the estimated recoverable amount of the intangible asset is higher than its carrying value.

The Group charged to expense the research costs incurred relative to the aqua feeds and aqua culture projects amounting to P2.0 million in 2008. No additional research and development costs were incurred in 2010 and 2009.

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Reconciliation of Carrying Amount

The gross carrying amounts and accumulated depreciation, amortization and impairment at the beginning and end of 2010, 2009 and 2008 are shown below.

	At Appraised Values					At Cost	
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
December 31, 2010							
Cost or appraised value	P 969,196,189	P 758,987,349	P 314,670,005	P 54,602,029	P 59,639,895	P 101,862,223	P 2,258,957,690
Accumulated depreciation and amortization	-	(387,616,881)	(95,934,765)	(24,091,667)	(53,015,207)	(81,586,825)	(642,245,345)
Accumulated impairment losses	-	-	-	(15,816,962)	(1,028,312)	-	(16,845,274)
Net carrying amount	**P 969,196,189**	**P 371,370,468**	**P 218,735,240**	**P 14,693,400**	**P 5,596,376**	**P 20,275,398**	**P 1,599,867,071**
December 31, 2009							
Cost or appraised value	P 1,106,867,600	P 715,525,571	P 315,934,792	P 51,551,777	P 57,627,553	P 91,148,481	P 2,338,655,774
Accumulated depreciation and amortization	-	(343,113,733)	(83,782,792)	(22,158,863)	(50,278,105)	(72,698,670)	(572,032,163)
Accumulated impairment losses	-	-	-	(15,816,962)	(1,028,312)	-	(16,845,274)
Net carrying amount	P 1,106,867,600	P 372,411,838	P 232,152,000	P 13,575,952	P 6,321,136	P 18,449,811	P 1,749,778,337
December 31, 2008							
Cost or appraised value	P 1,034,340,000	P 697,103,427	P 325,379,716	P 53,782,762	P 55,135,895	P 85,506,375	P 2,251,248,175
Accumulated depreciation and amortization	-	(286,991,734)	(70,475,930)	(19,998,750)	(47,666,420)	(65,492,663)	(490,625,497)
Accumulated impairment losses	-	-	-	(15,816,962)	(1,028,311)	-	(16,845,273)
Net carrying amount	P 1,034,340,000	P 410,111,693	P 254,903,786	P 17,967,050	P 6,441,164	P 20,013,712	P 1,743,777,405
January 1, 2008							
Cost or appraised value	P 1,034,340,000	P 666,975,902	P 321,704,228	P 52,816,071	P 53,142,458	P 77,003,698	P 2,205,982,357
Accumulated depreciation and amortization	-	(233,991,846)	(57,466,227)	(17,911,651)	(45,381,193)	(56,563,018)	(411,313,935)
Accumulated impairment losses	-	-	-	(15,816,962)	(1,028,311)	-	(16,845,273)
Net carrying amount	P 1,034,340,000	P 432,984,056	P 264,238,001	P 19,087,458	P 6,732,954	P 20,440,680	P 1,777,823,149

A reconciliation of the carrying amounts at the beginning and end of 2010 and the gross carrying amounts and the accumulated depreciation, amortization and impairment losses of property, plant and e is shown below.

	Notes	At Appraised Values Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	At Cost Transportation Equipment	Total
Balance at January 1, 2010, net of accumulated depreciation, amortization and impairment losses as restated	22, 23	P 1,106,867,600	P 372,411,838	P 232,152,000	P 13,575,952	P 6,321,136	P 18,449,811	P 1,749,778,337
Additions		-	45,184,643	-	3,672,581	3,211,356	10,611,727	62,680,307
Impairment loss		-	(1,145,028)	-	-	(362,105)	-	(1,507,133)
Disposals		(137,671,411)	(3,148,939)	(1,264,787)	(622,329)	(1,199,014)	-	(143,906,480)
Reclassification		-	1,426,073	-	-	-	452,014	1,878,087
Depreciation and amortization charges for the year		-	(43,358,119)	(12,151,973)	(1,932,804)	(2,374,997)	(9,238,154)	(69,056,047)
Balance at December 31, 2010, net of accumulated depreciation, amortization and impairment losses		**P 969,196,189**	**P 371,370,468**	**P 218,735,240**	**P 14,693,400**	**P 5,596,376**	**P 20,275,398**	**P 1,599,867,071**

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

	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
December 31, 2010							
Acquisition cost	P 56,356,546	P 675,127,207	P 201,260,564	P 16,252,754	P 27,590,331	P 95,805,276	P 1,072,392,678
Accumulated depreciation and amortization	-	(343,343,015)	(90,020,802)	(11,872,968)	(25,534,168)	(75,529,878)	(546,300,831)
Accumulated impairment losses							
Net carrying amount	**P 56,356,546**	**P 331,784,192**	**P 111,239,762**	**P 4,379,786**	**P 2,056,163**	**P 20,275,398**	**P 526,091,847**

A reconciliation of the gross carrying amounts at the beginning and end of 2009 and the gross carrying amounts and the accumulated depreciation, amortization and impairment losses of property, plant and equi

	Notes	At Appraised Values Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	At Cost Transportation Equipment	Total
Balance at January 1, 2009, net of accumulated depreciation, amortization and impairment losses as restated	22, 23	P 1,034,340,000	P 410,111,693	P 254,903,786	P 17,967,050	P 6,441,164	P 20,013,712	P 1,743,777,405
Additions		-	6,945,590	121,529	-	1,554,797	5,642,106	14,264,022
Additional revaluation reserve		72,527,600	11,746,300	(9,566,453)	(2,230,985)	936,860	-	73,413,322
Reclassification		-	(269,744)	-	-	-	-	(269,744)
Depreciation and amortization charges for the year		-	(56,122,001)	(13,306,862)	(2,160,113)	(2,611,685)	(7,206,007)	(81,406,668)
Balance at December 31, 2009, net of accumulated depreciation, amortization and impairment losses		P 1,106,867,600	P 372,411,838	P 232,152,000	P 13,575,952	P 6,321,136	P 18,449,811	P 1,749,778,337

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

	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
December 31, 2009							
Acquisition cost	P 84,596,487	P 631,665,429	P 202,525,351	P 37,305,105	P 50,541,514	P 91,148,481	P 1,097,782,367
Accumulated depreciation and amortization	-	(299,984,895)	(77,868,829)	(18,630,372)	(46,864,406)	(72,698,670)	(516,047,172)
Accumulated impairment losses	-	-	-	(15,816,962)	(1,028,311)	-	(16,845,273)
Net carrying amount	P 84,596,487	P 331,680,534	P 124,656,522	P 2,857,771	P 2,648,797	P 18,449,811	P 564,889,922

A reconciliation of the carrying amounts at the beginning and end of 2008 and the gross carrying amounts and the accumulated depreciation, amortization and impairment losses of property, is shown below.

		At Appraised Values					At Cost	
	Note	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Balance at January 1, 2008, net of accumulated depreciation, amortization and impairment losses as restated	22,23	P 1,034,340,000	P 432,984,056	P 264,238,001	P 19,087,458	P 6,732,954	P 20,440,680	P 1,777,823,149
Additions		-	29,567,245	3,675,488	966,690	1,993,437	8,502,676	44,705,536
Reclassification		-	560,280	-	-	-	-	560,280
Depreciation and amortization charges for the year		-	(52,999,888)	(13,009,703)	(2,087,098)	(2,285,227)	(8,929,644)	(79,311,560)
Balance at December 31, 2008, net of accumulated depreciation, amortization and impairment losses		P 1,034,340,000	P 410,111,693	P 254,903,786	P 17,967,050	P 6,441,164	P 20,013,712	P 1,743,777,405

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

	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
December 31, 2008							
Acquisition cost	P 84,596,487	P 624,989,583	P 202,403,822	P 37,305,105	P 48,986,716	P 85,506,375	P 1,083,788,088
Accumulated depreciation and amortization	-	(244,000,304)	(64,561,967)	(16,936,048)	(44,245,521)	(65,492,663)	(435,236,503)
Accumulated impairment losses	-	-	-	(15,816,962)	(1,028,311)	-	(16,845,273)
Net carrying amount	P 84,596,487	P 380,989,279	P 137,841,855	P 4,552,095	P 3,712,884	P 20,013,712	P 631,706,312

8.2 Revaluation

The most recent appraisal was made on December 16, 2009 on all of the Company's property, plant and equipment (except for transportation equipment) by an independent firm of appraisers. Such appraisals resulted in an increase in the amount of Property, Plant and Equipment by P73.4 million and in the amount of Revaluation Reserve by P51.4 million, net of tax (see Note 23).

In 2008, the Company restated the balance of its Property, Plant and Equipment account as of January 1, 2008 to correct an error in the fair values used in the 2007 appraisal of land and machinery and equipment. The correction resulted in an increase in the amount of Property, Plant and Equipment by P49.8 million and Revaluation Reserve, net of tax, by P34.9 million as of January 1, 2008 (see Note 22).

