COVER SHEET

2 1 1 3 4

S.E.C. Registration Number

VITARICH CORPORATION

(Company's Full Name)

MAC ARTHUR HIGHWAY ABANGAN SUR

MARILAO BULACAN

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

TERESITA RIMANDO

Contact Person

843-30-33 connecting all dept.

Company Telephone Number

DEFINITIVE INFORMATION STATEMENT

Last Friday of June

1	2	-	3	1

Month *Day*

Fiscal Year

2	0	-	I	S

Form Type

0	6		

Month Day

Secondary License Type. If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

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

4. SEC Identification Number **21134**

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

6. **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, 29 June 2012**
   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: **6 June 2012**

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, 2012	**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

VITARICH

VITARICH CORPORATION
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Friday, 29 June 2012 at 2:00 P.M.
Vitarich Compound, MacArthur 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, 29 June 2012** at **2:00 P.M.** at the Vitarich Compound, MacArthur 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 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. Proposed amendment of Article IV and related provisions of the By-Laws (subject to Board approval on 29 May 2012)
10. Other matters; and
11. Adjournment.

For the purpose of determining the stockholders entitled to notice of, and to vote at the meeting, the record date is 29 May 2012.

Proxies must be submitted to the Special Committee of Election Inspectors of the Corporation at the executive office of the Corporation located at Vitarich Compound, MacArthur Highway, Bo. Abangan Sur, Marilao,Bulacan on or before 18 June 2012. Proxies shall be validated by the Special Committee of Inspectors at the said office of the Corporation on 22 June 2012.

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.
Assistant Corporate Secretary

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, 29 June 2012 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, 6 June 2012

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 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."

<u>Interest of Certain Persons in or Opposition to Matters to be Acted Upon</u>

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

<u>Voting Securities and Principal Holders thereof</u>

(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 : 29 May 2012

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.

<u>Security Ownership of Certain Record and Beneficial Owners</u>

Owners of record of more than 5% of the Corporation's voting securities as of 30 April 2012 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	Filipino	160,399,650 r	39.12%
Common	Metropolitan Bank & Trust	Various beneficial	Filipino	97,547,396 r	23.79 %

Shares	Company Metro Bank Plaza Sen. Gil J. Puyat Ave. Makati City	owners			
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	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 2012 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) 92,510 (indirect)	Filipino	0.39% 0.02%
Common	Benjamin I. Sarmiento	312,713 (r)	Filipino	0.08%
Common	Ma. Luz S. Roxas-Lopez	1,305,320(r) 92,509 (indirect)	Filipino	0.32% 0.02%
Common	Jose M. Sarmiento	1,305,320 (r) 94,592 (indirect)	Filipino	0.32% 0.02%
Common	Ma. Victoria M. Sarmiento	1,305,320 (r) 98,758(indirect)	Filipino	0.34% 0.02%
Common	Ma. Socorro S. Gatmaitan	1,307,033 (r) 102,916 (indirect)	Filipino	0.32% 0.03%
Common	Lorenzo M. Sarmiento Jr.	841,095 (r) 33,619(indirect)	Filipino	0.21% 0.01%
Executive Officers				
Common	All Other Officers & Directors			
	As a group unnamed	16,501 (r)	Filipino	Nil

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.

Mr. Lorenzo M. Sarmiento or Mr. Rogelio M. Sarmiento 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 or Rogelio M. Sarmiento the right to vote on the shares.

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 24 June 2011. 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 the members of the Board of Directors and Executive Officers for the ensuing year as of the date of sending the Definitive Information Statement to security holders on 6 June 2012 are the following:

Regular Directors:

1. Mr. Rogelio M. Sarmiento;
2. Mr. Jose Vicente C. Bengzon III ;
3. Mr. Cesar L. Lugtu;
4. Mr. Angelito M. Sarmiento;
5. Mr. Benjamin I. Sarmiento Jr.;
6. . Mr. Enrique G. Filamor.
7. Mr. Ricardo Manuel M. Sarmiento;
8. Ms. Stephanie Nicole S. Garcia; and
9. Mr. Lorenzo Vito M. Sarmiento, III

Independent Directors

10. Mr. Tomas B. Lopez, Jr.
11. Atty. Eduardo T. Rondain

Mr. Tomas B. Lopez was nominated by Raymundo I. Honor while Atty. Eduardo T. Rondain was nominated by Mr. Wilfredo Angeles. Both Messrs. Honor and Angeles are stockholders of the Issuer, and are not related to their respective nominees.

The independent directors were 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. They possess all the qualifications and none of the disqualifications of being an independent director, pursuant to SRC Rule 38 of the Rules Implementing the Securities Regulations Code.

In approving their nomination, the members of the Nomination Committee had observed the guidelines prescribed in SEC Circular No. 16, Series of 2002 (or the Guidelines on the Nomination and Election of Independent Directors), the Corporation's By-Laws and its Manual on Corporate Governance.

Officers:

Rogelio M. Sarmiento **-**	Chief Executive Officer
Ricardo Manuel M. Sarmiento-	Chief Operating Officer
Stephanie Nicole S. Garcia-	Chief Finance Officer / Treasurer
Guillermo B. Miralles-	Vice President, Vismin Operations
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 2011-2012, some of whom will likely be re-elected, as well as the profile of those who will be nominated and elected for the first time to the Board of the Corporation.

Rogelio M. Sarmiento, Filipino, 63 years old
Director (since 1980) / Chairman of the Board &, Chief Executive Officer

<u>Board/Committee Memberships</u>
(will likely be nominated as Vice Chairman and Chief Executive Officer)

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

Jose Vicente C. Bengzon III, Filipino, 54 years old
Independent Director (since 2007)

<u>Board/Committee Memberships</u>

(will likely be nominated as Chairman of the Board)
- Member - Audit Committee

Mr. Bengzon is presently the Chief Operating Officer of DUMA Group, Director of South Luzon Tollways Corporation, Manila North Tollways Corporation and the Manila Toll Expressway System. He is a Director of Pres. Jose P. Laurel Rural Bank Inc. since 2010 and Philippine National Construction Corporation since 2011. He is also the President of UPCC Holdings Corporation since 2006. Prior to this, he was the Chief Privatization Officer of the Department of Finance. He was the President of Abarti Artworks Corporation from 2001-2004. He was also an Entrepreneur of Westborough Food Corporation from 1993-2001. He is a Certified Public Accountant and a graduate of De La Salle University having obtained his Bachelor of Science in Commerce and Bachelor of Arts degrees major in Economics in 1980 therefrom. He took his Master of Business Administration at the Kellogg School of Management at Northwestern University in 1988.

Cesar L. Lugtu, Filipino, 57 years old
Director (since 2005)

<u>Board/Committee Memberships</u>

(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.

Angelito M. Sarmiento, Filipino, 65 years old
Director

(will likely be nominated to retain the position)

Board / Committee Memberships
•Board member

Mr. Angelito Sarmiento is currently a Director of Foundation for Resource Linkage & Development Inc (FRLD).; the organizer of yearly Agrilink event; Trustee, Bulacan State University; Former President of Vitarich Corporation (1983-1988); Former President of Vitarich Corporation's subsidiaries; previous member of the Board of Vitarich 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). His peers in Congress called him the Dean of Agribusiness. He is the author of RA 9013 (or the Philippine Quality Award Act of 2001); RA 8435 (or the Agriculture and Fisheries Modernization Act of 1997 or AFMA); former Co-chairman of the Oversight Committee on Agriculture and Fisheries Modernization; former NFA Chairman (Sept 2001-Dec 2004);and a Former Mayor of City of San Jose del Monte Bulacan.

Benjamin I. Sarmiento Jr., Filipino, 43 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. Benjamin Sarmiento is a graduate of the University of San Francisco with a degree of Bachelor of Arts in Economics. He is the Chief Executive Officer of Pacific Equity, Inc. from 1989 up to the present. He is also a Director of the following companies: M3 Ventures, International Inc. from 1991 up to the present, and 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 the Chief Executive Officer of Trabbycoco Genetics, Inc. . He is also a director of Gromax, Inc. from 1995 up to the present.

Enrique G. Filamor, Filipino, 65 years old

From October 2001 to present, Mr. Filamor has been Managing Partner of EGF Advisory Services, Inc., a financial advisory firm that specializes in debt restructuring and turn around of distressed companies and equity investments. He is a Director and the Treasurer of Tahanan Mutual Building and Loan Association, Inc. He also holds directorship in MediaQuest Holdings Inc., Media5 Marketing Corporation, Bancholders, Inc., Unilink Communications Corporation, The Philippine Home Cable Holdings Corporation, Superior Multi-Parañaque Homes, Inc., Superior Parañaque Homes, Inc., Nation Broadcasting Corporation and Studio5, Inc. He is a member of the Board of Trustees of the Beneficial Trust Fund created pursuant to the Benefit Plan of PLDT. Additionally, he is a TOYM awardee for international banking

Ricardo Manuel M. Sarmiento, Filipino, 35 years old
(will likely assume the position of Chief Operating Officer)

Mr. Ricardo Manuel Sarmiento is Vitarich Corporation's Sales and Marketing Director and Gromax, Inc.'s President. He leads the over-all operations of Gromax and handles the sales and marketing of Vitarich's products using sales promotions, advertising, market research, and distribution. He holds a degree in Bachelor of Science in Tourism from the University of the Philippines in Diliman, Quezon City. He is a member of the Upsilon Sigma Phi. Mr. Sarmiento joined Vitarich in July, 2005.

Stephanie Nicole M. Sarmiento-Garcia, Filipino, 32 years old
(will likely assume the position of Chief Finance Officer / Treasurer)

Ms. Garcia was appointed Operations Support Director of Vitarich Corporation in March 2006. In this role, she directs and monitors compliance of the departments to the established production and quality parameters. She oversees efficient operations, allocates funds and negotiates contracts and prices as well. Prior to Vitarich, Ms. Garcia worked as a Store Manager at *Le Pain Quotidien*, an international chain of café-style restaurants, specializing in bakery items. Early on, she held a front desk position at the *Ritz Carlton Hotel* in San Francisco. She holds a degree in International Hospitality Management from Glion Institute of Higher Education (formerly known as Glion Hotels School), a private, university-level Swiss hotel management school in Switzerland. Ms. Garcia joined Vitarich in October, 2003.

Lorenzo Vito M. Sarmiento III, Filipino 38 years old

Mr. Sarmiento is President of Davito Holdings Corporation and Medityre Corporation. He was President of Speed Space Systems, Chairman of Emphasys Process Corporation, Investor and co-founder of South Super Sports, Team Manager under contract with the Philippine Football Federation, Creative Director of Speed HKG, and Investor and co-founder of True Star Entertainment. He graduated in 1999 from the University of San Francisco, San Francisco CA USA, with a degree in Bachelor of Science in Business Administration with emphasis in Marketing and International Business. He took up special courses in International Studies at the American University in London, England and Network Engineering at Herald College, San Francisco CA USA.

Tomas B. Lopez Jr., Filipino, 62 years old
Nominee for Independent Director

Mr. Lopez was elected as an Independent Director of the Corporation on 28 February 2012. He is an incumbent Trustee of Home Development Mutual Fund (Pag-ibig) representing the government employees' sector. He is at present, the President of the University of Makati; Adjunct Professor of Ateneo de Manila Graduate School of Business and SP Jain Center of Management of Singapore, Dubai and Sydney. He was the co-founder and director of Asian Center for Entrepreneurship and Management Education. He served as a member of the Board of Advisors for Microsoft Global Innovative Schools Program from 2005-2008. He was formerly an the undersecretary (Deputy Minister) of the Philippine Department of Agriculture from 1986-1992. He also served in the boards of diverse businesses as insurance, trading and banking. Prior to this, he had worked with Multi-Focus, Inc., Kanlaon Broadcasting System and Radio Mindanao Network as a writer, director of news and public affairs in television programs. He was also engaged as consultant in various government and private firms. He is a graduate of Ateneo de Manila University and obtained his master in management with distinction at the Asian Institute of Management.

Atty. Eduardo T. Rondain, Filipino, 82 years old,
Nominee for Independent Director
(will likely assume the Chairmanship of the Audit Committee)

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

Other Executive Officers

Guillermo B. Miralles, Filipino, 47 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.

Atty. Tadeo F. Hilado, Filipino, 59 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, 55 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 is the father of Directors Ricardo Manuel M. Sarmiento and Stephanie Nicole S. Garcia.

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

Terms and Conditions of Employment Contract, Compensation Plan

The Chairman/CEO, 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 may 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 20 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 & Mktg. Director				
STEPHANIE NICOLE S. GARCIA–Operations Support Director				

T O T A L (Estimated)	-	2012	3.2	-
		2011	2.5	-
		2010	1.8	-
ALL OTHER OFFICERS & DIRECTORS AS A GROUP UNNAMED (Estimated)	-	2012	0.8	-
		2011	0.8	-
		2010	0.8	-

For the last fiscal year, 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 Note22 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

For the year 2011, the Corporation's independent public accountant is the accounting firm of Reyes Tacandong & Co. The audit of the financial statements of the Corporation was handled and certified by the engagement partner, Mr. Emmanuel V. Clarino. Prior to this, the audit engagement of the Corporation was Punongbayan & Araullo. In pursuant to SRC Rule 68.1 (Qualification and Reports of Independent Auditors), the Corporation engaged Reyes Tacandong & Co. for the examination of the Corporation's financial statements effective the calendar year 2011. 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 2012 at the Corporation's annual stockholders meeting to be held on 29 June 2012. 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.

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 Reyes Tacandong & Co. consisted of an audit of the financial statements 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, Reyes Tacandong & Co also reviewed the Corporation's computation of the annual income tax expense and likewise also the review of the unaudited quarterly consolidated statements of financial position of the Corporation and the related statements of comprehensive income, changes in equity and cash flows for the quarter ended in accordance with Philippine Standards on Review Engagements (PSRE) 2410, "Engagements to Review Financial Statements" issued by the Auditing Standards and Practices Council, as applicable to review engagements. For these services, Reyes Tacandong & Co. billed the Group the amount of P 2.5 million inclusive of VAT and out of pocket expenses. For the years 2010 & 2009, audit and audit-related fees amounted to P2.05 million and P1.85 million exclusive of VAT and out of pocket expenses respectively.

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

The Audit Committee has confirmed the terms of engagement and the scope of services of the external auditor as endorsed by the Management of the 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 29 June 2012 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 29 June 2012 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. Proposed Amendment of Article IV of the By-laws (subject to Board approval on 29 May 2012)
10. Other matters; and
11. Adjournment.

The brief summary of the Minutes of the Annual Meeting of Stockholders of the Corporation held on 24 June 2011 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 24 May 2011.

Upon motion duly made and seconded, the reading of the minutes of the annual meeting of the stockholders held on 25 June 2010 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 2010.