Gromax carries its furniture, fixtures and equipment at appraised values while leasehold improvements and transportation equipment are carried at cost, less depreciation and any impairment loss. A recent appraisal was made in January 2011 on furniture, fixtures and equipment as of December 31, 2010 by an independent firm of appraisers. Such appraisal indicated that the assets were impaired and, accordingly, resulted in the recognition of Impairment loss on property and equipment of P1.5 million under Other Operating Expenses in the 2010 consolidated statement of comprehensive income (see Note 16). Hence, no revaluation increment was recognized under the equity section of the consolidated statements of financial position. No revaluation of such assets was made as of December 31, 2009 as management believes that fair values of the assets would not significantly differ from their carrying amounts as of that date. Further, the carrying amounts of the assets of Gromax are not considered material to related consolidated amounts.

In 2010, the Company incurred capital expenditures. These additions were not revalued as at December 31, 2010 as management has assessed that the carrying values are a reasonable approximation of their fair values.

8.3 Reclassification to Investment Property

In 2008, the Company restated the balance of Property, Plant and Equipment to reclassify certain assets held to earn rentals such as dressing plants, hatchery buildings and rendering plants included under such account to Investment Property (see Notes 9 and 22.2).

8.4 Change in Useful Lives

In 2010, the Company revised the economic lives of the property, plant and equipment based on the report of the independent appraisers in 2009 which resulted in longer useful lives, hence, resulted in a decrease in the annual depreciation expense for those assets by P9.9 million for the year ended December 31, 2010. The change was applied prospectively starting in 2010. In 2008, the Company also recognized the longer useful lives of the property, plant and equipment which also resulted in a decrease in the annual depreciation expense by P4.7 million.

8.5 Collateral

All of the Group's property, plant and equipment with carrying amounts (at revalued amount) of P1.6 billion as of December 31, 2010 and P1.7 billion as of December 31, 2009 and 2008 are used as collaterals for the Company's restructured long-term debt (see Note 12).

8.6 Disposals

The Company sold, through dacion en pago executed on November 30, 2010, certain non-core assets to Kormansinc, for a total bid amount of P184.7 million which reduced the Company's outstanding interest-bearing obligation to Kormansinc by P167.6 million (see Notes 10 and 12.6). The total carrying value of the assets amounted to P152.9 million, composed of property, plant and equipment and investment property with a carrying value of P143.9 million and P9.0 million (see Note 9), respectively. Accordingly, in 2010, the Company recognized a total gain of P31.8 million on sale of non-core assets (P30.0 million on property, plant and equipment and P1.8 million on investment property). Such sale also resulted in the transfer of Revaluation Reserve related to non-core assets sold to Retained Earnings amounting to P65.3 million, net of tax.

In 2009 and 2008, the Company recognized gain on sale of property, plant and equipment amounting to P0.1 million in both years. The gain on sale of assets are presented as part of Gain on Sale of Investment Property and Property, Plant and Equipment in the 2009 and 2008 consolidated statements of comprehensive income.

8.7 Allocation of Depreciation and Amortization

The amount of depreciation and amortization is allocated as follows:

	2010	2009	2008
Cost of goods sold	**P 58,725,703**	P 76,948,542	P 74,865,630
Selling and distribution costs	**7,600,174**	2,360,948	2,347,515
Administrative expenses	**2,730,170**	2,097,178	2,098,415
	P 69,056,047	P 81,406,668	P 79,311,560

9. INVESTMENT PROPERTY

This account includes several properties such as hatchery buildings, dressing and rendering plants that are held to earn rentals (see Notes 8.3 and 26.2) and parcels of land which were acquired by the Group through foreclosure proceedings against the Group's customers as payment for their liabilities to the Group. These foreclosed parcels of land are being held for capital appreciation only.

In 2010, the Company sold certain foreclosed properties together with other non-core assets under Property, Plant and Equipment to Kormansinc with carrying value of P8.9 million for a bid amount of P10.7 million, thereby recognizing a gain from the sale amounting to P1.8 million (see Notes 8.6 and 12.6). The Company also sold some foreclosed properties in 2008, whereby the Company recognized a gain on sale amounting to P0.3 million. 2010 and 2008 amounts are shown as part of Gain on Sale of Investment Property and Property, Plant and Equipment in the consolidated statements of comprehensive income.

The changes to the carrying amounts presented in the consolidated statements of financial position can be summarized as follows as of December 31:

	2010	2009	2008
Balance at beginning of year	**P 706,277,851**	P 710,307,471	P 709,429,407
Additions	**15,385,584**	15,635,950	1,793,932
Disposals	**(8,956,475)**	-	(915,868)
Fair value loss	**-**	(19,665,570)	-
Balance at end of year	**P 712,706,960**	P 706,277,851	P 710,307,471

Investment property is revalued periodically at fair values as determined by independent firm of appraisers. In 2009, the Group recognized fair value loss on investment property amounting to P19.7 million presented as Fair Value Loss on Investment Property in the 2009 consolidated statement of comprehensive income.

Certain investment properties with fair values totaling P624.5 million and P628.6 million as of December 31, 2009 and 2008 is used as collaterals for the Group's restructured long – term debt (see Note 12).

10. NON-CURRENT ASSETS FOR FUTURE DISPOSAL

In July 2009, the BOD approved the disposal of several non-core property, plant and equipment and investment property with a combined carrying value of P975.0 million. These property, plant and equipment and investment property are included in the assets used as collaterals for the Company's restructured long-term debt (see Notes 8.5 and 12). Consequently, in December 2009, the Company filed a petition to the Court for the approval of the disposal of the aforementioned assets. The approval was obtained in February 2010, after which, some of those assets amounting P191.6 million were published for public bidding.

The sale of non-core property, plant and equipment and investment property was formally approved by the Court on an order issued on March 1, 2011. However, in the opinion of the Company and its legal counsel, the sale of assets to Kormansinc was consummated and became binding on November 30, 2010 when the Company, through its BOD, approved the sale of the assets through dacion en pago to Kormansinc. Hence, the Company recognized the sale on November 30, 2010 in the Groups's 2010 consolidated financial statements.

11. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2010**	2009	2008
Trade payables	21.1	**P 564,799,314**	P 545,283,539	P 602,784,638
Non-trade payables	21.1	**225,999,691**	224,848,082	202,307,273
Accrued interest		**224,741,374**	139,767,553	139,767,553
Customers' deposits		**60,042,090**	69,247,719	37,255,602
Accrued expenses		**54,605,799**	48,166,266	40,064,429
Provision	1	**25,812,642**	25,812,642	25,812,642
Others	21.1	**31,894,005**	31,923,675	56,956,841
		1,187,894,915	1,085,049,476	1,104,948,978
Less non-current portion		**248,150,777**	227,616,585	228,079,975
Current portion		**P 939,744,138**	P 857,432,891	P 876,869,003

Non-trade payables primarily consist of 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.

Provisions pertain to obligations incurred by PFCI on the closure of Texas Manok's chain of restaurants. It included the estimated liability amounting to P10.4 million relating to a legal case, where PFCI is a defendant, arising from non-payment of rentals in connection with the lease of a parcel of land from a third party during the period starting from February 2000 until the time it vacated the leased property. On May 17, 2004, a court rendered an unfavourable decision against PFCI and ordered the payment of the unpaid rentals including interest. PFCI subsequently appealed the decision before the Court of Appeals and is waiting for the final decision on the case.

Other payables consist of short-term advances from growers' and breeders' fees, Social security premiums payable and withholding taxes payable, among others.

The items included in the non-current portion of Trade and Other Payables, which are outstanding as of the date of the Company's filing of petition for corporate rehabilitation, were held for payment following the Court-directed Stay Order (see Notes 1.2 and 12.5). Following the approval of the Company's Rehabilitation Plan in 2007, these payables are to be held for payment in the same manner as the interest-bearing loans. However, the actual terms and conditions with regard to these liabilities are yet to be released by the Court. In the absence of clear payment terms and conditions, the Company recognized these financial liabilities at nominal values while presenting the same as non-current liabilities.

12. INTEREST-BEARING LOANS

12.1 Omnibus Agreement

On July 1, 1998, the Company entered into an Omnibus Agreement with various local creditor banks where its existing debt amounting to P3.176 billion was restructured into a Revolving Credit Line in the amount of P503.0 million, a 7-year Term Loan amounting to P1.668 billion and 10-year Convertible Notes amounting to P1.005 billion.

12.2 First Amendment to Omnibus Agreement – 2001

On November 14, 2001, the Omnibus Agreement was amended (First Amendment) by restructuring the Convertible Notes amounting to P1.005 billion as follows: (a) P500 million was made part of the existing Revolving Credit Line Facility in addition to the existing Revolving Credit Line Facility, and (b) P505 million, together with the accrued interest of P150 million, was converted into a term loan (Term Loan 2) to mature on September 30, 2007.

The interest rates under the Omnibus Agreement and First Amendment were still at market rates as the loans bear the interest rates of the original loans prior to their restructuring.