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

Thereafter, upon motion duly made and seconded, the stockholders approved the appointment of Reyes Tacandong & Company 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

Below is the list of the acts and resolutions of the Board of Directors and Officers of the Corporation from 26 July 2011 to 27 March 2012.

Date of Action	**Description**
Tuesday, 26 July 2011	The Corporation approved and ratified the sale of a parcel of land located at Barangay Manggahan, Pasig City, consisting of 249 square meters, covered by Transfer Certificate of Title No. PT-125654 in favor of Manuel Unida, Jr. and authorized the Chairman/President, Mr. Rogelio M. Sarmiento to sign, execute and deliver the Deed of Absolute Sale dated April 20 2007. The Corporation authorized the reactivation of the Corporation’s Savings & Current Accounts Nos. 083-0023046 and 083-8002274, with BDO-Molo, Iloilo Branch. The Board authorized the Corporation to open savings, time, current and/or trust accounts with METROBANK, Head Office, and/or at Abangan Norte, Marilao Branch. The Board authorized the Corporation to open savings, time, current and/or trust accounts with METROBANK, Head Office, and/or at Magsaysay, Davao City Branch
Tuesday, 6 September 2011	The Corporation designated its Corplan Manager, Ms. Alicia G . Danque, as counter check signatory of the Corporation’s accounts at Metrobank-Marilao, Bulacan Branch in lieu of Ms. Maricel L. Muzones, whose authority as counter-check signatory was withdrawn and revoked. The Corporation designated its Corplan Manager, Ms. Alicia G . Danque as counter check signatory of the Corporation’s accounts at Banco de Oro, Marilao, Bulacan Branch in lieu of Ms. Maricel L. Muzones, whose authority as counter-check signatory was withdrawn and revoked.
Tuesday, 27 September 2011	The Board authorized the Chairman & President of the Corporation, Mr. Rogelio M. Sarmiento, to cause the filing of the petition for review or certiorari with the Court of Appeals, and with the Supreme Court if it becomes necessary, to question the Order dated August 26, 2011 of the Regional Trial Court of Bulacan, Branch 7, sign the verification and

	certification on non-forum shopping. If a petition or extension of time has already been filed, the Board affirms his authority to file the same and sign the verification and certification on non-forum shopping.
Tuesday, 25 October 2011	No resolutions were passed.
Tuesday, 29 November 2011	The Board authorized the Corporation to sell its properties situated at Polomolok South Cotabato, covered by Transfer Certificates of Title Nos. 123178 & 123179 consisting of 103 square meters and 102 square meters respectively, at a total minimum prize of One Hundred Forty Thousand Pesos (P140,000.00).
Tuesday, 31 January 2012	The Board authorized any of the following officers, Chairman/CEO/President, Mr. Rogelio M. Sarmiento; Sales & Mktg Director, Mr. Ricardo Manuel M. Sarmiento; and Operations Director, Ms. Stephanie Nicole S. Garcia to sign, for and in behalf of the Corporation any and all written instructions for the operation of the retirement trust fund account (Trust Account No. 75-113-8) maintained by the Corporation with Rizal Commercial Banking Corporation through its Trust and Investments Group. The Corporation designated its Livestock, Poultry & Feed Production Manager, Mr. Romeo D. Licup, as counter check signatory of all the Corporation's accounts in the Visayas Areas. Resolved further, that the authority given to Mr. Renato O. Paquibot, as counter check signatory was hereby withdrawn and revoked.
Tuesday, 28 February 2012	The Board authorized the Corporation's Marketing Director, Mr. Ricardo Manuel M. Sarmiento, to transact business with Golden Arches Development Corporation (Mc Donald's Philippines) for the supply of chicken and for this purpose, to receive confidential information from said company. Authorizing to perform such act, execute Confidentially Agreement and deliver any and all documents for and in behalf of the Corporation, as may be necessary to implement the foregoing resolution.
Tuesday, 27 March 2012	The Board authorized the Corporation's Chairman/President, Mr. Rogelio M. Sarmiento to execute and deliver the deed of sale and any and all papers necessary to sells its property consisting of 1,307 square meters more or less located at Catalunan Grande, Davao City and more particularly described in TCT No. T-146-201007664 for P1,150,000.00 to Noli Colago Clarito. The Board authorized the Corporation to open savings, time, current and/or trust accounts with METROBANK, Head Office, and/or at Jaro, Iloilo City Branch. The Board authorized the Corporation to open and maintain current, savings and /or time deposit account/s with Banco De Oro Universal Bank (the "Bank") and/or avail itself of the products and services of the Bank's Transaction Banking Group ("TBG") such as without limitation to, integrated disbursements services ("IDS") payment collection services, payroll services, Cash Card services, electronic banking services, corporate internet banking ("CIB") services, and such other existing and future products and services of TBG (collectively, the "TBG Products/Services"), and be bound in accordance with and subject to the Bank's rules and regulations, terms and conditions and/or agreement (s) to be entered into with the Bank for the use and availment of the TBG Products/Services. The Board authorized the Corporation's Chairman of the Board and President, Mr. Rogelio M. Sarmiento, and the Corporation's Controller, Ms. Julieta M. Herrera to sign the Statement of Management Responsibility and such other documents and instruments with respect to the approval of the Audited Financial Statements of the Corporation as

	recommended by the Audit Committee of the Corporation and the release and submission thereof to the appropriate governmental agencies, the stockholders and other entities as may be required.

Amendment of Charter, Bylaws or Other Documents

Under the current set up, the Chairman is at the same time the Chief Executive Officer. The proposed amendments in the Corporation's By-Laws separates the position of the Chairman of the Board from that of the Chief Executive Officer. This will make for a dynamic organization. With the proposed set up, the CEO cannot unduly influence the Board's important job to assess the CEO and make a change if necessary. The Chairman of the Board, although merely presiding at board meetings, is still the *primus inter pares*, so he can exert persuasive influence on the acts of the Board and on the CE0. Besides, the two being separate, the Chair will look more for the welfare of the stockholders while the CE0 shall focus on efficiency in management. The proposed amendment intends to create a position of the C00, who will manage the day to day operations. While the CE0 sets policies and directions, the C00 implements those policies, goals and objectives. These two positions separate the planner from the doer, thus, it will make management effective and efficient. This will result in the end to the benefit of the stockholders and to all the stakeholders.

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 Reyes Tacandong & Co. 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. The Nomination Committee selected Messrs. Mr. Tomas B. Lopez Jr. and Atty.Eduardo T. Rondain as the two (2) nominees for independent directors.

* Independent Director – Mr. Manuel Q. Lim has resigned effective September 06, 2011 and had not been replaced.

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 30, 2012
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.

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

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.

For the year 2011, Gromax yielded positive results as it posted a net income of P4.5 million, a significant improvement of last year's net losses of P1.6 million.

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.

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, 2011, contribution to gross sales of the Corporation's business groups were as follows: feeds 64%, poultry 35% 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, 2011 the Corporation and its subsidiaries have a total number of 497 employees composed of supervisors, managers, executives and rank and file, with 358 regulars and 139 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**.**

Pension Costs

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

Pension cost includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized past service costs, recognition of actuarial gains (losses) and effect of any curtailments or settlements. Past service cost is amortized over a period until the benefits become vested. The portion of the actuarial gains and losses is recognized when it exceed the corridor (10% of the greater of the present value of obligation or fair value of the plan assets) at the previous reporting date, divided by the expected average remaining working lives of active plan members.

The amount recognized as defined benefit liability is the net of the present value of the defined benefit obligation at the reporting date, plus any actuarial gains not recognized minus past service cost not recognized minus the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and the past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

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

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 and 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 and Natural Resources (DENR) – for its dressing plant and 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 Feedmill Plant in Luzon conforming to ISO 9001:2008 under Certification No. CIP/3999Q/07/10/544.

At present, the Corporation is continuously complying and maintaining the requirements of the standards for Luzon, Ilo-ilo and 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 and 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 P0.6 M in 2011 , P0.9M in 2010 and P1.5 M in 2009.

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, 2011 These facilities include the following.

FEEDMILL CAPACITY

LUZON

Mill & Blending Capacity

	Model	**Rated *(Tons per hour)***	**Remarks**
2TFM	Chia-Tung	1	Owned/Mortgaged
20TFM	Buhler	20	Owned/Mortgaged
40TFM	Buhler	40	Owned/Mortgaged
	Total Rated Capacity	61	

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	2	DPBA – Buhler model	28	Owned/Mortgaged
40TFM	1	DPBA – Buhler model	14	Owned/Mortgaged
	1	DPAS - Buhler model	25	Owned/Mortgaged
Total	8	Total Rated Capacity	99	

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	4.0	Owned/Mortgaged
Total	3	Total Rated Capacity	12.0	
Extrusion (for RM)		Miltenz	6.0	Owned/Mortgaged
Grinding		Jacob Son (JB)	5.0	Owned/Mortgaged

VISAYAS

	No. of Unit/s	Model	Rated *(tons per hr)*	Remarks
Mill & Blending Capacity 20TFM	1	Buhler	20	Owned/Mortgaged
Pellet Mill Capacity	2	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	8	Owned/Mortgaged
Pellet Mill Capacity	1	**DPBA-Buhler**	**10**	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

[1]* Under lease arrangement with third party

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.

On February 18, 2011, the Rehabilitation Court issued an Order directing Philippine Charter Insurance Corporation to pay Vitarich the amount of P150M as partial payment on its insurance claim of P316M. This matter is still pending with the Court of Appeals.

On February 18, 2011, the Rehabilitation Court issued an Order pronouncing that the Corporation should continue the rehabilitation plan and can do all financial plans available to a corporation undergoing a rehabilitation.

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

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the calendar year covered by this report

PART II – OPERATIONAL AND FINANCIAL INFORMATION
Item 5. Market for Registrant's Common Equity and Related Stockholders Matters

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

	2009		**2010**		**2011**		**2012**	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
Qtr.1	0.125	0.125	0.35	0.35	0.35	0.35	0.50	0.50
Qtr.2	0.12	0.12	-	-	0.32	0.32		
Qtr.3	-	-	-	-	0.41	0.41		
Qtr.4	0.35	0.35	0.29	0.23	0.44	0.44		

The closing price of the Corporation's common shares as of the last trading date – December 29, 2011 was P0.44/ share.

As of May 16, 2012, the latest trading date prior to the completion of this annual report, sales price of the common stock was at P0.58 / 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, 2012 is 4,609 and the total number of shares outstanding on that date was 409,969,764.

Total public ownership shares as of March 31, 2012 was 46.43%.

Listed below are the top 20 stockholders of the Corporation as of April 30, 2012:

	STOCKHOLDERS	NATIONALITY	TOTAL NO. OF SHARES	CLASS	PERCENTAGE
1.	PCD Nominee Corporation	Filipino	160,399,650	Common	39.12%
2.	Metropolitan Bank & Trust Company	Filipino	97,547,396	Common	23.79%
3.	Sarmiento Management Corporation	Filipino	87,320,199	Common	21.30%
4	Pacific Equity Inc.	Filipino	11,070,217	Common	2.70%
5.	PCD Nominee Corp..	Non-Filipino	10,811,730	Common	2.64%
6..	Sarphil Corporation	Filipino	10,000,090	Common	2.44%
7.	Greli S. Legaspi	Filipino	2,390,000	Common	0.58%
8.	Rogelio M. Sarmiento	Filipino	1,595,320	Common	0.39%
9.	Yasar Corporation	Filipino	1,402,520	Common	0.34%
10.	Ma. Socorro S. Gatmaitan	Filipino	1,307,033	Common	0.32%
11.	Ma. Lourdes S. Cebrero	Canadian	1,305,320	Common	0.32%
12.	Ma. Victoria M. Sarmiento	Filipino	1,305,320	Common	0.32%
13.	Jose M. Sarmiento	Filipino	1,305,320	Common	0.32%
14.	Ma. Luz S. Roxas	Filipino	1,305,320	Common	0.32%
15.	Lorenzo M. Sarmiento Jr.	Filipino	841,095	Common	0.21%
16.	Gliceria M. Sarmiento	American	690,000	Common	0.17%
17.	Delia S. Atizado	Filipino	527,860	Common	0.13%
18.	Nelia Cruz	Filipino	527,850	Common	0.13%
19.	Zenaida Edwin B. Cua	Filipino	500,000	Common	0.12%
20.	Raymundo Honor	Filipino	399,955	Common	0.10%
	Sub-total		392,552,195		95.75%
	Other Stockholders		17,417,569	Common	4.34%
			-----------------		--------------
	Total Shares Issued & Outstanding		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 2011, 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 AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

RESULTS OF OPERATIONS – 1st Quarter ended MARCH 2012

Consolidated sales revenues for the first quarter ended March 2012 of P714.3 million rose by 14% from P629 million of same period last year. The upsurge in sales was anchored on increased demand, and aggressive distribution expansion.

Cost of goods sold consequently increased with the growth in consolidated revenues and likewise increased in line with higher commodity prices. Other operating income improved by almost 19% mainly due to mark-up in contract growing feeds and increased rental of facilities.

Operating expenses went up by 6% to P94.5 million from P89.5 million of same period last year on account of higher freight & handling costs and sales commission expenses.

As a result, the Company still managed to post a net income of P1.0 million for the first quarter of the year 2012, better than same period last year's loss of P2.3 million and a marked improvement to propel the Company's recovery from its P175.5 million comprehensive losses for full year 2011 Profits improved mainly due by higher volumes, better selling prices in the market, improved efficiencies, and effective cost reduction projects across the Company.

Moreover, as the Company is under corporate rehabilitation, it will continue to focus on its core business and strive to improve operations. Likewise, the Company will also continuously institute the programs adopted by the management pursuant to the rehabilitation plan such as the following:

- corporate branding and image rebuilding;
- launching of new products in the market;
- expanding sales and distribution networks;
- 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.

Financial Condition

Unaudited Balance Sheet as of March 31, 2012 vs. Audited December 31, 2011

The Company's consolidated total assets as of March 31, 2012 stood at P3.8 billion, slightly higher than December 2011 level. Total current assets of P1.4 billion was also slightly higher from last year. Trade & other receivables of P819.9 million increased by only 1% versus last year. Other current assets account has likewise increased from P14.9 million to P20.5 million as of the period ended. However, inventories and due from related parties account almost maintained their last year level.

Cash balance declined to P23.2 million from P42.3 million as of end-2011. The reduction in cash was attributed to net cash outflows used in operating activities particularly for working capital requirements.

Trade and other payables account of P1.1 billion for the period ended March 2012 was slightly lower as compared to year-end balance. This was due to the company's decision to impose strict measures on cash disbursement to reserve cash for operations.

Stockholders' equity increased from P 124.2 million to P125.2 million, basically due to net income posted as of the first quarter ended.

PLAN OF OPERATIONS

The Company will satisfy its cash requirements and raise additional funds for the next twelve (12) months by undertaking the following measures:

Starting June 1, 2012, the legal group will collect P5.0 million a month from the legal accounts and this will translate into P35.0 million additional cash for the next seven months.