12.3 Second Amendment to Omnibus Agreement – 2004

On March 19, 2004, the Omnibus Agreement was further amended (Second Amendment) where the existing debt was reclassified into Serviceable Debt and Non-Serviceable Debt. The Second Amendment took effect retroactively on January 2, 2003 upon fulfillment of all conditions precedent as stated in the agreement. Under this agreement, the Company's P3.198 billion loans were classified into two major components, as follows:

(a) Serviceable Debt - P1.040 billion; and
(b) Non-serviceable Debt - P2.158 billion.

The Second Amendment provides for a re-examination of the terms and conditions of the Second Amendment six months before January 1, 2006, with the end in view of entering into another Amendment to the Omnibus Agreement which takes into account the prevailing financial condition of the Company and economic environment in the Philippines.

12.4 Amendment to the Second Amendment Agreement – 2006

Based on the Company's assessment of its financial capability, as well as the prospects of the poultry and feed mills industry in the Philippines, the Company renegotiated for another amendment to the Second Amendment. The proposed amendment calls for a more permanent restructuring agreement and therefore the rescheduling of the repayment of the debt over a longer period subject to acceleration in case the Company's financial condition significantly improves.

While the renegotiations were on going for the amendment of the terms and conditions of the Second Amendment, several creditor banks transferred their respective rights, titles and interests over the loan obligations of the Company (amounting to P1.458 billion) to various asset management companies or Special Purpose Asset Vehicle (SPAV) companies (collectively referred to as assignees). While the Company and the SPAV were resolving some pending issues, on March 30, 2006, the Company and certain local creditor banks (holding loan balance of P1.810 billion) agreed to enter into an Amendment to the Second Amendment Agreement.

Under this Amendment, the principal obligation to the local creditor banks is divided into three equal tranches as follows:

(a) Tranche 1 Debt – P603 million
(b) Tranche 2 Debt – P603 million
(c) Tranche 3 Debt – P603 million

The Amendment to the Second Amendment Agreement with the local creditor banks was not signed by all the local creditor banks. The creditor banks which did not sign were given the option to be a party to the said Agreement through an Accession Agreement where such creditor banks are deemed, for all intent and purposes, to be original parties to the Amendment to the Second Amendment Agreement.

As mentioned in the earlier paragraphs of this Note, several creditor banks transferred their respective rights, titles and interests over the loan obligation of the Company (amounting to P1.458 billion) to various assignees. These assignees have not yet entered into any amendment agreement with the Company. However, the remaining local creditor banks stipulated in a Supplemental Agreement to the Amendment to the Second Amendment Agreement that the Company will not grant more favorable terms to the assignees of the other creditor banks without the written consent of the former. Improvements on the terms or conditions given to the assignees of the other creditors without such written consent will automatically be granted to the local creditor banks or will result in an event of default.

Excess of the Face Value over the Fair Value of Interest-bearing Loans

The Second Amendment and also the Amendment to the Second Amendment agreement of the Omnibus Agreement include provisions under which portions of the interest-bearing loans are not subject to interest for a certain period of time. The remaining portion of the loans carried interest at 9.0%. The computation of the amortized cost of the loans based on the future cash flows commenced from the Second Amendment and concluded at the end of the repayment term of the Amendment to the Second Amendment Agreement. The absence of interest on portions of the loans for certain period of time brought the nominal interest rate to about 3.5% overall for the total restructured loans of P3.268 billion.

The use of 3.5% effective interest rate indicates that the fair value of the Company's interest-bearing loans is below the amount that would have been contractually payable by the Company. To compute for the fair value of the interest-bearing loans, the Company used 9.0% discount rate determined by reference to the renegotiated interest rate of the financial instrument as indicated in the Second Amendment and the Amendment to the Second Amendment Agreement (the loan agreements existing as of the transition date to PFRS). The difference between the amount of interest-bearing loans and its fair value at the date of Amendment to the Second Amendment agreement amounted to P1.2 billion, recognized as excess of face value over the fair value of interest-bearing loans at Company's transition to PFRS. Subsequently, these loans are measured at amortized cost using effective interest method. This amount, net of impairment losses and valuation allowances, recognized as a result of the change in the Company's credit risk was accounted for as an adjustment to the beginning deficit as of January 1, 2005 reducing the deficit balance by P777.5 million as of that date.

The excess of the face value over the fair value of the interest-bearing loans at the initial date of recognition is being amortized over the terms of the loans. Such amortizations which increased the carrying value of interest-bearing loans by P97.7 million, P176.7 million and P162.1 million as of December 31, 2010, 2009 and 2008, respectively, as restated (see Note 22.2), are recognized as part of Finance Costs for the years then ended (see Note 12.7).

12.5 Corporate Rehabilitation – 2006

On September 15, 2006, the Company filed a petition for corporate rehabilitation before the Court and proposed several strategies in order to effect a viable rehabilitation such that within the proposed period, the Company will not only be able to pay-off its liabilities to creditors but at the termination of the rehabilitation will have an ample supply of cash to support its operations.

On September 19, 2006, the Court has issued a Stay Order pending the approval of the petition for corporate rehabilitation.

Based on such Court-directed Stay Order, the Company suspended payments of its interest-bearing loans and trade payables and stopped accruing interest on such loans or recognizing the interest following the effective interest method starting on the month-end immediately preceding the date of issuance of the Stay Order. The Company's management believed that the Court's order to stay the enforcement of claims included the non-recognition of interest expense from the date of the issuance of the Stay Order, including the amortization of the excess of the face value over the fair value of the interest-bearing loans. The Company's position was based on the opinion of its legal counsel that the Stay Order also covers the non-accrual of interest. The accrued interest as well as amortization of excess of face value over the fair value of the interest-bearing loans not recognized amounted to P72.6 million in 2006 and remained unrecognized until the remeasurement of the amortized cost of interest-bearing loans in 2010 (see Note 12.6).

On February 14, 2007, the Court gave due course to the petition for corporate rehabilitation where it referred the petition to a rehabilitation receiver for evaluation. On April 27, 2007, the Court-appointed rehabilitation receiver submitted its recommendation with regard to the Company's proposed rehabilitation plans and in its order dated May 7, 2007, the Court gave the Company, its creditors and other interested parties 15 days from the publication of the said order, to comment on the Receiver's Report. The Court received no comment on the Receiver's Report.

<u>Court Approval on May 31, 2007 of the Rehabilitation Plan</u>

On May 31, 2007, the Court acted favorably on the petition of the Company and issued its decision for the approval of the rehabilitation plan (Approved Rehabilitation Plan) of the Company as submitted by the Court-appointed receiver. The Approved Rehabilitation Plan of the Company provides, among others, the following salient points:

(a) a modified debt restructuring scheme for a period not exceeding 15 years (which the Company's management believes should take effect immediately on the date of Court's approval of the rehabilitation plan);

(b) payment of interest to all the Company's creditors on the following basis:

(i) Years 1 to 3 – at 1% per annum to be accrued on Year 4,
(ii) Years 4 to 6 – at 2% per annum,
(iii) Years 7 to 9 – at 3% per annum, and,
(iv) Years 10 to 15 – at 4% per annum;

(c) implementation of certain programs as indicated in the Receiver's Report, particularly the change in the feeds distribution system by adopting the Farmers Enterprise System;

(d) implementation of the rehabilitation plan will be reviewed on the 5th year to determine whether the effects of the Farmers Enterprise System are favorable and whether at that time, the finances of the Company could already sustain payments of increased interest rates from Year 6 onwards;

(e) also on the Year 5, the creditors may be given the option to avail of Receiver's Payment and Capital Note so that 50% of the debt will be paid on a graduated scale as set out under the rehabilitation plan, without interest, but payment may be accelerated so that the debt can be paid in 5 years at the rate of 20% per year, and the remaining 50% thereof may be converted into 40% of the outstanding capital stock of the Company.

The Approved Rehabilitation Plan covers the liabilities previously transferred to the SPAV companies, i.e., such loans are to be treated in the same manner as the original creditors and repayment of the obligation assigned to them are to be in accordance with the repayment scheme under the Approved Rehabilitation Plan.

As of December 31, 2010, 2009 and 2008, the loans (at face value) are due to the following:

	2010	2009	2008
Creditor banks	**P1,546,458,088**	P1,554,215,097	P 1,554,215,097
SPAV companies	**1,540,294,464**	1,700,151,924	1,700,151,924
	P3,086,752,552	P3,254,367,021	P3,254,367,021

Revised Amortized Cost of Interest-bearing Loan as of May 31, 2007

The Approved Rehabilitation Plan has effectively resulted in the restructuring of the terms of the loans under the Amendment to the Second Amendment Agreement as the Approved Rehabilitation Plan includes extension of payment terms to 15 years and the reduction in interest rates. Consequently, the interest-bearing loans were remeasured at fair value (subsequently at amortized cost) using as a basis the terms of the approved rehabilitation plan effective immediately on the date of Court's Approval of the Rehabilitation Plan, which is on May 31, 2007. The new amortized cost of the loans amounted to P1.610 billion as of the date of approval of the rehabilitation plan

Adjustment in 2007 of Existing Amortized Cost

On the other hand, the amortized cost of interest-bearing loans under the Amendment to the Second Amendment agreement was adjusted to recognize the amortization of the excess of face value over the fair value of the interest-bearing loans not accrued in 2006 and the amortization of the excess of face value over the fair value of the interest-bearing loans from January 1, 2007 up until the effective date of the Approved Rehabilitation Plan. In 2010, the Company retrospectively recognized those previously unrecorded amounts (see Note 22.2).

Income Recognized in 2007 Arising from the Approval of the Rehabilitation Plan

The difference between the amortized cost of interest-bearing loans under the approved rehabilitation plan and the terms under the Amendment to the Second Amendment computed as at May 31, 2007 (date of approval of the rehabilitation plan) amounting to P859.7 million was recognized as income arising from the Court's approval of rehabilitation plan. This income was the result of the longer loan repayment period and of the further decrease in the effective interest rate.

12.6 Corporate Rehabilitation – 2010

Motion for Modification of Approved Rehabilitation Plan and Creditors' Motion to Terminate Rehabilitation Proceedings

In July 8, 2010, the Company filed a motion for modification of the Approved Rehabilitation Plan dated May 31, 2007. The proposed modification consisted of two categories. The first category pertains to the payment of the loans through the basic and essential rehabilitation plan with sources which are as follows:

(a) P21.0 million which was ordered to be returned to the Company by the Court;

(b) the proceeds from sale through dacion en pago of the non-core assets of the Company;

(c) the proceeds from the sale in cash or through offsetting of non-moving accounts receivables of the Company of P100.0 million; and,

(d) the disposition of other non-core assets of the Company projected to raise at least P1.200 billion.

The second category consisted of payment through sources such as the following:

(a) Moringa Oleifera Plan;
(b) the P300.0 million insurance claim;
(c) the deferred "white knight" plan;
(d) the debt to equity conversion; and,
(e) the eventual conversion of the Marilao Plant into a mixed-use residential/commercial development.

As of December 31, 2010, the approval of the motion for the modification of the Approved Rehabilitation Plan is still pending. However, on February 18, 2011, the Court denied the Company's petition on the ground that the nature of the proposed Moringa Oleifera Plan does not inspire belief in its soundness as an investment proposition, considering that it is in dire financial strait and that it is in no position to infuse its resources in such an investment.

On the other hand, the Company's creditors filed the same motions on August 18, 2010, August 27, 2010 and September 1, 2010, respectively. On October 26, 2010, a creditor bank filed a manifestation adopting a motion to terminate proceedings filed by another creditor bank. The creditors argued that the Company is in default of its obligations due to them, referring to the first payment of the loans for the year, which they argue, is due to them in June 2010, as well as on the ground that the Company was not able to achieve the desired targets set forth in the Approved Rehabilitation Plan, dated May 31, 2007 (see Note 12.5).

As of December 31, 2010, the Court has no decision yet on the motions filed by the Company's creditor banks. However, also on February 18, 2011, the Court decided in favor of the Company, denying the motion of the creditors to terminate the rehabilitation proceedings, agreeing to the Receiver's stand that the Company is not in default in its obligation as the Approved Rehabilitation Plan states that the payment is due in Year 4 which starts in June 1, 2010, and that when the law speaks of years, it shall be understood that years are of 365 days each; thus, in so saying, the Company has until the end of Year 4, which falls on May 31, 2011, to perform its obligation to the creditors. The Receiver also argued that the Company was doing good until 'Ondoy' destroyed the Company's finished products, raw material inventories, buildings, plants, machineries and equipments. The Court also stated that the call for termination of the rehabilitation proceedings is premature, and that the Court finds it just and in accordance with the Approved Rehabilitation Plan to give the Company the opportunity to comply with its payment obligation in accordance with the schedule specified in the Approved Rehabilitation Plan.

Revised Amortized Cost of Interest-bearing Loans in 2010

Based on the opinion provided by the Company's legal counsel dated April 18, 2011, the terms of payment of the Company's existing debt is on an annual basis, contrary to the previous assumptions used, that is on a quarterly basis. This was further affirmed in the Rehabilitation Court's order dated February 18, 2011, which denied the motion to terminate the rehabilitation proceedings filed by some creditors.

Furthermore, as mentioned in Note 11, the Company's sale of its non-core assets through dacion en pago in 2010 reduced the principal amount of its interest-bearing loan payable to Kormansinc. The Company and its legal counsel believe that the remaining principal of the Company's loan obligation to Kormansinc will be settled annually within the remaining term of the loan.

Based on the revised computation applying the aforementioned factors, the new amortized cost of the interest-bearing loans at the beginning of 2010 amounted to P2.140 billion. The Company revised the computation of the existing amortization of its interest-bearing loans based on the opinion provided by the Company's legal counsel, which resulted in a prior period adjustment to decrease the previously recognized excess of face value over the fair value of the loans in June 2007 and increase the amortization of the excess of face value over the fair value of the interest-bearing loan from June 1, 2007 to December 31, 2009 amounting to P113.6 million.

12.7 Interest Expense on Interest-bearing Loans

Interest expense computed on interest-bearing loans shown in profit or loss in the consolidated statements of comprehensive income is broken down as follows for the years ended December 31 (see Note 17):

	2010	2009 (As restated - see Note 22.2)	2008 (As restated - see Note 22.2)
Amortization of the excess of face value over the fair value of the interest-bearing loans	**P 97,725,454**	P 176,733,650	P 162,140,964
Nominal interest payable to creditor banks	**94,914,225**	-	-
	P 192,639,679	P 176,733,650	P 162,140,964

As of December 31, 2010, 2009 and 2008, the future nominal interest due and the periodic amortization of the excess of face value over the fair value of the interest-bearing loans are as follows:

	2010		2009 (as restated – see Note 22.2)		2008 (as restated – see Note 22.2)	
	Nominal Interest	**Amortization**	Nominal Interest	Amortization	Nominal Interest	Amortization
Within 1 to 5 years	**P 505,193,767**	**P 570,290,301**	P 508,049,066	P 552,180,398	P 424,860,255	P 614,406,370
Within 5 to 10 years	**334,673,245**	**397,951,362**	394,032,918	456,582,298	423,898,305	499,064,025
More than 10 years	**9,785,056**	**47,794,001**	42,484,309	104,998,422	95,807,733	177,024,374
	P 849,652,068	**P 1,016,035,664**	P944,566,293	P1,113,761,118	P 944,566,293	P 1,290,494,769

13. CASH BOND DEPOSITS

Cash bond deposits substantially consist of surety bond deposits obtained from contract growers, contract breeders, customers and salesmen.

The carrying amounts of the cash bond deposits are regarded as their amortized cost since the timing of the refund or settlement of the deposits could not be reasonably estimated.

14. COST OF GOODS SOLD

The details of cost of goods sold are shown below (see Notes 6 and 16).

	Note	**2010**	2009	2008
Inventories at beginning of year		**P 486,704,700**	P 527,250,261	P 479,327,977
Purchases and cost of goods manufactured	21.1	**2,045,639,084**	2,393,807,932	2,683,651,149
		2,532,343,784	2,921,058,193	3,162,979,126
Inventories at end of year		**(437,622,206)**	(486,704,700)	(527,250,261)
		P 2,094,721,578	P 2,434,353,493	P 2,635,728,865

15.

15. OTHER OPERATING INCOME

Presented below are the details of this account.

	Note	**2010**	2009	2008
Revenue from toll milling and toll hatching		**P 85,514,798**	P 54,764,079	P 102,977,997
Rentals	26.2	**38,061,893**	42,055,969	44,273,509
Sale of scrap materials		**12,009,940**	8,262,856	3,440,043
Miscellaneous		**14,286,105**	9,744,914	16,881,736
		P 149,872,736	P 114,827,818	P 167,573,285

16. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	**2010**	2009	2008
Raw materials and other consumables		**P 1,828,994,345**	P 2,166,240,626	P 2,428,212,158
Employee benefits	18.1	**155,641,712**	147,099,601	172,229,113
Transportation, travel, freight and handling		**87,871,688**	96,339,096	99,873,210
Communications, light and water		**83,905,874**	64,595,411	53,554,112
Depreciation and amortization	8	**69,056,047**	81,406,668	79,311,560
Supplies		**44,791,028**	40,204,391	21,676,035
Repairs and maintenance		**41,468,256**	31,798,603	35,521,884
Outside services		**18,884,142**	27,965,478	22,404,911
Rentals		**12,074,985**	15,387,630	11,677,033
Taxes and licenses		**10,298,510**	8,555,423	9,627,124
Advertising and promotions		**10,173,027**	7,298,255	7,862,506
Commissions		**7,577,260**	3,795,358	6,706,516
Insurance		**4,491,798**	5,337,758	5,549,102
Representation and entertainment		**2,474,480**	3,310,362	4,558,451
Impairment loss on property and equipment	8	**1,507,133**	-	-
Loss on inventory obsolescence	6	**-**	243,579	1,878,645
Miscellaneous		**41,337,326**	34,400,287	40,049,095
		P 2,420,547,611	P 2,733,978,526	P 3,000,691,455

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

	Note	**2010**	2009	2008
Cost of goods sold	14	**P 2,094,721,578**	P 2,434,353,493	P 2,635,728,865
Administrative expenses		**183,474,621**	155,484,864	191,058,976
Selling and distribution costs		**142,351,412**	144,140,169	173,903,614
		P 2,420,547,611	P 2,733,978,526	P 3,000,691,455

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

17. FINANCE COSTS

The breakdown of this account is as follows:

	Notes	2010	2009 (As restated - see Note 22.2)	2008 (As restated - see Note 22.2)
Interest expense on interest-bearing loans:				
Amortization of the excess of face value over the fair value of the interest-bearing loans		**P 97,725,454**	P 176,733,650	P 162,140,964
Nominal interest payable to creditor banks		**94,914,225**	-	-
	12.7	**192,639,679**	176,733,650	162,140,964
Impairment loss on trade and other receivables	5.2	**91,519,642**	55,185,686	53,554,307
Others		**5,251**	-	11,000
		P 284,164,572	P 231,919,336	P 215,706,271

18. EMPLOYEE BENEFITS

18.1 Breakdown of Employee Benefits

Expenses recognized for employee benefits are presented below (see Note 16).