The company is scheduled to sell some of its non-core assets with an appraised value of around P175.0 million in July of this year to raise additional working capital.

The other measures to be undertaken are the (1) continuous leasing of its properties, (2) availment of short term borrowings and (3) search for a "white knight" investor.

The Company thru its Research and Development is continuously experimenting the usage of alternative raw materials to bring down cost. High cost of major raw materials such as wheat, corn, oil and soybean meal made it imperative for the company to source alternative (and non-traditional) raw materials such as food by-products and other protein sources. These will substitute traditional grains with materials considered as by-products in order to counter the unstoppable increase in prices of commodities and minimize as well the cost impact. The company achieved breakthroughs in the use of better raw materials at much lower costs This is hand in hand with strategic buying process. Additionally, the company will improve its existing product lines to enhance sales. The company will also develop further processes and value-added products to improve its margins. Lastly, the company will develop customized products to cater the needs of HRI customers.

The company is outsourcing some of its non-core business functions. This June alone, a total of 44 Finance staff will be separated and the accounting function will be outsourced. Likewise, the company will install a nationwide payroll program that will likewise increase efficiency. Realizing that the old financial program, for which the Company had invested a substantial amount, could not fully run without further cost to be incurred, the Company hired a team of consultants competent in the field, to generate timely periodic financial reports and analysis. The key functions of Finance, however, shall be handled by permanent staff.

2011 RESULTS OF OPERATIONS AS COMPARED AGAINST 2010 and 2009

The consolidated sales revenue of Vitarich Corporation and its subsidiaries rose by 19% to P2.7 billion for the year ended 2011 as compared to P2.3 billion of last year and was slightly higher than 2009 level. Revenue growth was on account of increased sales volume of all product lines particularly dressed chicken products wherein the Company had entered into major distribution with one of the leading fast food chains in the country. The improvement was also driven by the modest increase in selling prices and sustained marketing activities of the Company. Such includes corporate branding and image building programs under which were promotional activities and visibility campaigns. This was able to expand the Company's sales and distribution network. Likewise, the Company will continue to focus on instituting measures to boost revenues and further expand its customer base. Furthermore, in order to continuously push revenue growth, steps are underway for product/brand awareness and intensification of marketing programs.

Correspondingly, cost of goods manufactured and sold increased by 19% with the growth in consolidated sales revenues and the continued effects of major raw materials price increase as well as product mix. The volatile and erratic behavior of commodities and changes in market and weather conditions had their impact on the Company's performance. High cost of major raw materials such as wheat, corn, oil and soybean meal made it imperative for the Company to source alternative (and non-traditional) raw materials. These will substitute traditional grains with materials considered as by-products in order to counter the unstoppable increase in prices of commodities and minimize as well the cost impact.

Gross profit improved by almost 16% as compared with year 2010 as a result of higher revenue contribution but was slightly lower versus 2009.

Consolidated operating expenses declined to P286 million from P329 million in 2010, primarily due to lower employee benefit expense, advertising and promotional expenses and other miscellaneous expenses. This was also due to continuous implementation of cost reduction measures and prudent spending.

Moreover, other operating income dropped by 29% and 7% as compared to 2010 and 2009, respectively. This was on account of lower revenue recognized from toll milling and toll hatching.

On a full year basis, the Company registered an operating profit of P12.2 million, a reversal of last year's operating loss of P13.8 million and better as compared to P6.4 million operating profit in 2009.

Finance costs in 2011 amounted to P190.1 million, slightly higher than P186.5 million and P171.1 million in 2010 and 2009, respectively.

Impairment loss on trade and other receivables during the year amounted to P98.2 million, higher as compared to P91.5 million in 2010 and P55.2 million in 2009. An impairment loss was also recognized on the project development cost of the Company's aqua feeds and aqua culture projects, which amounted to P10.5 million in 2011 and P10.5 million in 2009.

In 2011, the Company recognized a fair value gain on investment property amounting to P35.6 million as a result of revalued investment property at fair values as determined by an independent firm of appraisers.

For the year-end, the Company incurred a net loss of P233.8 million, higher than last year's loss of P207.1 million and P230.0 million for 2009, mainly because of operational difficulties and financing cost on its loans. Total comprehensive loss for the year 2011 was posted at P175.5 million as against P207.1 million and P178.6 million comprehensive losses in 2010 and 2009, respectively.

As the Company is under corporate rehabilitation (as discussed more fully on Note 13 of the Notes to Consolidated Financial Statements), it will continue to focus on its core business and strive to improve operations. Likewise, the Company will also continuously institute the programs adopted by the management pursuant to the rehabilitation plan such as the following:

- corporate branding and image rebuilding;
- launching of new products in the market;
- expanding sales and distribution networks;
- 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.

Financial Condition

Total resources as of December 31, 2011 amounted to P3.84 billion, 2% higher than last year of P3.78 billion, but 4% lower as compared to 2009. Total current assets of P1.4 billion slightly decreased from 2010 level and was likewise lower by almost 7% from 2009.

Trade and other receivables account of P812.6 million declined as against P818.3 million and P874.6 million in 2010 and 2009, respectively. This was mainly due to the allowance for impairment losses recognized during the year on trade and other receivables account.

Due from related parties account dropped by almost 5% as compared to both years 2010 and 2009.

Inventories account went up by 3% from previous year balance due to increase in raw materials and feeds supplement inventory account balance at year-end. However, as compared with 2009, inventories decreased by 7%.

Other current asset account had likewise increased from P10.5 million to P14.9 million as of year-end.

Cash balance declined to P42.3 million from P65.9 million as of end-2010. The reduction in cash was attributed to net cash outflows used in operating activities particularly for working capital requirements.

Other non-current assets of P20.5 million decreased from last year's balance of P29.4 million due to the impairment loss recognized on project development cost.

Trade and other payables account went up by almost 13% on account of increased trade payables account arising from purchases of raw materials related to the normal course of business. This was due to the Company's decision to impose strict measures on cash disbursement to reserve cash for operations. Likewise, accrued interest account for the year increased from P173.8 million to P233.8 million.

Stockholders' equity as of the end of December 31, 2011 amounted to P124.2 million, lower as against last year's balance of P299.7 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 increased by almost 7% from previous year's volume. Likewise, average selling price improved as compared to last year. Food sales volume as of the year ended was 8,826.8 MT, higher as against last year's 5,645.4 MT.

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 2011			December 2010		
	Volume	Price	Revenue (000) omitted	Volume	Price	Revenue (000) omitted
Feeds						
Animal	986.3	1,076.7	1,062.0	955.1	1,025.3	979.3
Aqua	503.9	1,135.52	572.2	434.2	1,112.4	483.0
Poultry						
DOC	3,889.3	20.7	80.5	5,279.4	19.09	100.8
Hogs	1.1	4,186.46	4.8	.7	4,482.96	3.1
Foods	8,826.8	90.22	793.9	5,645.4	86.56	488.7

Cost Contribution	December 2011	December 2010
Feeds	(000 omitted in peso)	(000 omitted in peso)
Animal	843.6	843.6
Aqua	418.6	418.6
Poultry		
DOC	105.7	105.7
Hogs	2.0	20
Foods	490.0	490.0

Gross Profit Rate	December 2011	December 2010
Feeds		
Animal	14%	14%
Aqua	13%	13%
Poultry		
DOC	-5%	-5%
Hogs	35%	35%
Foods	0%	0%

Operating Margin	December 2011	December 2010
Feeds	(000 omitted in peso)	(000 omitted in peso)
Animal	46.1	46.1
Aqua	.8	.8
Poultry		
DOC	7.8	7.8
Hogs	1.0	10
Foods	(6.5)	(6.5)

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:

Restructured Debt

Debt at Discounted Value

The debt was originally obtained from local creditor banks and was restructured pursuant to the Plan approved by the Court on May 31, 2007 as discussed in Note 1. Several of these creditor banks have transferred their interest in the loans to SPAV Companies. A summary of the restructured debt at discounted value is presented below:

	2011	2010 (As Restated - see Note 23)	2009 (As Restated - see Note 23)
Debt at original amount	**₱3,254,367,021**	₱3,254,367,021	₱3,254,367,021
Payments to date:			
Balance at beginning of year	**(177,838,883)**	–	–
Payments	**–**	(177,838,883)	–
Balance at end of year	**(177,838,883)**	(177,838,883)	–
	3,076,528,138	3,076,528,138	3,254,367,021
Unamortized discount at original amount	**1,596,973,858**	1,596,973,858	1,596,973,858
Accretion to date:			
Balance at beginning of year	**563,697,898**	415,135,966	244,009,708
Accretion	**127,120,788**	148,561,932	171,126,258
Balance at end of year	**690,818,686**	563,697,898	415,135,966
	906,155,172	1,033,275,960	1,181,837,892
Discounted value	**2,170,372,966**	2,043,252,178	2,072,529,129
Current maturing portion	**(30,946,243)**	(10,188,064)	–
Restructured debt - long term portion	**₱2,139,426,723**	₱2,033,064,114	₱2,072,529,129

The debt as at May 31, 2007 was remeasured at fair value (subsequently at amortized cost) based on the terms of the plan using the prevailing effective interest rate of 9% at that time.

The computation of the amortized cost of the loans, however, was revised in 2010 because of changes in the assumptions used. The terms of payment of the debt are on an annual basis, contrary to the previous assumption used, that is on a quarterly basis. This was affirmed by a Court order dated February 18, 2011. Moreover, as discussed in Note 11, the Company's sale of its non-core assets through dacion en pago in 2010 reduced the principal amount of the debt. The remeasurement resulted in a prior period adjustment in 2010 decreasing the original amount of the discount and increasing the deficit as at January 1, 2010 by ₱113.6 million.

In 2011, the restructured debt was revalued to recognize the accrued interest based on the Plan resulting in a decrease in deficit amounting to ₱67.9 million as at January 1, 2011.

Debt at Original Amount and Terms Under the Plan

As at December 31, 2011, 2010 and 2009, the outstanding balance of the debt (at original value) is due to the following:

	2011	2010	2009
Creditor banks	**₱1,546,458,088**	₱1,546,458,088	₱1,554,215,097
SPAV companies	**1,530,070,050**	1,530,070,050	1,700,151,924
	₱3,076,528,138	₱3,076,528,138	₱3,254,367,021

The Plan provides, among others, for the following:

(a) a modified debt restructuring scheme for a period not exceeding 15 years ;

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

(i) Years 1 to 3 - at 1% per annum
(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

(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 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 in 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.

Based on the Plan, the Debt Scheduling Payment is summarized below:

	Principal	Interest	Accretion of Discount
Within 1 to 3 years	₱–	₱–	₱488,979,047
Within 4 to 6 years	251,829,694	187,292,955	390,846,002
Within 7 to 9 years	432,736,704	260,066,196	358,242,338
Within 10 to 15 years	2,569,800,623	521,154,604	358,906,471
	₱3,254,367,021	₱968,513,755	₱1,596,973,858

Compliance with the Plan

The Court denied the motion filed by the creditor banks to terminate the implementation of the Plan on February 18, 2011. The Company is not in default because the first installment on the debt is due on May 31, 2011 and not on June 1, 2010. When the Plan states that the payment is due in Year 4, it means that the Company has 365 days to pay the obligation from June 1, 2010, the start of Year 4. The Court further agreed with the Receiver that the Company was doing good until a typhoon destroyed its properties in 2009. Because of the delay in the release of the initial proceeds by the insurance company as discussed in Note 7, the Company had to use its working fund to repair machinery and equipment and replenish the damaged inventories. The Court ruled that the termination is premature and allowed the Company to comply with the Debt Scheduling Payment.

On May 13, 2011, the Company assigned to the creditors: ₱79.0 million of the receivable from Philippine Charter Insurance Company; receivable from the expropriation of Company properties, and; ₱21.0 million receivable from Luzco, Inc. to comply with the maturing obligation under the Debt Scheduling Payment.

On June 1, 2011, the Court directed Philippine Charter Insurance Corporation to pay ₱79.0 million to the Receiver as partial insurance proceeds to be distributed to the creditors as settlement for the first installment.

These Court Orders are subject to appeal by the creditor banks and are now pending with the Court of Appeals. Management and its legal counsel believe that the case will be ruled in its favor. Under the Interim Rules on Corporate Rehabilitation, the Court Order is executory. Thus, the appeal will not stay the Court Order.

Any event that will trigger direct or contigent 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.

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% and 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 and 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 and 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 and 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 and 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.

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 and 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.

FINANCIAL STATEMENTS

The Consolidated Audited Financial Statement of the Corporation for the year-ended December 31,2011 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.

Involvement in Certain Legal Proceedings

The registrant has no knowledge of any event during the past five (5) years up to the latest filing date in which any of its director or executive officer being involve in any criminal or bankruptcy proceedings or subject of any order or judgment of any court or quasi-judicial agency, whether local or foreign effecting his involvement in business, securities, commodities or banking activities.

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 22** 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 24, 2011	a. Election of Board of Directors, Officers, Audit Committee and Compensation and Nomination Committee during the Annual Stockholders' Meeting. b. Appointment of the accounting firm of Reyes Tacandong & Co as the external auditors of the Corporation for the fiscal year 2011 .
July 18, 2011	Filing of the Certification of Qualification of the Company's Independent Directors.
July 22, 2011	An order from the Rehabilitation Court, Regional Trial Court of Bulacan Branch 7, granting the assignment of P79M made by Vitarich Corporation out of its P316M insurance claim and accordingly, directed Philippine Charter Insurance Corporation (PhilCharter) to deliver the said amount of P79M to the corporate receiver for distribution to creditors as partial payment of its corporate loan.
Sept 06, 2011	Resignation of Mr. Manuel Q. Lim as Independent Director of the Corporation due to health reasons.
Dec. 20, 2011	Filing of Certification for Board of Directors Attendance for the year 2011
Jan. 09. 2012	Filing of the Compliance Officer's Sworn Certification on the compliance of the Company of the provisions of the Manual on Corporate Governance
Feb. 28, 2012	Election of Mr. Tomas B. Lopez Jr. as Independent Director of Vitarich Corporation during the Board Meeting held on February 28, 2012.
March 01, 2012	Filing of the Certification of Qualification for the newly elected Independent Director Mr. Tomas B. Lopez Jr.
April 16, 2012	SEC approval of amendment to Articles of Incorporation extending the corporate life for another fifty (50) years starting on July 31, 2012.

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.

The Company has substantially complied with the provisions of its Manual on Corporate Governance. As required by the Commission, a Certification of Compliance with the Manual was submitted in January 09, 2012.

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 and 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 and 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 2011.

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.

VITARICH CORPORATION
INTERIM FINANCIAL STATEMENTS
1ST QUARTER REPORT ENDED MARCH 2012

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FIRST QUARTER ENDED MARCH 31, 2012 AND THE YEAR ENDED DECEMBER 31, 2011
(in thousands)

	MARCH 2012	(audited) DECEMBER 31,2011
ASSETS		
Current Assets		
Cash	23,233	42,282
Trade and other receivables	819,925	812,636
Due from related parties - net	97,340	97,604
Inventories	460,156	451,983
Other current assets-net	20,510	14,954
Total Current Assets	1,421,164	1,419,458
Noncurrent Assets		
Property, plant and equipment	1,627,220	1,632,881
Investment property	767,010	767,517
Other noncurrent assets	20,398	20,470
Total Noncurrent Assets	2,414,628	2,420,868
	3,835,792	3,840,327
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	1,091,683	1,097,130
Current portion of restructured debt	30,946	30,946
Income tax payable	570	570
Total Current Liabilities	1,123,199	1,128,647
Noncurrent Lialbilities		
Restructured debt -net of current portion	2,139,427	2,139,427
Trade and other payables	168,822	168,822
Deferred tax liabilities-net	155,455	155,455
Retirement benefit obligation	102,370	101,159
Cash bond deposits	21,296	22,612
Total Noncurrent Liabilities	2,587,370	2,587,475
Equity		
Capital Stock	409,970	409,970
Additional paid-in capital	913,740	913,740
Revaluation reserve	806,331	806,331
Deficit	(2,004,817)	(2,005,835)
Total Equity	125,223	124,205
	3,835,792	3,840,327

VITARICH CORPORATION & SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FIRST QUARTER ENDED MARCH 31, 2012 AND 2011

(in thousands)

	2012 JAN - MARCH	2011 JAN - MARCH	AUDITED DEC 31, 2011
SALES OF GOODS	714,270	628,660	2,697,847
COSTS OF GOOD SOLD	647,342	565,500	2,506,176
GROSS PROFIT	66,928	63,160	191,671
OTHER OPERATING EXPENSES (INCOME)			
Operating Expenses	94,530	89,493	286,301
Other Operating Income	(28,620)	(24,077)	(106,863)
	65,910	65,416	179,437
OPERATING PROFIT (LOSS)	1,018	(2,256)	12,234
OTHER CHARGES (INCOME)			
Finance costs			190,083
Impairment loss on:			
Trade and other receivables			98,236
Project development cost			10,456
Due from related parties			3,950
Fair value loss(gain) from investment property			(35,640)
Finance income			(716)
	-	-	266,370
PROFIT (LOSS) BEFORE TAX	1,018	(2,256)	(254,136)
TAX BENEFIT			20,375
NET INCOME (LOSS)	1,018	(2,256)	(233,762)
OTHER COMPREHENSIVE INCOME			
Additional revaluation reserve on property, plant & equipment			83,167
Deferred income tax expense			(24,950)
	-	-	58,217
TOTAL COMPREHENSIVE INCOME (LOSS)	1,018	(2,256)	(175,544)

EARNING / (LOSS) PER SHARE:

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

Net income (loss)	1,018	(2,256)	(233,762)
Divided by the weighted average number of outstanding shares	409,970	409,970	409,970
EARNINGS / (LOSS) PER SHARE - basic & diluted	0.002	(0.006)	(0.57)

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED MARCH 31, 2012 AND 2011

	MARCH 2012	MARCH 2011	AUDITED DEC 31, 2011
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	806,331	756,430	756,430
Transfer to deficit of revaluation reserve absorbed through depreciation			(8,316)
Other comprehensive income			58,217
Balance, end of the year / quarter	806,331	756,430	806,331
RETAINED EARNINGS			
Balance, beginning of year	(2,005,835)	(1,803,596)	(1,803,596)
Prior period adjustments			23,206
As restated	(2,005,835)	(1,803,596)	(1,780,390)
Transfer to deficit of revaluation reserve absorb through depreciation	-	-	8,316
Net income (loss)	1,018	(2,256)	(233,762)
Balance, end of the year / quarter	(2,004,817)	(1,805,852)	(2,005,835)
TOTAL EQUITY	125,224	274,288	124,205

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED MARCH 31, 2012 AND 2011

	MARCH 2012	MARCH 2011	AUDITED DEC 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax	1,018	(2,256)	(254,136)
Adjustments for:			
Finance cost			190,083
Depreciation	18,924	19,644	60,714
Impairment loss on project development cost			10,456
Property plant & equipment			-
Retirement benefits			4,866
Fair value(gain) loss from investment property			(35,640)
Finance income			(716)
Operating profit before working capital changes	19,942	17,388	(24,374)
Decrease (increase) in:			
Trade & other receivables	(7,289)	(9,638)	5,898
Inventories	(8,173)	(14,422)	(14,351)
Other Current Assets	(5,556)	(4,362)	(4,433)
Net Due from related parties	264	1,207	5,101
Other non-current assets	72	(2,961)	(1,435)
Increase (decrease) in:			
Trade & other payables	(5,447)	(29,411)	52,248
Cash bond deposits	(1,316)	(306)	2,640
Retirement Benefit Obligation	2,582	2,267	
Total Changes in Working Capital	(4,922)	(40,238)	21,295
Interest received			485
Interest paid			(76)
Retirement benefits paid	(1,371)	(796)	(9,376)
Cash paid for income taxes			(6,242)
Net Cash Provided by Operating Activities	(6,293)	(41,034)	6,086
CASH FLOWS FROM INVESTING ACTIVITIES			
Net acquisitions of property and equipment	(13,263)	7,349	(31,329)
Acquisitions of investment property	507		(11)
Proceeds from sale of investment property			1,610
Net cash Used in Investing Activities	(12,756)	7,349	(29,730)
NET INCREASE(DECREASE) IN CASH	(19,049)	(33,685)	(23,644)
CASH AT BEGINNING OF YEAR	42,282	65,926	65,926
CASH AT END OF PERIOD	23,233	32,241	42,282

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **TOMAS B. LOPEZ JR.,** Filipino, of legal age and a resident of JP Rizal St. Makati 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
NMB Investco	Board of Director	1995-1997
Jazz Box Group	Chairman of the Board	1995-1997
Philippines Favorite Chicken	Board of Director	1995-1998
Triten Incorporated	Board of Director	1995-1998
Manila Machinery & Supply Co.	Board of Director	1995-1998
Weighmaster Corporation	Chairman of the Board	1994-1998
Home Development Mutual Fund	Trustee	2011- present
University of Makati	President	2000-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 01 MAR 2012 ____________ at __________________.

TOMAS B. LOPEZ JR
Affiant

SUBSCRIBED AND SWORN to before me this 01 day of ________ 2012, at __________, affiant who is personally known to me exhibiting to me his Community Tax Cert. No. ____________ issued at ____________ on __________ 2012.

Doc. No. 191;
Page No. 40;
Book No. 147;
Series of 2012.

CONRADO PINEDA SAJOR
NOTARY PUBLIC
UNTIL DEC. 31, 2012
IBP NO. 813845 / BULACAN / 12-1-10
PTR NO. 0307537 / MARILAO, BULACAN / 1-3-11
ATTORNEYS ROLL NO. 41436, MAY 7, 1997
POBLACION 1, MARILAO, BULACAN

VITARICH

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Vitarich Corporation & its subsidiaries is responsible for the preparation and fair presentation of the financial statements as of and for the years ended December 31, 2011, 2010 and 2009, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

ROGELIO M. SARMIENTO
Chairman / CEO

JULIETA M. HERRERA
Controller

Subscribed and sworn before me this APR 13 2012, 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
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REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Vitarich Corporation and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vitarich Corporation and Subsidiaries as at December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

The ability of the Group to continue as a going concern depends largely on their ability to successfully implement the Rehabilitation Plan and the programs adopted to improve operations as discussed in Note 1 to consolidated financial statements.

Other Matters

The consolidated financial statements of Vitarich Corporation and Subsidiaries as at and for the years ended December 31, 2010 and 2009 were audited by another auditor whose report dated April 26, 2011, expressed a qualified opinion on those statements because of their inability to determine whether any adjustments might have been necessary in respect of recorded or unrecorded amounts relating to trade and other receivables (about ₱6.9 million) and trade and other payables (about ₱11.0 million) because of the unavailability of certain supporting documents. The opinion of the auditor, however, does not include prior period adjustments discussed in Note 23 to consolidated financial statements.

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Issued January 2, 2012, Makati City

April 11, 2012
Makati City, Metro Manila

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

(With Comparative Figures for 2010 and 2009)

	2011	2010 (As Restated - Note 23)	2009 (As Restated - Note 23)
ASSETS			
Current Assets			
Cash	**₱42,281,860**	₱65,925,992	₱56,482,032
Trade and other receivables (Notes 7, 13, 28 and 29)	**812,635,657**	818,302,854	874,575,160
Due from related parties - net (Notes 22, 28 and 29)	**97,603,792**	102,704,292	102,906,302
Inventories (Note 8)	**451,983,359**	437,632,549	486,704,700
Other current assets (Note 9)	**14,953,809**	10,520,313	3,953,327
Total Current Assets	**1,419,458,477**	1,435,086,000	1,524,621,521
Noncurrent Assets			
Property, plant and equipment (Note 10)	**1,632,880,861**	1,599,867,071	1,749,778,337
Investment property (Note 11)	**767,516,950**	712,706,960	706,277,851
Other noncurrent assets (Note 9)	**20,470,342**	29,491,631	30,358,555
Total Noncurrent Assets	**2,420,868,153**	2,342,065,662	2,486,414,743
	₱3,840,326,630	₱3,777,151,662	₱4,011,036,264
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 12, 22, 28 and 29)	**₱1,097,129,945**	₱955,988,363	₱867,889,103
Current portion of restructured debt (Notes 13, 28 and 29)	**30,946,243**	10,188,064	–
Income tax payable (Note 21)	**570,460**	1,492,606	2,084,504
Total Current Liabilities	**1,128,646,648**	967,669,033	869,973,607
Noncurrent Liabilities			
Restructured debt - net of current portion (Notes 13, 28 and 29)	**2,139,426,723**	2,033,064,114	2,072,529,129
Trade and other payables (Notes 12, 28 and 29)	**168,822,359**	194,829,728	227,616,585
Deferred tax liabilities - net (Note 21)	**155,455,395**	156,199,370	214,163,950
Retirement benefit obligation (Note 19)	**101,158,813**	105,668,585	97,795,423
Cash bond deposits (Notes 14 and 28)	**22,611,662**	19,971,342	22,065,167
Total Noncurrent Liabilities	**2,587,474,952**	2,509,733,139	2,634,170,254
Equity			
Capital stock (Note 23)	**409,969,764**	409,969,764	409,969,764
Additional paid-in capital	**913,739,669**	913,739,669	913,739,669
Revaluation reserve (Note 24)	**806,331,087**	756,430,055	824,682,288
Deficit (Note 1)	**(2,005,835,490)**	(1,780,389,998)	(1,641,499,318)
Total Equity	**124,205,030**	299,749,490	506,892,403
	₱3,840,326,630	₱3,777,151,662	₱4,011,036,264

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

(With Comparative Figures for 2010 and 2009)

	2011	2010 (As Restated - Note 23)	2009 (As Restated - Note 23)
SALE OF GOODS (Note 22)	**₱2,697,846,832**	₱2,263,867,724	₱2,630,742,850
COST OF GOODS SOLD (Notes 15 and 22)	**2,506,175,806**	2,098,304,720	2,435,493,193
GROSS PROFIT	**191,671,026**	165,563,004	195,249,657
OPERATING EXPENSES (INCOME)			
Administrative expenses (Note 17)	**161,698,940**	186,925,880	159,503,453
Selling and distribution costs (Note 17)	**124,601,771**	142,351,410	144,140,169
Other operating income (Note 16)	**(106,863,456)**	(149,872,736)	(114,827,818)
	179,437,255	179,404,554	188,815,804
OPERATING PROFIT (LOSS)	**12,233,771**	(13,841,550)	6,433,853
OTHER CHARGES (INCOME)			
Finance costs (Notes 13 and 18)	**190,082,768**	186,532,871	171,126,258
Impairment loss on:			
Trade and other receivables (Note 7)	**98,236,441**	91,519,642	55,185,686
Project development cost (Note 9)	**10,456,132**	–	10,456,132
Due from related parties (Note 22)	**3,950,463**	–	–
Finance income	**(715,855)**	(418,059)	(37,646)
Fair value loss (gain) from investment property (Note 11)	**(35,639,909)**	–	19,665,570
Gain on sale of property, plant and equipment and investment property (Notes 10 and 11)	**–**	(31,792,206)	(130,000)
	266,370,040	245,842,248	256,266,000
LOSS BEFORE INCOME TAX	**(254,136,269)**	(259,683,798)	(249,832,147)
TAX BENEFIT (Note 21)	**20,374,562**	52,540,885	19,857,922
NET LOSS (Note 25)	**(233,761,707)**	(207,142,913)	(229,974,225)
OTHER COMPREHENSIVE INCOME			
Additional revaluation reserve on property, plant and equipment (Notes 10 and 24)	**83,167,496**	–	73,413,322
Deferred income tax expense (Note 24)	**(24,950,249)**	–	(22,023,997)
	58,217,247	–	51,389,325
TOTAL COMPREHENSIVE LOSS	**(₱175,544,460)**	(₱207,142,913)	(₱178,584,900)
LOSS PER SHARE - BASIC AND DILUTED (Note 25)	**₱0.57**	₱0.51	₱0.56

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

(With Comparative Figures for 2010 and 2009)