	Notes	2010	2009	2008
Short-term employee benefits		**P 143,157,302**	P 133,967,453	P 148,097,776
Post-employment benefit	18.2	**12,484,410**	9,049,036	17,800,876
Share-based payments	19	**-**	4,083,112	4,290,384
Separation benefits	18.3	**-**	-	2,040,077
		P 155,641,712	P 147,099,601	P 172,229,113

18.2 Post-employment Benefit

The Company maintains a partially funded, tax-qualified, noncontributory post-employment defined benefit plan that is being administered by a trustee covering all of its regular full-time employees, while its subsidiary, Gromax, has no formal retirement plan. The retirement benefit obligation of Gromax is accrued using the projected unit method as computed by an independent actuary covering all regular full-time employees. Actuarial valuations are made periodically to update the retirement benefit obligation and the amount of contributions.

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

		2010		2009		2008
Present value of the obligation	**P**	**79,917,595**	P	80,187,867	P	51,832,538
Fair value of plan assets	**(**	**2,479,469)**	(	2,146,914)	(	1,615,970)
Deficiency of plan assets		**77,438,126**		78,040,953		50,216,568
Unrecognized actuarial gains		**28,230,459**		19,754,470		46,903,671
	P	**105,668,585**	P	97,795,423	P	97,120,239

The movements in the present value of retirement benefit obligation are as follows:

		2010		2009		2008
Balance at beginning of year	**P**	**80,187,867**	P	51,832,538	P	92,842,489
Actuarial loss (gain)	**(**	**8,845,980)**		25,648,207	(	58,855,659)
Interest costs		**7,282,138**		5,585,406		7,697,843
Current service costs		**5,904,818**		5,495,568		10,147,865
Benefits paid	**(**	**4,611,248)**	(	8,373,852)		-
Balance at end of year	**P**	**79,917,595**	P	80,187,867	P	51,832,538

The movements in the fair value of plan assets are presented below.

		2010		**2009**		**2008**
Balance at beginning of year	**P**	**2,146,914**	P	1,615,970	P	2,013,970
Actuarial gain (loss)		**203,740**		433,986	(	541,797)
Expected return on plan assets		**128,815**		96,958		143,797
Balance at end of year	**P**	**2,479,469**	P	2,146,914	P	1,615,970

The plan assets consist of the following:

		2010		2009		2008
Time deposits	**P**	**957,403**	P	243,963	P	509,625
Equity securities		**628,890**		432,819		903,258
Government securities		**786,828**		95,594		107,456
Direct loans		**106,348**		1,374,538		95,631
	P	**2,479,469**	P	2,146,914	P	1,615,970

Actual returns on plan assets amounted to P0.3 million, P0.5 million and P0.4 million for the years ended December 31, 2010, 2009 and 2008, respectively.

The amounts of post-employment benefit recognized in profit or loss are as follows (see Note 18.1):

	2010	2009	2008
Current service costs	**P 5,904,818**	P 5,495,568	P 10,147,865
Interest costs	**7,282,138**	5,585,406	7,697,843
Expected return on plan assets	**(128,815)**	(96,958)	(143,797)
Net actuarial losses (gains) recognized during the year	**(573,731)**	(1,934,980)	98,965
	P 12,484,410	P 9,049,036	P 17,800,876

The amount of post-employment benefit is allocated as follows (see Note 16):

	2010	2009	2008
Cost of goods sold	**P 6,827,276**	P 4,877,246	P 9,973,460
Administrative expenses	**3,744,904**	2,805,738	3,664,750
Selling and distribution costs	**1,912,230**	1,366,052	4,162,666
	P 12,484,410	P 9,049,036	P 17,800,876

Presented below are the historical information related to the present value of the obligation, fair value of plan assets and deficit in the plan (in thousand of Philippine pesos) as well as experienced adjustments arising on plan assets and liabilities:

	2010	2009	2008	2007	2006
Present value of the obligation	**P 79,917**	P 80,188	P 51,833	P 92,842	P 95,587
Fair value of the plan assets	**(2,479)**	(2,147)	(1,616)	(2,014)	(1,880)
Deficit on the plan	**P 77,438**	P 78,041	P 50,217	P 90,828	P 93,707
Experienced adjustments arising on plan liabilities	**(P 8,976)**	(P 9,898)	((P 14,133)	(P 12,359)	(P 2,548)
Experienced adjustments arising on plan assets	**P 204**	P 434	P 542	(P 210)	P 136

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

	2010	2009	2008
Discount rates	**8%**	9%	11%
Expected rate of salary increases	**6%**	8%	8%
Expected rate of return on plan assets	**7%**	6%	6%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an employee retiring at the age of 60 is 39 years for male and 37 years for females.

The overall expected long-term rate of return on assets is 7%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on the individual asset categories. The return is based exclusively on historical returns, without adjustments.

Presently, the contribution to be paid to the retirement plan in 2011 cannot reasonably be determined.

18.3 Separation Benefits

In 2008, the Group paid separation benefits amounting P2.0 million (see Note 18.1). The amounts were paid directly by the Company and were not taken from the plan assets. No separation benefits were paid in 2010 and 2009.

18.4 Employee Remuneration in Shares of Stock

As of December 31, 2010, 2009 and 2008, the Group compensated its officers partly through shares of stock of the Company acquired through the stock exchange. No compensation was paid in 2010 through shares of stock. All of the Group's executives and officer's salaries under the stock compensation plan were converted to cash (see Note 19).

19. STOCK COMPENSATION PLAN

The Company has a stock compensation plan for its officers and other executives. Under the plan, 20% of the annual gross pay of the Company's executives and officers is to be paid in shares of stock of the Company. The shares of stock are not coming from unissued shares but from the issued and outstanding shares to be purchased through the stock exchange. In 2010, all of the Company's executives and officer's salaries under the stock compensation plan amounting to P4.1 million were converted to cash. Salaries under stock compensation plan in 2009 which was converted to cash in 2010 amounted to P3.4 million. The following is a summary of the stock compensation granted by the Company for the years ended December 31, 2009 and 2008:

	No. of Shares Distributed	Average Stock Price	Amount
2009	5,306,880	P 0.125	P 663,360
2008	16,797,974	0.255	4,283,483

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. As of December 31, 2010, 2009 and 2008, there are no outstanding liabilities relating to the stock compensation scheme.

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

20. TAXES

20.1 Current and Deferred Tax

The components of tax income as reported in consolidated profit or loss and other comprehensive income in the consolidated statements of comprehensive income are as follows:

	2010	2009	2008
Reported in Consolidated Profit and Loss			
Current tax expense:			
MCIT at 2%	**P 5,412,327**	P 5,126,770	P 4,326,522
Final taxes at 7.5% and 20%	**11,363**	13,232	5,572
	5,423,690	5,140,002	4,332,094
Deferred tax expense (income):			
Deferred tax income relating to origination and reversal of temporary differences	**(59,695,711)**	(24,997,924)	(27,474,939)
Deferred tax expense resulting from change in regular corporate income tax rate(RCIT)	**-**	-	4,571,691
	(59,695,711)	(24,997,924)	(22,903,248)
	(P 54,272,021)	(P 19,857,922)	P 18,571,154)
Reported in Consolidated Other Comprehensive Income			
Deferred tax expense related to revaluation reserve on property due to additional appraisal increase	**P -**	P 22,023,997	P -

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

	2010	2009 (as restated - see Note 22.2)	2008 (as restated - see Note 22.2)
Tax on pretax profit (loss) at 30% in 2010 and 2009; and 35% in 2008	**(P 77,628,437)**	(P 75,084,375)	(P 100,448,711)
Adjustment for income subjected to lower income tax rates	**(114,052)**	2,956	(138,935)
Tax effects of:			
Non-deductible expenses	**29,433,151**	53,265,005	56,770,687
Other deductible expenses	**(8,441,626)**	(8,076,369)	(9,014,155)
Unrecognized deferred tax asset from MCIT	**5,412,327**	5,126,770	4,326,522
Unrecognized deferred tax asset from NOLCO	**(1,717,862)**	5,089,128	25,989,962
Non-taxable income	**(1,215,519)**	(181,037)	(628,215)
Decrease in deductible temporary difference due to change in tax rate	**-**	-	4,571,691
	(P 54,272,021)	(P 19,857,922)	(P 18,571,154)