	Capital Stock	Additional Paid-in Capital	Revaluation Reserve	Deficit (As Restated - Note 23)	Total
Balance at January 1, 2011					
As previously reported	**₱409,969,764**	**₱913,739,669**	**₱756,430,055**	**(₱1,803,595,815)**	**₱276,543,673**
Prior period adjustments in 2011 (Note 23)	**–**	**–**	**–**	**23,205,817**	**23,205,817**
As restated	**409,969,764**	**913,739,669**	**756,430,055**	**(1,780,389,998)**	**299,749,490**
Transfer to deficit of revaluation reserve absorbed through depreciation, net of tax (Note 24)	**–**	**–**	**(8,316,215)**	**8,316,215**	**–**
Total comprehensive loss for the year:					
Net loss for the year	**–**	**–**	**–**	**(233,761,707)**	**(233,761,707)**
Other comprehensive income, net of tax (Note 24)	**–**	**–**	**58,217,247**	**–**	**58,217,247**
	–	**–**	**49,901,032**	**(225,445,492)**	**(175,544,460)**
Balance at December 31, 2011	**₱409,969,764**	**₱913,739,669**	**₱806,331,087**	**(₱2,005,835,490)**	**₱124,205,030**
Balance at January 1, 2010					
As previously reported	₱409,969,764	₱913,739,669	₱824,682,288	(₱1,553,748,423)	₱594,643,298
Prior period adjustments in 2011 (Note 23)	–	–	–	25,859,296	25,859,296
Prior period adjustment in 2010 (Note 23)				(113,610,191)	(113,610,191)
As restated	409,969,764	913,739,669	824,682,288	(1,641,499,318)	506,892,403
Transfer to deficit of revaluation reserve realized through sale, net of tax (Notes 10 and 24)	–	–	(65,327,531)	65,327,531	–
Transfer to deficit of revaluation reserve absorbed through depreciation, net of tax (Note 24)	–	–	(2,924,702)	2,924,702	–
Total comprehensive loss for the year:					
Net loss for the year	–	–	–	(207,142,913)	(207,142,913)
	–	–	(68,252,233)	(138,890,680)	(207,142,913)
Balance at December 31, 2010	₱409,969,764	₱913,739,669	₱756,430,055	(₱1,780,389,998)	₱299,749,490
Balance at January 1, 2009					
As previously reported	₱409,969,764	₱913,739,669	₱777,106,003	(₱1,331,273,666)	₱769,541,770
Prior period adjustments in 2011 (Note 23)	–	–	–	25,410,194	25,410,194
Prior period adjustment in 2010 (Note 23)				(109,474,661)	(109,474,661)
As restated	409,969,764	913,739,669	777,106,003	(1,415,338,133)	685,477,303
Transfer to deficit of revaluation reserve absorbed through depreciation, net of tax (Note 24)	–	–	(3,813,040)	3,813,040	–
Total comprehensive loss for the year:					
Net loss for the year	–	–	–	(229,974,225)	(229,974,225)
Other comprehensive income, net of tax (Note 24)	–	–	51,389,325	–	51,389,325
	–	–	47,576,285	(226,161,185)	(178,584,900)
Balance at December 31, 2009	₱409,969,764	₱913,739,669	₱824,682,288	(₱1,641,499,318)	₱506,892,403

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Figures for 2010 and 2009)

	2011	2010 (As Restated - Note 23)	2009 (As Restated - Note 23)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	**₱254,136,269**	₱259,683,798	₱249,832,147
Adjustments for:			
Finance cost (Notes 13 and 18)	**190,082,768**	186,532,871	171,126,258
Depreciation (Note 10)	**60,713,520**	69,056,047	81,406,668
Impairment loss on project development cost (Note 9)	**10,456,132**	–	10,456,132
Property, plant and equipment (Note 10)	–	1,507,133	–
Retirement benefits (Note 19)	**4,866,068**	12,484,410	9,049,036
Fair value (gain) loss from investment property (Note 11)	**(35,639,909)**	–	19,665,570
Finance income	**(715,855)**	(418,059)	(37,646)
Gain on sale of property, plant and equipment and investment property (Notes 10 and 11)	–	(31,792,206)	(130,000)
Operating profit before working capital changes	**(24,373,545)**	(22,313,602)	41,703,871
Decrease (increase) in:			
Trade and other receivables	**5,898,115**	54,394,217	(54,136,525)
Due from related parties	**5,100,500**	202,010	6,271,279
Inventories	**(14,350,810)**	49,072,151	40,545,561
Other current assets	**(4,433,496)**	(3,726,871)	4,922,722
Other noncurrent assets	**(1,434,843)**	866,922	220,330
Increase (decrease) in:			
Trade and other payables	**52,248,278**	21,322,874	(15,880,912)
Cash bond deposits	**2,640,320**	(2,093,825)	89,033
Cash generated from operations	**21,294,519**	97,723,876	23,735,359
Retirement benefits paid	**(9,375,840)**	(4,611,248)	(8,373,852)
Interest received	**484,934**	418,059	32,254
Interest paid	**(76,045)**	(5,250)	–
Cash paid for income taxes	**(6,241,806)**	(6,015,588)	(4,743,387)
Net cash provided by operating activities	**6,085,762**	87,509,849	10,650,374

(Forward)

	2011	2010 (As restated - Note 23)	2009 (As restated - Note 23)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment (Note 10)	**(₱31,328,733)**	(₱62,680,305)	(₱14,264,022)
Proceeds from sale of investment property	**1,609,631**	–	–
Acquisitions of investment property (Note 11)	**(10,792)**	(15,385,584)	(15,635,950)
Proceeds from sale of property, plant and equipment	**–**	–	130,000
Net cash used in investing activities	**(29,729,894)**	(78,065,889)	(29,769,972)
NET INCREASE (DECREASE) IN CASH	**(23,644,132)**	9,443,960	(19,119,598)
CASH AT BEGINNING OF YEAR	**65,925,992**	56,482,032	75,601,630
CASH AT END OF YEAR	**₱42,281,860**	₱65,925,992	₱56,482,032

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(With Comparative Information for 2010 and 2009)

1. General Information and Status of Operations

Corporate Information

Vitarich Corporation (the Company or Parent Company) was registered with the Securities and Exchange Commission (SEC) on July 31, 1962. On March 30, 2012, the SEC approved the extension of its corporate life for another 50 years. Its shares of stock are registered with the Philippine Stock Exchange. The Company has 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 production and distribution of 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.

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

The consolidated financial statements of the Group for the year ended December 31, 2011 were authorized for issue by the Company's Board of Directors (BOD) on April 11, 2012.

Status of Operations

The Group has incurred losses of ₱233.8 million, ₱207.1 million and ₱230.0 million in 2011, 2010 and 2009, respectively, mainly because of operational difficulties and financing cost on its loans. These conditions raise substantial doubts about the Group's ability to continue as a going concern.

To address these conditions, the Company filed a petition for a corporate rehabilitation with the Regional Trial Court of Malolos, Bulacan (the Court). The Court appointed a rehabilitation receiver for the Company and approved a modified rehabilitation plan (Plan) submitted by the receiver on May 31, 2007. The Plan provides, among others, for a longer payment term at lower interest rates as discussed in Note 13 and the implementation of programs to improve operations.

Pursuant to this Plan, Management has adopted the following programs:

- corporate branding and image rebuilding;
- launching of new products in the market;
- expanding sales and distribution networks;
- 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.

Moreover, in February 2010, the Court approved the disposal of the Company's non-core assets comprising of the investment property and property, plant and equipment to settle portion of the liabilities as discussed in Notes 10 and 11.

The ability of the Group to continue as a going concern depends largely on its successful implementation of the Plan and the program to improve its operations. 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. Basis of Preparation and Statement of Compliance

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

Moreover, the consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC.

This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

3. Summary of Significant Changes in PFRS

<u>Adoption of New and Revised PFRS</u>
The Group adopted new and revised PFRS effective January 1, 2011. These are summarized below:

- PAS 24, *Related Party Disclosures* (Amended) – The amended standard simplified the definition of a related party by clarifying relationships that are considered to be related parties to assure consistency in the application of the standard.

- PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues* (Amended) – Rights issues (and certain options or warrants) are classified as equity instruments when the rights are given pro rata to all existing owners of the same class of an entity's non-derivative equity instruments, or given to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* – The amendment provides guidance on assessing the recoverable amount of a net pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* – The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instrument issued is measured at its fair value. If the fair value cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

- Improvements to PFRS

  The omnibus amendments to PFRS were issued in May 2011 primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

  - PFRS 3, *Business Combinations*
  - PFRS 7, *Financial Instruments: Disclosures*
  - PAS 1, *Presentation of Financial Statements*
  - PAS 27, *Consolidated and Separate Financial Statements*
  - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

The foregoing new and revised PFRS have no significant impact on the amounts and disclosures in the consolidated financial statements of the Group.

<u>Future Changes in PFRS</u>
Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2011, have not been applied in preparing the consolidated financial statements are summarized below:

Effective for annual periods beginning on or after July 1, 2011:

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements* – Additional disclosure on financial assets that have been transferred but not derecognized and the continuing involvement in the derecognized assets is required to enable the user of the financial statements to evaluate related risks.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* – The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, 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 around the end of a reporting period.

- PFRS 7, *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

Effective for annual periods beginning on or after July 1, 2012:

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* – The amendment changed the presentation of items in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

Effective for annual periods beginning on or after January 1, 2012:

- PAS 12, *Income Taxes, Recovery of Underlying Assets* – The amendment clarified the determination of deferred tax on investment property measured at fair value under PAS 40, *Investment Property*. The deferred tax should be determined considering that the carrying value of the investment property will be recovered through a sale transaction. Moreover, the deferred tax on non-depreciable assets that are measured using the revaluation model under PAS 16 *Property, Plant and Equipment,* should always be measured on the sale value of the asset.

Effective for annual periods beginning on or after January 1, 2013:

- PAS 19*, Employee Benefits* (Amendment) – There were numerous changes ranging from the fundamental such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

- PAS 27, *Separate Financial Statements* (As Revised in 2011) – As a consequence of the new PFRS 10, *Consolidated Financial Statements,* and PFRS 12, *Disclosures of Involvement with Other Entities,* PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (As Revised in 2011) – This standard describes the application of the equity method to investments in joint ventures and associates.

- PFRS 10, *Consolidated Financial Statements* – The standard replaces the portion of PAS 27, that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. This will require management to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 11*, Joint Arrangements* – PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. The standard removes the option to account for jointly controlled entities using proportionate consolidation. Instead, joint venture entities that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Involvement with Other Entities* – The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31, *Interests in Joint Ventures* and PAS 28, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement* – The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – The standard is the first phase in the replacement of PAS 39, *Financial Instruments: Recognition and Measurement,* and applies to classification and measurement of financial assets as defined in PAS 39. The completion of the changes is expected in the first half of 2012.

Deferred effectivity:

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* (IFRIC 15) – The FRSC has approved in September 2011 the deferral of the effectivity of IFRIC 15 until the final revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts* or PAS 18, *Revenue* and, accordingly, when revenue from the construction should be recognized.

Under prevailing circumstances, except for PAS 19, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements.

4. **Summary of Significant Accounting Policies**

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

Basis of Consolidation

Subsidiaries – Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are considered. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

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

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

Financial Assets and Liabilities

Date of Recognition. Financial instruments are recognized in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition. Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of financial instruments, except for financial instruments classified at fair value through profit or loss (FVPL).

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

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

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

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

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

The Group's cash and cash equivalents, trade and other receivables, and due from related parties are classified under this category.

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

The Group's trade and other payables and restructured debt are classified as other financial liabilities.

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

Impairment of Financial Assets Carried at Amortized Cost

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

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

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

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

Offsetting of Financial Instruments

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

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:

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.

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.

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 statement of comprehensive income. 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:

Asset Type	Number of Years
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.

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 statement of comprehensive income in the year the item is derecognized.

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 the statement of comprehensive income as Fair Value Loss (Gain) on Investment Property and Gain (Loss) on Sale of Investment Property, 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.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Project Development Cost

Project development cost 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 are recognized as expense 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 Group's aqua feeds and aqua culture projects are recognized as project development cost provided they meet the following recognition requirements:

a. there is a demonstration of technical feasibility of the prospective product for internal use or sale;

b. the intangible asset will generate probable economic benefits through internal use or sale;

c. sufficient technical, financial and other resources are available for completion; and,

d. the intangible asset can be reliably measured.

All other development costs are expensed as incurred.

Financial Liabilities

Financial liabilities, which include restructured debt, 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 under the caption "Finance Costs" in the consolidated statement of comprehensive income.

Restructured debt is raised for support of long-term funding of operations. It is 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 accretion 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, except when the timing of payment or refund cannot be reasonably estimated.

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.

<u>Provisions and Contingencies</u>

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.

Revenue Recognition

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

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

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

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

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

Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statement of comprehensive income 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.

Leases

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

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

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

Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Related Party Transactions
Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. Related parties may be individuals or corporate entities.

Impairment of Nonfinancial Assets
Nonfinancial assets consisting of project development cost, property, plant and equipment and investment property are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over remaining useful life.

Pension Costs

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

Pension cost includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized past service costs, recognition of actuarial gains (losses) and effect of any curtailments or settlements. Past service cost is amortized over a period until the benefits become vested. The portion of the actuarial gains and losses is recognized when it exceed the corridor (10% of the greater of the present value of obligation or fair value of the plan assets) at the previous reporting date, divided by the expected average remaining working lives of active plan members.

The amount recognized as defined benefit liability is the net of the present value of the defined benefit obligation at the reporting date, plus any actuarial gains not recognized minus past service cost not recognized minus the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and the past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

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

Income Taxes
Income tax for the year comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

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

With respect to investments in associates and interests in joint ventures, deferred tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Earnings (Loss) per Share
Earnings per share (EPS) is determined by dividing net income (loss) by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgment

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

Functional Currency. Management uses judgment in assessing the functional currency of the Parent Company and its subsidiaries. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity.

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

There are on-going litigations filed against the Parent Company and its subsidiaries that would have a material adverse impact on the Group's financial condition and results of operations.

Leases. The Group has operating lease agreements as lessor and lessee. As a lessor, the Group determined that significant risks and rewards of ownership of the leased properties are retained with the Group. As a lessee, the Group determined that significant risks and rewards of ownership of the leased properties are retained by the lessor.

Capitalization of Development Costs. Careful judgment by management is applied when deciding whether the recognition requirements for development costs relating to the Group's aqua feeds and aqua culture projects, in contrast with research, have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the information available at the end of each reporting period. In addition, all internal activities related to the research and developments of new products are continuously monitored by the Group's management. As at December 31, 2008, the Group had already stopped developing the aqua feeds and aqua culture projects.

The accumulated capitalized development costs as at December 31, 2011, 2010 and 2009 amounted to ₱31.4 million, respectively. The allowance for impairment as at December 31, 2011 amounted to ₱20.9 million (provision for impairment of ₱10.5 million and ₱10.5 million was made in 2010 and 2009, respectively) (see Note 9).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

Inventories carried at lower of costs or NRV as at December 31, 2011 amounted to ₱452.0 million (₱437.6 million and ₱486.7 million as at December 31, 2010 and 2009, respectively) (see Note 8).

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 comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on factors such as location, size and shape of the land, and time element.

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

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

In January 2011, an appraisal was made on Gromax's furniture, fixtures and equipment as at December 31, 2010 by an independent firm of appraisers. The appraisal indicated that the assets were impaired and, accordingly, resulted in the recognition of Impairment loss on property and equipment of ₱1.5 million under operating expenses in the 2010 consolidated statement of comprehensive income. On December 31, 2011, and 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 revaluation reserve of ₱83.2 million and ₱73.4 million, respectively, before tax effect (see Notes 10 and 24).

Estimated Useful Lives of Property, Plant and Equipment. The Group reviews annually the estimated useful lives of property, plant and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment fleet to ensure the availability, reliability and cost-efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment. The carrying amount of property, plant and equipment as at December 31, 2011 amounted to ₱1,632.9 million (₱1,599.9 million and ₱1,749.8 million, as at December 31, 2010 and 2009, respectively) (see Note 10).

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.

The carrying value of trade and other receivables amounted to ₱812.6 million as at December 31, 2011 (₱818.3 million and ₱874.6 million as at December 31, 2010 and 2009, respectively). Allowance for impairment of receivables as at December 31, 2011 amounted to ₱798.2 million (₱703.2 million and ₱616.3 million as at December 31, 2010 and 2009, respectively) (see Note 7).

Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting period. This forecast is based on the Group's past results and future expectations on revenues and expenses.

Deferred tax assets recognized in the books of the Group amounted to ₱257.1 million (₱224.2 million and ₱195.5 million as at December 31, 2010 and 2009, respectively) (see Note 21).

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

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

The carrying value of property, plant and equipment as at December 31, 2011 amounted to ₱1,632.9 million (₱1,599.9 million, and ₱1,749.8 million as at December 31, 2010 and 2009, respectively) (see Note 10).

Pension Costs. 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 19 and include, among others, discount rates, expected return on plan assets and expected rates of increase in salaries. 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 ₱101.2 million as at December 31, 2011 (₱105.7 million and ₱97.8 million as at December 31, 2010 and 2009, respectively) while fair value of plan assets as at those dates amounted to ₱2.6 million, ₱2.5 million and ₱2.1 million, respectively (see Note 19).

6. Segment Reporting

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.

The industry segments where the Group operates are as follows:

a. The Food segment is engaged in the growing, production and distribution of chicken broilers, either as live or dressed. Its products are distributed to wet markets and supermarkets.

b. The Feeds segment caters to the feed requirement of the poultry growers industry. It is engaged in the manufacture and distribution of animal and aqua feeds, animal health and nutritional products, and feed supplements.

c. The Farms segment is involved in the production of day-old chicks and pullets.

d. The Corporate and Others segment includes general and corporate income and expense items which are not specifically identifiable to a particular segment.

Segment Assets and Liabilities
Segment assets and liabilities include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, 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.

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.

Segment Financial Information
The segment financial information are presented as follows (in thousands):

	2011					
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	Consolidated
REVENUES						
Sale of goods	₱793,866	₱1,805,571	₱98,410	₱2,697,847	₱–	₱2,697,847
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	755,315	1,630,733	81,702	2,467,750	(2,640)	2,465,110
Depreciation	2,921	49,570	2,567	55,058	5,655	60,713
Operating expenses	6,772	111,651	3,102	121,525	145,129	266,654
Other operating income	(25,134)	(48,882)	(12,326)	(86,342)	(20,522)	(106,864)
	739,874	1,743,072	75,045	2,557,991	127,622	2,685,613
SEGMENT OPERATING PROFIT	₱53,992	₱62,499	₱23,365	₱139,856	(₱127,622)	12,234
Other charges - net						(266,370)
Loss before tax						(254,136)
Tax benefit						20,374
Loss for the year						(₱233,762)
ASSETS AND LIABILITIES						
Segment assets	747,783	2,937,614	219,010	3,904,407	(64,080)	3,840,327
Segment liabilities	(37,674)	696,272	34,071	692,669	853,080	1,545,749
Restructured debt	–	–	–	–	2,170,373	2,170,373
Total liabilities	(₱37,674)	₱696,272	₱34,071	₱692,669	₱3,023,453	₱3,716,122
OTHER INFORMATION						
Capital expenditures	₱–	₱2,413	₱–	₱2,413	₱28,916	₱31,329
Non-cash expenses other than depreciation and impairment losses	₱47,493	₱34,073	₱14,433	₱95,999	₱2,237	₱98,236

	2010 (As Restated - Note 23)					
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	Consolidated
REVENUES						
Sale of goods	₱495,617	₱1,652,685	₱115,566	₱2,263,868	₱–	₱2,263,868
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	457,659	1,466,002	117,187	2,040,848	(1,269)	2,039,579
Depreciation	16,832	39,579	4,567	60,978	8,078	69,056
Operating expenses	44,597	140,441	1,917	186,955	131,993	318,948
Other operating income	(1,116)	(118,089)	(21,467)	(140,672)	(9,202)	(149,874)
	517,972	1,527,933	102,204	2,148,109	129,600	2,277,709
SEGMENT OPERATING PROFIT (LOSS)	(₱22,355)	₱124,752	₱13,362	₱115,759	(₱129,600)	(13,841)
Other charges - net						(245,842)
Loss before tax						(259,683)
Tax benefit						52,541
Loss for the year						(₱207,142)
ASSETS AND LIABILITIES						
Segment assets	1,266,484	1,889,142	254,052	3,409,678	367,474	3,777,152
Segment liabilities	680,658	690,358	24,981	1,395,997	38,153	1,434,150
Restructured debt	–	–	–	–	2,043,252	2,043,252
Total liabilities	₱680,658	₱690,358	₱24,981	₱1,395,997	₱2,081,405	₱3,477,402
OTHER INFORMATION						
Capital expenditures	₱–	₱1,441	₱–	₱1,441	₱61,239	₱62,680
Non-cash expenses other than depreciation and impairment losses	₱860	₱76,789	₱–	₱77,649	₱13,871	₱91,520

	2009 (As Restated - Note 23)					
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	Consolidated
REVENUES						
Sale of goods	₱593,980	₱1,858,941	₱177,822	₱2,630,743	₱–	₱2,630,743
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	525,093	1,704,335	129,882	2,359,310	(765)	2,358,545
Depreciation	26,527	43,861	6,866	77,254	4,153	81,407
Operating expenses	23,840	120,920	2,839	147,599	151,586	299,185
Other operating income	(31,038)	(63,089)	(21,467)	(115,594)	766	(114,828)
	544,422	1,806,027	118,120	2,468,569	155,740	2,624,309
SEGMENT OPERATING PROFIT	₱49,558	₱52,914	₱59,702	₱162,174	(₱155,740)	6,434
Other charges - net						(256,266)
Loss before tax						(249,832)
Tax benefit						19,858
Loss for the year						(₱229,974)
ASSETS AND LIABILITIES						
Segment assets	1,296,124	1,821,232	222,166	3,339,522	671,514	4,011,036
Segment liabilities	688,388	843,063	22,252	1,553,703	(122,088)	1,431,615
Restructured debt	–	–	–	–	2,072,529	2,072,529
Total liabilities	₱688,388	₱843,063	₱22,252	₱1,553,703	₱1,950,441	₱3,504,144
OTHER INFORMATION						
Capital expenditures	₱–	₱719	₱–	₱719	₱13,545	₱14,264
Non-cash expenses other than depreciation and impairment losses	₱1,789	₱26,007	₱973	₱28,769	₱26,417	₱55,186

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

7. Trade and Other Receivables

The trade and other receivables are composed of the following:

	2011	2010 (As restated - see Note 23)	2009 (As restated - see Note 23)
Trade receivables	**₱1,153,367,702**	₱1,079,434,676	₱1,115,764,128
Advances to officers and employees (see Note 22)	**6,668,407**	6,463,792	8,778,829
Other receivables (see Note 13)	**450,834,671**	435,603,556	366,372,709
	1,610,870,780	1,521,502,024	1,490,915,666
Allowance for impairment	**(798,235,123)**	(703,199,170)	(616,340,506)
	₱812,635,657	₱818,302,854	₱874,575,160

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

Advances to officers and employees are unsecured, noninterest-bearing and subject to liquidation for a specified period of time of about one year (see Note 22).

Other receivables comprise 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 Group's claim for settlement for typhoon damages from the Philippine Charter Insurance Corporation is still ongoing. The Court Order for a partial payment of ₱150.0 million of the insurance claims of ₱316.0 million is pending with the Court of Appeals. Pursuant to the Insurance Code, the Group is entitled to interest on its claim at a rate twice the ceiling prescribed by the Monetary Board beginning March 12, 2010, 90 days from the date the Group has filed the claim.

As discussed in Note 13, the Group assigned to creditors various receivables to comply with its maturing debt obligation.

Movements in the allowance for impairment account are shown below:

	2011	2010	2009
Balance at beginning of year	**₱703,199,170**	₱616,340,506	₱569,529,641
Impairment loss during the year	**98,236,441**	91,519,642	55,185,686
Receivables written-off	–	(4,363,747)	–
Recovery of receivables previously provided with allowance	**(3,200,488)**	(297,231)	(8,374,821)
Balance at end of year	**₱798,235,123**	₱703,199,170	₱616,340,506

8. Inventories

The details of inventories are shown below:

	2011	2010	2009
At cost:			
Finished goods	**₱59,049,915**	₱61,941,575	₱80,548,461
Materials in-transit	**1,868,471**	1,406,452	6,662,092
At NRV:			
Raw materials and feeds supplement	**162,344,823**	139,040,620	159,848,395
Factory stocks and supplies	**104,150,939**	113,407,672	115,175,640
Livestock	**100,641,321**	88,886,808	94,509,764
Supplies and animal health products	**23,927,890**	32,949,422	29,960,348
	₱451,983,359	₱437,632,549	₱486,704,700

Cost of inventories valued at NRV is shown below:

	2011	2010	2009
Raw materials and feeds supplement	**₱163,205,779**	₱139,901,576	₱160,709,351
Factory stocks and supplies	**163,703,467**	163,407,673	165,175,640
Livestock	**101,099,668**	90,472,980	96,095,935
Supplies and animal health products	**23,927,890**	32,949,422	30,515,086
	₱451,936,804	₱426,731,651	₱452,496,012

Movements in the allowance for obsolescence and decline in value account are shown below:

	2011	2010	2009
Balance at beginning of year	**₱52,447,129**	₱53,001,865	₱52,897,455
Impairment loss during the year	**9,925,539**	–	243,579
Reversal of allowance	**(1,500,837)**	(554,736)	(139,169)
Balance at end of year	**₱60,871,831**	₱52,447,129	₱53,001,865

9. Other Assets

This account consists of:

	2011	2010 (As Restated - see Note 23)	2009 (As Restated - see Note 23)
Current:			
Input VAT	**₱9,386,200**	₱2,932,816	₱3,112,031
Prepayments and other assets	**5,567,609**	4,747,382	841,296
Prepaid interest	–	2,840,115	–
	₱14,953,809	₱10,520,313	₱3,953,327

	2011	2010 (As Restated - see Note 23)	2009 (As Restated - see Note 23)
Noncurrent:			
Project development cost - net	**₱10,456,132**	₱20,912,264	₱20,912,264
Deposits	**4,603,631**	3,168,788	9,446,291
Other assets	**5,410,579**	5,410,579	–
	₱20,470,342	₱29,491,631	₱30,358,555

Prepaid interest pertains to interest from January to June 2011. This is part of the settlement of outstanding debt to Kormasinc Inc. (Kormasinc), a Special Purpose Asset Vehicle (SPAV) (see Note 13).

Prepayments and other assets include insurance and bond premiums, and short-term investments, among others.

The details of project development cost are shown below:

	2011	2010	2009
Project development cost	**₱31,368,396**	₱31,368,396	₱31,368,396
Allowance for impairment	**20,912,264**	10,456,132	10,456,132
	₱10,456,132	₱20,912,264	₱20,912,264

Project development cost represents expenses incurred on the Group's aqua feeds and aqua culture projects. Based on management's evaluation, an impairment loss amounting to ₱10.5 million in 2011 and ₱10.5 million in 2009 was recognized on the project.

Movement in the allowance for impairment of project development cost is shown below:

	2011	2010	2009
Balance at beginning of year	**₱10,456,132**	₱10,456,132	₱–
Impairment loss during the year	**10,456,132**	–	10,456,132
Balance at end of year	**₱20,912,264**	₱10,456,132	₱10,456,132

10. **Property, Plant and Equipment**

The composition and movement of this account are presented below:

	2011							
	At Appraised Values					**At Cost**		
	Land	**Machinery and Equipment**	**Buildings**	**Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost:								
Balance at beginning of year	**₱969,196,189**	**₱714,128,744**	**₱301,253,245**	**₱25,085,710**	**₱30,773,306**	**₱3,477,954**	**₱101,862,222**	**₱2,145,777,370**
Additions	**–**	**17,871,861**	**5,496,486**	**–**	**1,456,644**	**320,000**	**6,183,743**	**31,328,733**
Additional revaluation reserve (see Note 24)	**100,832,618**	**(1,892,263)**	**(19,909,884)**	**5,443,002**	**(1,305,977)**	**–**	**–**	**83,167,496**
Reclassification	**(20,768,920)**	**–**	**–**	**–**	**–**	**–**	**–**	**(20,768,920)**
Balance at end of year (Carried Forward)	**1,049,259,887**	**730,108,342**	**286,839,847**	**30,528,712**	**30,923,973**	**3,797,954**	**108,045,965**	**2,239,504,680**

	2011							
	At Appraised Values					At Cost		
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Balance at end of year (Brought Forward)	₱1,049,259,887	₱730,108,342	₱286,839,847	₱30,528,712	₱30,923,973	₱3,797,954	₱108,045,965	₱2,239,504,680
Accumulated depreciation and impairment:								
Balance at beginning of year	–	342,758,278	82,518,005	11,625,695	25,176,929	2,244,569	81,586,823	545,910,299
Additions	–	32,913,368	12,828,972	2,713,017	1,406,226	595,333	10,256,604	60,713,520
Balance at end of year	–	375,671,646	95,346,977	14,338,712	26,583,155	2,839,902	91,843,427	606,623,819
Net carrying amount, December 31, 2011	₱1,049,259,887	₱354,436,696	₱191,492,870	₱16,190,000	₱4,340,818	₱958,052	₱16,202,538	₱1,632,880,861

	2010							
	At Appraised Values					At Cost		
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost:								
Balance at beginning of year	₱1,106,867,600	₱715,525,571	₱315,934,792	₱24,186,024	₱32,180,438	₱3,370,552	₱90,798,482	₱2,288,863,459
Additions	–	45,184,642	–	3,565,179	3,211,356	107,402	10,611,726	62,680,305
Disposals	(137,671,411)	(48,007,544)	(14,681,547)	(2,665,493)	(4,618,488)	–	–	(207,644,483)
Reclassification	–	1,426,075	–	–	–	–	452,014	1,878,089
Balance at end of year	969,196,189	714,128,744	301,253,245	25,085,710	30,773,306	3,477,954	101,862,222	2,145,777,370
Accumulated depreciation and impairment:								
Balance at beginning of Year	–	343,113,735	83,782,792	12,248,024	25,859,301	1,732,600	72,348,670	539,085,122
Additions	–	43,358,120	12,151,973	1,420,835	2,374,997	511,969	9,238,153	69,056,047
Provisions	–	1,145,028	–	–	362,105	–	–	1,507,133
Disposal	–	(44,858,605)	(13,416,760)	(2,043,164)	(3,419,474)	–	–	(63,738,003)
Balance at end of year	–	342,758,278	82,518,005	11,625,695	25,176,929	2,244,569	81,586,823	545,910,299
Net carrying amount, December 31, 2010	₱969,196,189	₱371,370,466	₱218,735,240	₱13,460,015	₱5,596,377	₱1,233,385	₱20,275,399	₱1,599,867,071