The components of the net deferred tax liabilities are the following as of December 31:

	Consolidated Statements of Financial Position			Consolidated Statements of Comprehensive Income (Profit or Loss)		
	2010	2009	2008	**2010**	2009	2008
Deferred tax assets:						
Allowance for impairment on trade and other receivables	**P 173,089,828**	P145,633,936	P131,590,676	**(P 27,455,892)**	(P 14,043,260)	(P 15,452,234)
Retirement benefit obligation	**31,700,574**	29,338,628	29,136,073	**(2,361,946)**	(202,555)	(5,233,828)
Allowance for inventory losses	**16,046,780**	15,880,359	15,849,035	**(166,421)**	(31,324)	(519,114)
Allowance for impairment of investment property	**1,533,577**	1,533,577	1,533,577	**-**	-	-
Allowance for impairment of intangible assets	**3,136,840**	3,136,840	-	**-**	(3,136,840)	-
Allowance for impairment of property and equipment	**452,140**	-	-	**(452,140)**	-	-
	225,959,739	195,523,340	178,109,361	**(30,436,399)**	(17,413,979)	(21,205,176)
Deferred tax liabilities:						
Revaluation reserve on property	**(324,184,304)**	(353,435,264)	(333,045,428)	**(29,250,958)**	(1,634,161)	(1,647,960)
Changes in fair value of investment property	**(56,243,672)**	(56,243,672)	(62,143,343)	**-**	(5,899,671)	-
Regular depreciation of generator assets	**-**	(8,354)	(58,4657)	**(8,354)**	(50,113)	(50,112)
	(380,427,976)	(409,687,290)	(395,247,238)	**(29,259,312)**	(7,583,945)	(1,698,072)
Deferred Tax Income				**(P 59,695,711)**	(P24,997,924)	(P 22,903,248)
Net Deferred Tax Liabilities	**(P 154,468,237)**	(P214,163,950)	(P217,137,877)			

The Group also recognized deferred tax expense related to the additional revaluation reserve which is presented under other comprehensive income amounting P22.0 million in 2009. There was no deferred tax recognized directly in other comprehensive income in 2010 and 2008 (see Note 23).

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations. The Group recognized MCIT in 2010, 2009 and 2008 as the RCIT is lower in those years. The MCIT can be applied as deduction from future regular income tax payable within three years from the year when paid.

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.

Year	NOLCO	MCIT	Valid Until
2010	P 96,894,896	P 5,412,327	2013
2009	16,913,771	5,126,770	2012
2008	74,257,034	4,326,522	2011
	P 188,065,701	P 14,865,619	

The Group's NOLCO and MCIT incurred in 2007 amounting to P41,800,494 and P5,426,029, respectively, expired in 2010.

The amount of NOLCO, MCIT and other deductible temporary differences as of the end of 2010, 2009 and 2008 for which the related deferred tax assets have not been recognized are shown below.

	2010		2009		2008	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P 188,065,701**	**P 56,419,710**	P133,139,789	P 39,891,390	P235,118,282	P 70,535,485
Allowance for impairment of trade and other receivables	**130,894,053**	**39,268,216**	130,894,053	39,268,216	130,894,053	39,268,216
Allowance for impairment of property and equipment	**53,498,349**	**16,049,505**	53,498,349	16,049,505	53,498,349	16,049,505
Provision for losses on litigation	**25,812,642**	**7,743,793**	25,812,642	7,743,793	25,812,642	7,743,793
MCIT	**14,865,619**	**14,865,619**	14,879,321	14,879,321	16,270,013	16,270,013
Allowance for non-recoverable input VAT	**1,402,102**	**420,631**	1,402,102	420,631	1,402,102	420,631
Allowance for inventory obsolescence	**67,337**	**20,201**	67,337	20,201	67,337	20,201
	P 414,605,803	**P134,787,675**	P359,693,593	P 118,273,057	P463,062,778	P 150,307,844

The deferred tax assets that have not been recognized are from temporary differences related to PFCI's operations. As discussed in Note 1, PFCI had already discontinued its operations, hence, the above deferred tax assets were no longer recognized.

20.2 Optional Standard Deduction

In July 2008, Republic Act No. (RA) 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction equivalent to 40% of gross sales. Once the option is made, it shall be irrevocable for the taxable year for which the option was made.

In 2010, 2009 and 2008, the Group opted to claim itemized deductions.

20.3 Change in Applicable Tax Rate

Effective January 1, 2009, in accordance with RA No. 9337, RCIT rate was reduced from 35% to 30% and nonallowable deductions for interest expense from 42% to 33% of interest income subjected to final tax.

21. RELATED PARTY TRANSACTIONS

21.1 Transactions with Related Parties

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

The Group grants unsecured, noninterest-bearing advances to its related parties for working capital requirements and capital expenditures. The Group also buys raw materials, hogs, breeder flocks, feed supplements and animal health products from its related parties. It also sells animal feeds, raw materials, feed supplements and dressed chicken to such related parties. Total purchases amounted to P1.9 million in 2009 and P12.3 million in 2008 while total sales amounted to P9.2 million in 2009 and P52.7 million in 2008. There were no sales or purchases made to or from related parties for 2010. Goods are sold to related parties on a cost-plus basis, allowing a margin of at least 10% for all years presented.

Summarized below are the net outstanding receivables, shown as Due from Related Parties under common control in the consolidated statements of financial position, arising from these transactions (see Note 26.1) as of December 31.

	Movements in 2010		
	2009	Net Addition (Settlement)	**2010**
Due from related parties:			
Luz Farms, Inc. (LFI)	P 94,873,762	(P 665,369)	**P 94,208,393**
Others – net of amount due to a related party amounting to P2.6 million as of December 31, 2010	15,174,734	(38,009)	**15,136,725**
	110,048,496	(703,378)	**109,345,118**
Valuation allowance	(7,142,194)	-	**(7,142,194)**
	P 102,906,302	(P 703,378)	**P 102,202,924**

	Movements in 2009		
	2008	Net Addition (Settlement)	2009
Due from related parties:			
Luz Farms, Inc. (LFI)	P 95,546,660	(P 672,898)	P 94,873,762
Others – net of amount due to a related party amounting to P2.2 million as of December 31, 2009	20,773,115	(5,598,381)	15,174,734
	116,319,775	(6,271,279)	110,048,496
Valuation allowance	(7,142,194)	-	(7,142,194)
	P 109,177,581	(P 6,271,279)	P 102,906,302

A related party under common control also acts as a middleman between the Group and its suppliers. The related party pays the suppliers on behalf of the Group, thus, transferring the liability of the Group from the suppliers to the related party. Principally, the same terms and conditions with the suppliers apply when the related party takes over these liabilities. These transactions are presented as part of various liability accounts.

Following are the movements of the amounts due to the related parties, which are presented under Trade and Other Payables, for the years ended December 31, 2010 and 2009 (see Note 11):

	Movements in 2010		
	2009	Net Addition (Settlement)	**2010**
Trade payables	P 54,845,436	(P 11,958,312)	**P 42,887,124**
Non-trade payables	4,253,719	7,266,723	**11,520,442**
Other payables	38,414,806	761,726	**39,176,532**
	P 97,513,961	(P 3,929,863)	**P 93,584,098**

	Movements in 2009		
	2008	Net Additions	2009
Trade payables	P 45,817,232	P 9,028,204	P 54,845,436
Non-trade payables	3,982,348	271,371	4,253,719
Other payables	192,099	38,222,707	38,414,806
	P 49,991,679	P 47,522,282	P 97,513,961

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

21.2 Advances to Officers and Employees

The Group also grants unsecured, noninterest-bearing advances to its officers and employees subject to liquidation after a certain specified period (see Note 5.1). Shown below are the movements in this account.

	Movements in 2010		
	2009	Net Settlement	**2010**
Advances to officers and employees	P 8,778,829	(P 1,819,213)	**P 6,959,616**

	Movements in 2009		
	2008	Net Addition	2009
Advances to officers and employees	P 7,564,552	P 1,214,277	P 8,778,829

21.3 Key Management Personnel Compensation

The key management personnel compensation includes the following (see Note 18):

	2010	2009	2008
Short-term employee benefits	**P 25,280,384**	P 26,169,941	P 29,208,568
Compensation paid in share of stock	**4,119,527**	1,555,859	4,283,483
Post-employment benefit	**1,557,628**	4,083,112	1,534,036
Other benefits	**15,144,121**	15,307,620	16,910,449
	P 46,101,660	P 47,116,532	P 51,936,536

21.4 Guarantees from Stockholders

The interest-bearing loans of the Company are secured by existing assignments of the Company's shares of stock owned by certain stockholders.

22. EQUITY

22.1 Capital Stock

The Company is authorized to issue 500 million shares of stock with a par value of P1.00 per share, of which 409,969,764 shares are issued and outstanding as of December 31, 2010, 2009 and 2008 or a total of P410.0 million.

The share capital of the Company consists only of common stock. 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.

22.2 Prior Period Adjustments

In 2010, the Company restated the balance of its Deficit account as of January 1, 2010, 2009 and 2008 to reflect the prior period adjustment related to the revision of the computation of the fair value of the Company's interest-bearing loans from May 31, 2007 (date of the Court's approval of the rehabilitation plan) and certain prior period adjustments in the consolidated financial statements (see Note 12).

In 2008, the Company have also restated the balance of its Decifit account as of January 1, 2008.

Shown below is a summary of the adjustments made and the effects on Deficit.

	Note	**Decrease (Increase) in Deficit as of January 1,** 2010	2009	2008
Made in 2010:				
To adjust the interest amortization on the interest-bearing loans	22.2a	(P 113,610,191)	(P 109,474,661)	(P 105,233,940)
Made in 2008:				
To record transfer of revaluation reserve on property to deficit	22.2b	-	-	110,856,705
To reverse depreciation expense on investment property	22.2c	-	-	89,486,114
To recognize fair value gains from investment property, net of taxes	22.2d	-	-	25,616,991
To correct understatement in expenses	22.2e	-	-	(13,068,306)
To recognize effect on income taxes	22.2f	-	-	8,527,438
To recognize effect of capitalization of development costs	22.2g	-	-	7,427,231
		(P 113,610,191)	(P 109,474,661)	(P 123,612,233)

(a) As discussed in Note 12.6, in 2010, as a result of the remeasurement of the fair value of the Company's interest-bearing loans, the Company restated the balances of its Deficit account as of January 1, 2010, 2009, and 2008 to adjust the amount of and the amortization of the excess of face value over the fair value of the interest-bearing loans recorded by the Company in prior years.

(b) As discussed in Note 8.4, as a result of the reclassification of certain property, plant and equipment to investment property, the Company restated in 2008 the balance of its Deficit account as of January 1, 2008 to reflect the transfer of Revaluation Reserve to Deficit amounting to P110.9 million.

(c) In relation to the reclassification of property, plant and equipment to investment property as discussed in Note 22.2b above, the Company reversed in 2008 the depreciation expense previously recognized on investment property decreasing the balance of Deficit for the year then ended.

(d) The Company recognized in 2008 the fair value gains from investment property, net of taxes, decreasing the amount of Deficit as of January 1, 2008.

(e) The Company accrued in 2008 certain unrecorded operating expenses pertaining to a prior year which resulted in the increase in the balance of Deficit as of January 1, 2008.

(f) The prior period adjustment on the transfer of Revaluation Reserve to Deficit resulted in the recognition of deferred tax liability on changes in fair value of investment property in the financial statements.

(g) In 2008, the Company capitalized certain qualified expenses incurred in a prior year resulting in a decrease in Deficit balance as of January 1, 2008.

The restatements of the current and non-current interest-bearing loans as of January 1, 2010 and 2009, various statement of financial position items as of January 1, 2008 and statements of changes in equity as of January 1, 2010, 2009 and 2008, as a result of the foregoing prior period adjustments, are summarized as follows:

	Note	As Previously Reported	Effects of Prior Period Adjustments	As Restated
January 1, 2010				
Change in liabilities and deficit				
Interest-bearing loans - net	12	P 2,026,830,690	P 113,610,191	P 2,140,440,881
January 1, 2009				
Change in liabilities and deficit				
Interest-bearing loans - net	12	P 1,854,232,570	P 109,474,661	P 1,963,707,231

	Notes	As Previously Reported	Effects of Prior Period Adjustments	As Restated
January 1, 2008				
Changes in assets:				
Other current assets	7	P 19,226,853	(P 8,131,323)	P 11,095,530
Property, plant and equipment - net	8	2,356,640,129	(578,816,980)	1,777,823,149
Investment property	9	-	709,429,407	709,429,407
Other non-current assets	7	90,202,315	(65,246,882)	24,955,433
		2,466,069,297	57,234,222	2,523,303,519
Changes in liabilities:				
Interest-bearing loans	12	1,696,332,327	105,233,850	1,801,566,177
Trade and other payables	11	660,385,632	13,068,306	673,453,938
Deferred tax liabilities	21	256,471,752	(11,903,737)	244,568,015
		2,613,189,711	106,398,419	2,719,588,130
Changes in equity -				
Revaluation reserve on property	23	953,727,764	(172,776,520)	780,951,244
		P 1,111,554,351		P 987,942,118
Total adjustments to Deficit			**P 123,612,233**	

The restatement of the consolidated statement of comprehensive income item for the years ended December 31, 2009 and 2008 are summarized as follows:

	Notes	As Previously Reported	Effects of Prior Period Adjustments	As Restated
December 31, 2009				
Finance costs	17	P 227,783,807	P 4,135,529	P 231,919,336
December 31, 2008				
Finance costs	17	P 211,465,550	P 4,240,721	P 215,706,271

The effects of the prior period adjustment amounting to P4.1 million and P4.2 million for the years ended December 31, 2009 and 2008 increased the consolidated total comprehensive loss for the same amount in respective years.

23. REVALUATION RESERVE ON PROPERTY

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

	Notes	Revaluation Reserve on Property	Deferred Tax	Net
Balance as of January 1, 2010		P 1,178,117,552	(P 353,435,264)	P 824,682,288
Transfer to deficit of revaluation reserve absorbed through sale		(93,325,044)	27,997,513	(65,327,531)
Transfer to deficit of revaluation reserve on property absorbed through depreciation		(4,178,146)	1,253,444	(2,924,702)
Balance as of December 31, 2010	8, 20	**P 1,080,614,362**	**(P 324,184,307)**	**P 756,430,055**
Balance as of January 1, 2009		P 1,110,151,431	(333,045,428)	777,106,003
Additional appraisal increase		73,413,322	(22,023,997)	51,389,325
Transfer to deficit of revaluation reserve absorbed through depreciation		(5,447,201)	1,634,161	(3,813,040)
Balance as of December 31, 2009	8, 20	P 1,178,117,552	(P 353,435,264)	P 824,682,288
Balance as of January 1, 2008		P 1,115,644,632	(P 334,693,388)	P 780,951,244
Transfer to deficit of revaluation reserve absorbed through depreciation		(5,493,201)	1,647,960	(3,845,241)
Balance as of December 31, 2008	8, 20	P 1,110,151,431	(P 333,045,428)	P 777,106,003

The balance of the Revaluation Reserve account as of January 1, 2008 was restated from the amounts previously reported to reflect the transfer of revaluation reserve to Deficit in 2008 amounting to P110.9 million, net of taxes, which decreased Revaluation Reserve as of January 1, 2008 by P110.9 million and decreased Deficit by the same amount as of that date (see Note 21.2).

On December 16, 2009, all of the Company's property, plant and equipment (except for transportation equipment), were again revalued at their fair values as determined by an independent firm of appraisers resulting in increases in the amounts of Property, Plant and Equipment by P73.4 million and Revaluation Reserve by P51.4 million, net of taxes (see Note 8).

On November 30, 2010, the Company sold certain non-core assets, through a bid made on November 26, 2010, with a net book value of P152.9 million (see Note 8.6). Upon the sale of the non-core assets, the related revaluation reserve amounting to P65.3 million, net of taxes, was also realized. In addition to the revaluation reserve realized through sale, there was also a portion of revaluation reserve transferred to deficit through depreciation which amounted to P2.9 million, net of taxes, for the year ended December 31, 2010, making the total amount of revaluation reserve transferred in 2010 to Deficit to P68.2 million, net of taxes.

24. EVENTS AFTER THE REPORTING PERIOD

On February 18, 2011, the Court denied the Company's petition for the modification of the Approved Rehabilitation Plan and the motion of the creditors to terminate the rehabilitation proceedings, agreeing to the Receivers until the Year 4 which starts in June 1, 2010 (see Note 12).

On April 18, 2011, the Company's legal counsel rendered an opinion that the terms of payment of the Company's existing debt is on an annual basis, contrary to the previous assumptions used, that is on a quarterly basis. This is in relation with the Court's order, affirming the Company's legal counsel opinion on February 18, 2011, which denied the motion to terminate the rehabilitation proceedings filed by some creditors (see Note 12).

25. LOSS PER SHARE

Basic and diluted loss per share were computed as follows:

	2010	2009 (As Restated - See Note 22.2)	2008 (As restated - See Note 22.2
Net loss for the year	**P 204,489,436**	P 230,423,327	P 268,425,167
Divided by the weighted average number of outstanding shares	**409,969,764**	409,969,764	409,969,764
Loss per share - Basic and diluted	**P 0.50**	P 0.56	P 0.65

Diluted loss per share is equal to the basic loss per share since the Group does not have potential dilutive shares.

26. SIGNIFICANT AGREEMENTS

26.1 Distributorship Agreement

The Company has an existing distributorship agreement with LFI, a related party under common control. Under the agreement, the Company will act as a distributor of LFI swine breeders during the term of the agreement.