	2009							
	At Appraised Values					At Cost		
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost:								
Balance at beginning of year	₱1,034,340,000	₱697,103,427	₱325,379,716	₱26,417,009	₱29,688,780	₱3,370,552	₱85,156,376	₱2,201,455,860
Additions	–	6,945,589	121,529	–	1,554,798	–	5,642,106	14,264,022
Additional revaluation reserve (Note 24)	72,527,600	11,746,300	(9,566,453)	(2,230,985)	936,860	–	–	73,413,322
Reclassification	–	(269,745)	–	–	–	–	–	(269,745)
Balance at end of year	1,106,867,600	715,525,571	315,934,792	24,186,024	32,180,438	3,370,552	90,798,482	2,288,863,459
Accumulated depreciation and impairment:								
Balance at beginning of year	–	286,991,734	70,475,930	10,553,700	23,247,616	1,266,811	65,142,663	457,678,454
Additions	–	56,122,001	13,306,862	1,694,324	2,611,685	465,789	7,206,007	81,406,668
Balance at end of year	–	343,113,735	83,782,792	12,248,024	25,859,301	1,732,600	72,348,670	539,085,122
Net carrying amount, December 31, 2009	₱1,106,867,600	₱372,411,836	₱232,152,000	₱11,938,000	₱6,321,137	₱1,637,952	₱18,449,812	₱1,749,778,337

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

	2011							
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost	₱35,587,626	₱693,294,669	₱205,772,180	₱16,252,754	₱28,708,293	₱3,797,954	₱108,045,967	₱1,091,459,443
Accumulated depreciation and impairment	–	374,569,242	96,672,502	12,755,763	26,119,004	2,839,902	91,843,429	604,799,842
Net carrying amount	₱35,587,626	₱318,725,427	₱109,099,678	₱3,496,991	₱2,589,289	₱958,052	₱16,202,538	₱486,659,601

	2010							
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost	₱56,356,546	₱675,422,808	₱201,260,564	₱16,252,754	₱27,251,649	₱3,477,954	₱101,862,222	₱1,081,884,497
Accumulated depreciation and impairment	–	344,921,056	90,020,802	11,872,968	25,320,410	2,244,569	81,586,823	555,966,628
Net carrying amount	₱56,356,546	₱330,501,752	₱111,239,762	₱4,379,786	₱1,931,239	₱1,233,385	₱20,275,399	₱525,917,869

	2009							
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost	₱84,596,487	₱631,665,429	₱202,525,351	₱13,309,904	₱25,825,594	₱3,370,552	₱90,798,482	₱1,052,091,799
Accumulated depreciation and impairment	–	299,984,895	77,868,829	10,452,133	23,313,699	1,732,600	72,348,670	485,700,826
Net carrying amount	₱84,596,487	₱331,680,534	₱124,656,522	₱2,857,771	₱2,511,895	₱1,637,952	₱18,449,812	₱566,390,973

Revaluation

The latest appraisal of the Company's property, plant and equipment (except for transportation equipment) by an independent firm of appraisers was in December 2011 (see Note 24).

Collateral

Property, plant and equipment with carrying value (at revalued amount) of ₱1.6 billion as at December 31, 2011 (₱1.6 billion and ₱1.7 billion as at December 31, 2010 and 2009, respectively) were used as collaterals for the Company's restructured debt (see Note 13).

Disposals

In July 2009, the BOD approved the disposal of several of the Company's non-core property, plant and equipment and investment property. The disposal was approved by the Court in February 2010. The Company sold through dacion en pago in November 2010, portion of these assets with a net carrying value of ₱152.9 million to settle loans aggregating ₱184.7 million (principal loan of ₱177.9 million and accrued interest of ₱6.8 million) to Kormasinc, Inc. at a net gain of ₱31.8 million. The assets sold comprise of property, plant and equipment with a net carrying value of ₱143.9 million and investment property with a carrying value of ₱9.0 million at the selling price of ₱173.9 million and ₱10.8 million, respectively.

The net carrying value of the assets held for disposal aggregated ₱871.3 million in 2011 and ₱721.3 million in 2010, including the carrying value of non-core property, plant and equipment of ₱116.5 million in 2011 and ₱127.9 million in 2010. As a result of the sale of some of these assets in 2010, revaluation reserve amounting to ₱65.3 million was transferred to deficit (see Note 24).

11. **Investment Property**

Investment property comprise of the Company's hatchery buildings, dressing and rendering plants that are held to earn rentals (see Note 26) and parcels of land foreclosed by the Group to settle customers' liabilities. These foreclosed parcels of land are being held for capital appreciation only.

Movements in this account are summarized below:

	2011	2010	2009
Balance at beginning of year	**₱712,706,960**	₱706,277,851	₱710,307,471
Additions	**10,792**	15,385,584	15,635,950
Fair value gain (loss)	**35,639,909**	–	(19,665,570)
Reclassification	**20,768,920**	–	–
Disposals	**(1,609,631)**	(8,956,475)	–
Balance at end of year	**₱767,516,950**	₱712,706,960	₱706,277,851

Revaluation
Investment property is revalued periodically at fair values as determined by an independent firm of appraisers. In 2011, the Group recognized fair value gain on investment property amounting to ₱35.6 million presented as "Fair value gain from investment property" in the 2011 consolidated statement of comprehensive income.

Collateral
Investment property with fair values totaling ₱627.3 million and ₱638.2 million as at December 31, 2011 and 2010 were used as collaterals for the Company's restructured debt (see Note 13).

Disposals
The net carrying value of investment property held for disposal amounted ₱754.8 million in 2011 and ₱593.4 million in 2010 (see Note 10).

12. Trade and Other Payables

This account consists of:

	2011	2010 (As Restated - see Note 23)	2009 (As Restated - see Note 23)
Trade payables (see Note 22)	**₱645,410,066**	₱564,799,314	₱545,283,539
Accrued interest	**233,802,901**	173,757,081	139,767,553
Nontrade payables (see Note 22)	**210,751,848**	224,739,842	224,848,082
Accrued expenses	**93,509,296**	84,621,689	58,622,478
Customer's deposit	**50,684,301**	60,042,090	69,247,719
Provision	**25,812,643**	25,812,642	25,812,642
Other payables (see Note 22)	**5,981,249**	17,045,433	31,923,675
	1,265,952,304	1,150,818,091	1,095,505,688
Less noncurrent portion	**168,822,359**	194,829,728	227,616,585
Current portion	**₱1,097,129,945**	₱955,988,363	₱867,889,103

Trade payables primarily consist of liabilities arising from purchases of raw materials related to the normal course of business.

Nontrade 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.

Provision pertains to PFCI obligations which include an estimated liability of ₱10.4 million from a legal case for non-payment of rentals. PFCI ceased operations in 2005 as discussed in Note 1. The case is pending decision before the Court of Appeals.

Other payables consist of social security premiums payable and withholding taxes payable, among others.

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

13. Restructured Debt

Debt at Discounted Value

The debt was originally obtained from local creditor banks and was restructured pursuant to the Plan approved by the Court on May 31, 2007 as discussed in Note 1. Several of these creditor banks have transferred their interest in the loans to SPAV Companies. A summary of the restructured debt at discounted value is presented below:

	2011	2010 (As Restated - see Note 23)	2009 (As Restated - see Note 23)
Debt at original amount	**₱3,254,367,021**	₱3,254,367,021	₱3,254,367,021
Payments to date:			
Balance at beginning of year	**(177,838,883)**	–	–
Payments	**–**	(177,838,883)	–
Balance at end of year	**(177,838,883)**	(177,838,883)	–
	3,076,528,138	3,076,528,138	3,254,367,021
Unamortized discount at original amount	**1,596,973,858**	1,596,973,858	1,596,973,858
Accretion to date:			
Balance at beginning of year	**563,697,898**	415,135,966	244,009,708
Accretion	**127,120,788**	148,561,932	171,126,258
Balance at end of year	**690,818,686**	563,697,898	415,135,966
	906,155,172	1,033,275,960	1,181,837,892
Discounted value	**2,170,372,966**	2,043,252,178	2,072,529,129
Current maturing portion	**(30,946,243)**	(10,188,064)	–
Restructured debt - long term portion	**₱2,139,426,723**	₱2,033,064,114	₱2,072,529,129

The debt as at May 31, 2007 was remeasured at fair value (subsequently at amortized cost) based on the terms of the plan using the prevailing effective interest rate of 9% at that time.

The computation of the amortized cost of the loans, however, was revised in 2010 because of changes in the assumptions used. The terms of payment of the debt are on an annual basis, contrary to the previous assumption used, that is on a quarterly basis. This was affirmed by a Court order dated February 18, 2011. Moreover, as discussed in Note 11, the Company's sale of its non-core assets through dacion en pago in 2010 reduced the principal amount of the debt.

The remeasurement resulted in a prior period adjustment in 2010 decreasing the original amount of the discount and increasing the deficit as at January 1, 2010 by ₱113.6 million.

In 2011, the restructured debt was revalued to recognize the accrued interest based on the Plan resulting in a decrease in deficit amounting to ₱67.9 million as at January 1, 2011.

Debt at Original Amount and Terms Under the Plan
As at December 31, 2011, 2010 and 2009, the outstanding balance of the debt (at original value) is due to the following:

	2011	2010	2009
Creditor banks	**₱1,546,458,088**	₱1,546,458,088	₱1,554,215,097
SPAV companies	**1,530,070,050**	1,530,070,050	1,700,151,924
	₱3,076,528,138	₱3,076,528,138	₱3,254,367,021

The Plan provides, among others, for the following:

a. a modified debt restructuring scheme for a period not exceeding 15 years ;

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

   i Years 1 to 3 - at 1% per annum
   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

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 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 in 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.

Based on the Plan, the Debt Scheduling Payment is summarized below:

	Principal	Interest	Accretion of Discount
Within 1 to 3 years	₱–	₱–	₱488,979,047
Within 4 to 6 years	251,829,694	187,292,955	390,846,002
Within 7 to 9 years	432,736,704	260,066,196	358,242,338
Within 10 to 15 years	2,569,800,623	521,154,604	358,906,471
	₱3,254,367,021	₱968,513,755	₱1,596,973,858

Compliance with the Plan
The Court denied the motion filed by the creditor banks to terminate the implementation of the Plan on February 18, 2011. The Company is not in default because the first installment on the debt is due on May 31, 2011 and not on June 1, 2010. When the Plan states that the payment is due in Year 4, it means that the Company has 365 days to pay the obligation from June 1, 2010, the start of Year 4. The Court further agreed with the Receiver that the Company was doing good until a typhoon destroyed its properties in 2009. Because of the delay in the release of the initial proceeds by the insurance company as discussed in Note 7, the Company had to use its working fund to repair machinery and equipment and replenish the damaged inventories. The Court ruled that the termination is premature and allowed the Company to comply with the Debt Scheduling Payment.

On May 13, 2011, the Company assigned to the creditors: ₱79.0 million of the receivable from Philippine Charter Insurance Company; receivable from the expropriation of Company properties, and; ₱21.0 million receivable from Luzco, Inc. to comply with the maturing obligation under the Debt Scheduling Payment.

On June 1, 2011, the Court directed Philippine Charter Insurance Corporation to pay ₱79.0 million to the Receiver as partial insurance proceeds to be distributed to the creditors as settlement for the first installment.

These Court Orders are subject to appeal by the creditor banks and are now pending with the Court of Appeals. Management and its legal counsel believe that the case will be ruled in its favor. Under the Interim Rules on Corporate Rehabilitation, the Court Order is executory. Thus, the appeal will not stay the Court Order.

Interest Expense
Interest expense computed on the restructured debt shown in the consolidated statement of comprehensive income is as follows (see Note 18):

	2011	2010 (As Restated - see Note 23)	2009 (As Restated - see Note 23)
Accretion of discount	**₱127,120,788**	₱148,561,932	₱171,126,258
Nominal interest payable to creditor banks/SPAVs	**62,885,935**	37,965,689	–
	₱190,006,723	₱186,527,621	₱171,126,258

14. **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 at nominal values because the timing of the refund or settlement could not be reasonably estimated.

15. **Cost of Goods Sold**

The details of cost of goods sold are shown below (see Note 8 and 17):

	2011	2010 (As restated - see Note 23)	2009 (As restated - see Note 23)
Inventories at beginning of year	**₱437,632,549**	₱486,704,700	₱527,250,261
Purchases and cost of goods manufactured (see Note 22)	**2,520,526,616**	2,049,232,569	2,394,947,632
	2,958,159,165	2,535,937,269	2,922,197,893
Inventories at end of year	**451,983,359**	437,632,549	486,704,700
	₱2,506,175,806	₱2,098,304,720	₱2,435,493,193

16. **Other Operating Income**

Presented below are the details of this account:

	2011	2010	2009
Revenue from toll milling and toll hatching	**₱40,167,512**	₱85,514,798	₱54,764,079
Rentals (see Note 26)	**38,328,318**	38,061,893	42,055,969
Sale of scrap materials	**9,336,253**	12,009,940	8,262,856
Others	**19,031,373**	14,286,105	9,744,914
	₱106,863,456	₱149,872,736	₱114,827,818

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

17. **Cost and Expenses**

These cost and expenses are classified in the consolidated statement of comprehensive income as follows:

	2011	2010 (As Restated - see Note 23)	2009 (As Restated - see Note 23)
Cost of goods sold (see Note 15)	**₱2,506,175,806**	₱2,098,304,720	₱2,435,493,193
Administrative expenses	**161,698,940**	186,925,880	159,503,453
Selling and distribution costs	**124,601,771**	142,351,410	144,140,169
	₱2,792,476,517	₱2,427,582,010	₱2,739,136,815

The details of cost and expenses by nature are shown below:

	2011	2010 (As Restated - see Note 23)	2009 (As Restated - see Note 23)
Raw materials and other consumables	**₱2,211,526,379**	₱1,828,994,345	₱2,166,240,626
Employee benefits (see Note 19)	**103,611,397**	155,641,712	147,099,601
Transportation, travel, freight and handling	**97,538,664**	87,871,688	96,339,096
Communications, light and water	**82,098,913**	83,905,874	64,595,411
Depreciation (see Note 10)	**60,713,520**	69,056,047	81,406,668
Repairs and maintenance	**58,188,976**	41,468,256	31,798,603
Supplies	**51,339,534**	48,374,170	41,344,091
Outside services	**30,387,530**	18,884,142	27,965,479
Rentals	**18,062,753**	12,074,985	15,387,630
Commissions	**10,414,288**	7,577,260	3,795,358
Impairment on inventories (see Note 8)	**9,925,539**	–	243,579
Taxes and licenses	**9,507,135**	10,298,510	8,555,423
Representation and entertainment	**6,615,568**	2,474,480	3,310,362
Impairment loss on property, plant and equipment (see Note 10)	**–**	1,507,133	–
Advertising and promotions	**4,568,277**	10,173,027	7,298,255
Insurance	**4,148,445**	4,491,798	5,337,758
Miscellaneous	**33,829,599**	44,788,583	38,418,875
	₱2,792,476,517	₱2,427,582,010	₱2,739,136,815

Employee benefits comprise of the following:

	2011	2010	2009
Short-term employee benefits	**₱94,596,451**	₱139,037,775	₱133,967,453
Retirement benefits (see Note 19)	**4,866,068**	12,484,410	9,049,036
Share-based payments (see Note 20)	**4,148,878**	4,119,527	4,083,112
	₱103,611,397	₱155,641,712	₱147,099,601

Allocation of Depreciation

The amount of depreciation is allocated as follows (see Note 10):

	2011	2010	2009
Cost of goods sold	**₱41,065,595**	₱58,725,703	₱76,948,542
Administrative expenses	**12,336,774**	7,600,174	2,360,948
Selling and distribution costs	**7,311,151**	2,730,170	2,097,178
	₱60,713,520	₱69,056,047	₱81,406,668

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

18. **Finance Costs**

The breakdown of this account is as follows:

	2011	2010 (As Restated - see Note 23)	2009 (As Restated - see Note 23)
Interest expense on restructured debt (see Note 13):			
Accretion of discount	**₱127,120,788**	₱148,561,932	₱171,126,258
Nominal interest payable to creditor banks /SPAVs	**62,885,935**	37,965,689	–
	190,006,723	186,527,621	171,126,258
Others	**76,045**	5,250	–
	₱190,082,768	₱186,532,871	₱171,126,258

19. **Retirement Benefits**

Retirement Benefits
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.