In consideration for the appointment of the Company as a distributor, the products produced by LFI are sold to the Company at prices agreed upon by the parties. The Company applies the value of the products obtained from LFI as payments for its receivables from LFI. The receivables of the Company from LFI pertain to sale of feeds (see Note 21.1).

26.2 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.

The future minimum rentals receivable under these cancellable operating leases are as follows as of December 31:

	2010	2009	2008
Within one year	**P 13,862,884**	P 14,246,585	P 16,351,085
Within one year but not more than five years	**49,393,168**	35,288,170	42,673,786
More than five years	**10,192,500**	10,192,500	13,590,000
	P 73,448,552	P 59,727,255	P 72,614,871

Total rental from these operating leases amounted to P38.1 million in 2010, P42.1 million in 2009 and P44.3 million in 2008 and are shown as part of Other Operating Income in the consolidated statements of comprehensive income (see Note 15).

26.3 Technical Agreement

On April 2, 2007, the Company entered into a three-year technical partnership agreement with Sangalar International Limited (or technical partner) commencing on the same date of execution of the agreement, whereby the technical partner shall conduct research and develop new feeds formulae and/or improve existing products in relation to a certain feed manufacturing facility operated by the Company, as well as the Company's aqua feeds and aqua culture projects. In consideration for such assistance in research and development, the Company shall pay the technical partner agreed retainer fees based on rates stipulated in the agreement. Moreover, the Company shall also pay the technical partner additional product research and development charges computed at 2% of bi-annual net sales of the aqua feeds produced in accordance with the formulation introduced, improved or developed by the technical partner. Total charges incurred in relation to this agreement amounted to P17.8 million in 2008 and P16.9 million in 2007 of which P15.8 million and P15.6 million were capitalized and shown as Intangible Asset under Other Non-current Assets account in the consolidated statement of financial position (see Note 7). No additional charges were incurred in 2009.

As of December 31, 2010, 2009 and 2008, the Company has outstanding payable arising from this agreement amounting to P6.1 million presented under Trade and Other Payables in the consolidated statements of financial position. The agreement with the technical partner was terminated in 2009.

26.4 Memorandum of Agreement

As discussed in Note 12.4, several creditor banks transferred their respective rights, titles and interests over the loan obligations of the Company to various assignees. In 2008, Kormansinc, purchased certain loan obligations of the Company from certain assignees. On October 23, 2008, the Company and Kormansinc entered into a Memorandum of Agreement (MOA) whereby the Company undertakes to transfer a minimum of P70.0 million worth of trade receivable which are fully provided with allowance as of December 31, 2008, to Kormansinc for which Kormansinc will pay a consideration of a minimum P50.0 million representing the equivalent face value of certain loan obligations it purchased. In effect, this transaction will reduce the indebtedness of the Company by P50.0 million and will cut down the Company's Deficit by the amount of gain that will be recognized from the transaction.

On March 20, 2009, the Company's Receiver filed a petition with the Branch 7 of the Court for the approval of the MOA between the Company and Kormansinc. On March 29, 2009 Kormansinc withdrew from the MOA.

27. COMMITMENTS AND CONTINGENCIES

27.1 Legal Claims

Various warranty and legal claims were brought against the Group in current and prior periods. The Group has accrued liability on those items where the Court has definitely ruled against the Group and where the amount can be reliably estimated. The Group believes the other claims to be unjustified and the probability that they will require settlement at the Group's expense to be remote. This evaluation has been backed up by external independent legal advice. None of these contingencies are discussed in the consolidated financial statements in detail so as not to seriously prejudice the Group's position in the related disputes.

27.2 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the accompanying consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's consolidated financial statements, taken as a whole.

28. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	Notes	2010		2009 (As Restated – See Note 22.2)		2008 (As Restated – See Note 22.2)	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets							
Loans and receivables:							
Cash		**P 65,925,992**	**P 65,925,992**	P 56,482,032	P 56,482,032	P 75,601,631	P 75,601,631
Trade and other receivables – net	5	**854,410,675**	**854,410,675**	906,171,404	906,171,404	850,889,786	850,889,786
Due from related parties - net	21	**102,202,924**	**102,202,924**	102,906,302	102,906,302	109,177,581	109,177,581
		P 1,022,539,591	**P1,033,689,864**	P 1,065,559,738	P1,065,559,738	P 1,035,668,998	P 1,035,668,998
Financial Liabilities							
Financial liabilities at amortized cost:							
Interest-bearing loans - net	12	**P 2,070,551,866**	**2,070,551,866**	P 2,140,440,881	P2,140,440,881	P 1,963,707,231	P 1,963,707,231
Trade and other payables	11	**1,187,894,915**	**1,187,894,915**	1,085,049,476	1,085,049,476	1,104,948,978	1,104,948,978
Cash bond deposits	13	**19,971,342**	**19,971,342**	22,065,167	22,065,167	21,976,134	21,976,134
		P 3,278,418,123	**P3,278,418,123**	P 3,247,555,524	P3,247,555,524	P 3,090,632,343	P 3,090,632,343

29. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

29.1 Foreign Currency Sensitivity

To a certain extent, the Group 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 Group 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.

29.2 Interest Rate Sensitivity

As of December 31, 2010, the Group has no significant floating rate financial assets or liabilities. The Group's operating cash flows are substantially independent of changes in market interest rates.

The Court's Approved Rehabilitation Plan allowed the Group to defer the payment of its interest-bearing loans and their related interest charges and certain trade payables for a period of three years from the date of approval of the rehabilitation plan (see also Notes 1 and 12).

The Group has no borrowings that carry variable interest rates which released the Group to cash flow interest rate risk.

29.3 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.

	Note	**2010**	2009	2008
Cash		**P 65,925,992**	P 56,482,032	P 75,601,631
Trade and other receivables - net	5	**854,410,675**	906,171,404	850,889,786
Due from related parties – net	21	**102,202,924**	102,906,302	109,177,581
		P 1,022,539,691	P 1,065,559,738	P 1,035,668,998

The Group continuously monitors defaults of counterparties, identified either individually or by group, 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 Group's policy is to deal only with creditworthy counterparties.

The Group's trade and other receivables are not exposed to a concentration of credit risk as the Group 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 Group requires collateral, generally land real estate, from its customers.

The Group's management considers that trade and other receivables that are not impaired or past due for each reporting periods are of good credit quality.

The age of past due receivables but not impaired is as follows as of December 31:

	2010	2009	2008
One to 30 days	**P 193,770,657**	P 161,705,852	P 209,713,969
Over 30 days but not more than 60 days	**4,625,880**	13,636,319	9,152,622
Over 60 days but not more than 90 days	**3,072,636**	9,177,308	6,718,786
Over 90 days but not more than 120 days	**2,524,504**	4,028,846	7,554,493
More than 120 days	**85,640,287**	103,369,991	24,720,402
	P 289,633,964	P 291,918,316	P 257,860,272

Significant portions of these past due accounts, particularly for those that are more than 120 days past due, are covered by collaterals.

29.4 Liquidity Risk

The Group's petition for corporate rehabilitation, which resulted in the eventual approval of its rehabilitation plan, has significantly assisted in addressing the liquidity issue of the Group as the rehabilitation plan provides for deferment of borrowing repayments for a period of three years. Nevertheless, the Group manages its liquidity profile to be able to service its long-term debt as they will fall due in the near future by maintaining sufficient cash from operations.

The Group maintains cash to meet its liquidity requirements for up to 30-day periods.

As at December 31, 2010, the Group's financial liabilities have contractual maturities which are presented below (in millions of Philippine pesos).

	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later than 5 Years**
Interest-bearing loans	**P 11**	**P 22**	**P 693**	**P 2,361**
Trade and other payables	**596**	**345**	**175**	**72**
Interest payable	**68**	**36**	**402**	**344**
	P 675	**P 403**	**P 1,270**	**P 2,777**

As at December 31, 2009 (as restated – see Note 22.2), the Group's financial liabilities have contractual maturities which are presented below (in millions of Philippine pesos).

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Interest-bearing loans	P 15	P 89	P 568	P 2,582
Trade payables	539	318	161	67
Interest payable	14	81	413	436
	P 568	P 488	P 1,142	P 3,085

As at December 31, 2008 (as restated – see note 22.2), the Group's financial liabilities have contractual maturities which are presented below (in millions of Philippine pesos).

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Interest-bearing loans	P -	P -	P 481	P 2,773
Trade and other payables	585	292	169	59
Interest payable	-	-	424	520
	P 585	P 292	P 1,074	P 3,352

The above contractual maturities reflect the gross cash flows, which differs from the carrying values of the liabilities at amortized cost as at the end of the reporting periods.

29.5 Price Risk

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

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

As shown below, the Group has been carrying significant liabilities in the past several years. The Group has negotiated with its creditors and has restructured these liabilities. The Company has even filed for corporate rehabilitation, which has been approved by the Court. The liabilities and equity are shown below.

	2010	2009 (As Restated - See Note 22.2)	2008 (As Restated - See Note 22.2)
Total liabilities	**P 3,540,047,548**	P 3,561,599,401	P 3,406,578,348
Total equity	**276,543,671**	481,033,107	660,067,109