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 statement of financial position are determined as follows:

	2011	2010	2009
Present value of the obligation	**₱76,341,213**	₱79,917,595	₱80,187,867
Fair value of plan assets	**(2,591,868)**	(2,479,469)	(2,146,914)
Deficiency of plan assets	**73,749,345**	77,438,126	78,040,953
Unrecognized actuarial gains	**27,409,468**	28,230,459	19,754,470
	₱101,158,813	₱105,668,585	₱97,795,423

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

	2011	2010	2009
Balance at beginning of year	**₱79,917,595**	₱80,187,867	₱51,832,538
Actuarial loss (gain)	**(3,959,030)**	(8,845,980)	25,648,207
Interest costs	**6,427,809**	7,282,138	5,585,406
Current service costs	**5,827,849**	5,904,818	5,495,568
Benefits paid	**(9,375,840)**	(4,611,248)	(8,373,852)
Curtailment gain	**(2,497,170)**	–	–
Balance at end of year	**₱76,341,213**	₱79,917,595	₱80,187,867

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

	2011	2010	2009
Balance at beginning of year	**₱2,479,469**	₱2,146,914	₱1,615,970
Actuarial gain (loss)	**(36,369)**	203,740	433,986
Expected return on plan assets	**148,768**	128,815	96,958
Balance at end of year	**₱2,591,868**	₱2,479,469	₱2,146,914

Plan assets consist of the following:

	2011	2010	2009
Government securities	**₱1,314,236**	₱786,828	₱95,594
Time deposits	**673,188**	957,403	243,963
Equity securities	**495,998**	628,890	432,819
Direct loans	**108,446**	106,348	1,374,538
	₱2,591,868	₱2,479,469	₱2,146,914

Actual returns on plan assets amounted to ₱0.1 million, ₱0.3 million and ₱0.5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The amounts of retirement benefit recognized in the consolidated statement of comprehensive income are as follows (see Note 17):

	2011	2010	2009
Current service costs	**₱5,827,849**	₱5,904,818	₱5,495,568
Interest costs	**6,427,809**	7,282,138	5,585,406
Expected return on plan assets	**(148,768)**	(128,815)	(96,958)
Net actuarial losses (gains) recognized during the year	**(796,192)**	(573,731)	(1,934,980)
Effect of curtailment gain	**(6,444,630)**	–	–
	₱4,866,068	₱12,484,410	₱9,049,036

The amount of retirement benefit is allocated as follows (see Note 17):

	2011	2010	2009
Cost of goods sold	**₱2,661,078**	₱6,827,276	₱4,877,246
Administrative expenses	**1,459,657**	3,744,904	2,805,738
Selling and distribution costs	**745,333**	1,912,230	1,366,052
	₱4,866,068	₱12,484,410	₱9,049,036

Presented below are the historical information related to the experience adjustments arising on plan assets and liabilities (in thousands of Philippine pesos):

	2011	2010	2009	2008	2007
Present value of the obligation	**₱76,341**	₱79,918	₱80,188	₱51,833	₱92,842
Fair value of the plan assets	**(2,592)**	(2,479)	(2,147)	(1,616)	(2,014)
Deficit on the plan	**₱73,749**	₱77,439	₱78,041	₱50,217	₱90,828

	2011	2010	2009	2008	2007
Experience adjustments arising on plan liabilities	**(₱16,587)**	(₱8,976)	(₱9,898)	(₱14,433)	(₱12,359)
Experience adjustments arising on plan assets	**(₱36)**	₱204	₱434	(₱542)	(₱210)

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

	2011	2010	2009
Discount rates	**6%**	8%	9%
Expected rate of salary increase	**9%**	6%	8%
Expected rate of return on plan assets	**7%**	7%	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 2012 cannot reasonably be determined.

20. Stock Compensation Plan

The Company has a stock compensation plan for its officers and other executives. Under the plan, 20% of the annual gross pay of the Company's executives and officers is to be paid in shares of stock of the Company, which are purchased through the stock exchange. The Company's executives and officers' salaries under the stock compensation plan amounting to ₱4.1 million were converted to cash in 2011 and 2010. In 2009, salaries under the plan were paid in cash of ₱3.4 million and in stocks of ₱0.7 million (5.3 million shares).

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

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

21. Taxes

Current and Deferred Income Tax

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

	2011	2010 (As Restated - see Note 23)	2009
Reported in Consolidated Profit and Loss			
Current income tax expense:			
MCIT at 2%	**₱5,309,307**	₱5,412,327	₱5,126,770
Final taxes at 7.5% and 20%	**10,355**	11,363	13,232
	5,319,662	5,423,690	5,140,002
Deferred income tax benefit relating to origination and reversal of temporary differences	**(25,694,224)**	(57,964,575)	(24,997,924)
	(₱20,374,562)	(₱52,540,885)	(₱19,857,922)
Reported in Consolidated Other Comprehensive Income			
Deferred income tax expense related to additional revaluation reserve on property, plant and equipment	**₱24,950,249**	₱–	₱22,023,997

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

	2011	2010 (As Restated - see Note 22)	2009 (As Restated - see Note 22)
Tax on pretax (loss) at 30%	**₱76,240,881**	₱77,905,139	₱75,171,154
Adjustment for income subjected to lower income tax rates	**204,399**	114,052	6,210
Tax effects of:			
Non-deductible expenses	**(39,431,208)**	(31,440,990)	(53,139,440)
Other deductible expenses	**8,021,044**	8,441,626	8,076,369
Application of NOLCO	**1,230,819**	1,890,841	–
Unrecognized deferred tax asset:			
MCIT	**(4,659,028)**	(5,412,327)	(5,126,770)
NOLCO	**(21,866,325)**	(28,170,492)	(5,310,638)
Non-taxable income	**633,980**	1,215,520	181,037
Deferred tax written-off	–	27,997,516	–
	₱20,374,562	₱52,540,885	₱19,857,922

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

	Consolidated Statement of Financial Position			Consolidated Statement of Comprehensive Income (Profit or Loss)		
	2011	2010 (As Restated - see Note 23)	2009	**2011**	2010 (As Restated - see Note 23)	2009
Deferred tax assets:						
Allowance for impairment losses on:						
Trade and other receivables	**₱200,202,321**	₱171,691,535	₱145,633,936	**(₱28,510,786)**	(₱26,057,599)	(₱14,043,260)
Inventories	**18,241,350**	15,713,935	15,880,357	**(2,527,415)**	166,427	(31,324)
Product development cost	**6,273,679**	3,136,840	3,136,840	**(3,136,839)**	–	(3,136,840)
Investment property	**1,533,577**	1,533,577	1,533,577	**–**	–	–
Property, plant and equipment	**452,140**	452,140	–	**–**	(452,140)	–
Retirement benefit obligation	**30,347,644**	31,700,576	29,338,628	**1,352,932**	(2,361,948)	(202,555)
	257,050,711	224,228,603	195,523,338	**(32,822,108)**	(28,705,260)	(17,413,979)
Deferred tax liabilities:						
Revaluation reserve on property, plant and equipment	**(345,570,466)**	(324,184,309)	(353,435,266)	**(3,564,092)**	(29,250,961)	(1,634,161)
Changes in fair value of investment property	**(66,935,640)**	(56,243,664)	(56,243,668)	**10,691,976**	–	(5,899,671)
Regular depreciation of generator assets	**–**	–	(8,354)	**–**	(8,354)	(50,113)
	(412,506,106)	(380,427,973)	(409,687,288)	**7,127,884**	(29,259,315)	(7,583,945)
Deferred income tax benefit				**(₱25,694,224)**	(57,964,575)	(₱24,997,924)
Net deferred tax liabilities	**(₱155,455,395)**	(₱156,199,370)	(₱214,163,950)			

The Group also recognized deferred tax expense related to the additional revaluation reserve which is presented under other comprehensive income amounting to ₱23.0 million and ₱22.0 million in 2011 and 2009. There was no deferred tax recognized directly in other comprehensive income in 2010 (see Note 24).

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 2011, 2010 and 2009 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
2011	**₱72,887,751**	**₱4,659,028**	**2014**
2010	93,901,641	5,412,327	2013
2009	14,717,334	5,126,770	2012
	₱181,506,726	₱15,198,125	

The Group’s NOLCO and MCIT incurred in 2008 amounting to ₱66.8 million and ₱4.3 million, respectively, expired in 2011.

The amount of NOLCO, MCIT and other deductible temporary differences as at the end of 2011, 2010 and 2009 for which the related deferred tax assets have not been recognized are shown below.

	2011		2010		2009	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**₱217,782,177**	**₱65,334,653**	₱188,065,701	₱56,419,710	₱133,139,789	₱39,891,390
MCIT	**15,193,709**	**15,193,709**	14,865,619	14,865,619	14,879,321	14,879,321
Allowance for impairment losses:						
Trade and other receivables	**130,894,053**	**39,268,216**	130,894,053	39,268,216	130,894,053	39,268,216
Non-recoverable input VAT	**1,402,102**	**420,631**	1,402,102	420,631	1,402,102	420,631
Inventory obsolescence	**67,337**	**20,201**	67,337	20,201	67,337	20,201
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
	₱444,650,369	**₱144,030,708**	₱414,605,803	₱134,787,675	₱359,693,593	₱118,273,057

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

22. **Related Party Transactions**

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.

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

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, and breeder flocks. It also sells animal feeds, raw materials, feed supplements and dressed chicken to these related parties. Total purchases from related parties amounted to ₱12.0 million in 2011 and ₱1.9 million in 2009 while total sales to related parties amounted to ₱8.2 million in 2011 and ₱9.2 million in 2009. 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, arising from these transactions (see Note 26).

	Movements in 2011		
	2010	Net Addition (Settlement)	**2011**
Due from related parties:			
Luz Farms, Inc. (LFI)	₱94,208,395	₱420,320	**₱94,628,715**
Sarmiento Management Corp.	11,082,912	(190,414)	**10,892,498**

(Forward)

		Movements in 2011	
	2010	Net Addition (Settlement)	**2011**
Texas Manok ATBP. Inc.	₱3,745,000	₱75,000	**₱3,820,000**
Precisione International Research and Diagnostic Lab Inc.	(2,563,902)	(1,447,128)	**(4,011,030)**
Others	3,374,081	(7,815)	**3,366,266**
	109,846,486	(1,150,037)	**108,696,449**
Allowance for impairment	(7,142,194)	(3,950,463)	**(11,092,657)**
	₱102,704,292	(₱5,100,500)	**₱97,603,792**

		Movements in 2010	
	2009	Net Addition (Settlement)	2010
Due from related parties:			
Luz Farms, Inc. (LFI)	₱94,873,762	(₱665,367)	₱94,208,395
Sarmiento Management Corp.	11,082,912	–	11,082,912
Texas Manok ATBP. Inc.	3,745,000	–	3,745,000
Precisione International Research and Diagnostic Lab Inc.	(2,169,986)	(393,916)	(2,563,902)
Others	2,516,808	857,273	3,374,081
	110,048,496	(202,010)	109,846,486
Allowance for impairment	(7,142,194)	–	(7,142,194)
	₱102,906,302	(₱202,010)	₱102,704,292

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

Outstanding balances and movements in these accounts are presented below (see Note 12):

		Movements in 2011	
	2010	**Net Addition (Settlement)**	**2011**
Trade payables	**₱42,887,124**	**(₱32,694,730)**	**₱10,192,394**
Non-trade payables	**11,520,442**	**14,928,517**	**26,448,959**
Other payables	**39,176,532**	**(20,407,549)**	**18,768,983**
	₱93,584,098	**(₱38,173,762)**	**₱55,410,336**

		Movements in 2010	
	2009	Net Addition (Settlement)	2010
Trade payables	₱54,845,436	(₱11,958,312)	₱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
	₱97,513,961	(₱3,929,863)	₱93,584,098

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

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 7). Shown below are the movements in this account.

		Movements in 2011	
	2010	**Net Settlement**	**2011**
Advances to officers and employees	**₱6,463,792**	**₱204,615**	**₱6,668,407**

		Movements in 2010	
	2009	Net Settlement	2010
Advances to officers and employees	₱8,778,829	(₱2,315,037)	₱6,463,792

Compensation of Key Management Personnel
The compensation includes the following:

	2011	2010	2009
Short-term employee benefits	**₱28,442,113**	₱25,280,384	₱26,169,941
Compensation paid in share of stock/equivalent value in cash (see Note 20)	**4,148,878**	4,119,527	4,083,112
Retirement benefits	**1,433,898**	1,557,628	1,555,859
Other benefits	**13,149,655**	15,144,121	15,307,620
	₱47,174,544	₱46,101,660	₱47,116,532

23. **Equity**

Capital Stock
The Company is authorized to issue 500 million cmmon shares of stock with a par value of ₱1.00 per share, of which 409,969,764 common shares are issued and outstanding as at December 31, 2011, 2010 and 2009 or a total of ₱410.0 million.

The BOD approved the increase in the authorized capital stock from 500 million shares of stock with a par value of ₱1.00 for a total of ₱500 million to 1.0 billion shares of stock with a par value of ₱1.00 for a total of ₱1.0 billion on May 27, 2010. The increase was also approved by the stockholders during the annual meeting on June 25, 2010. However, the increase is still pending the approval of the SEC.

Prior Period Adjustments

The Company restated the balance of its Deficit account as at January 1, 2011, 2010 and 2009 to reflect prior period adjustments. These are summarized below:

	2011	2010	2009
Made in 2011:			
To adjust interest expense (a)	**₱74,023,809**	₱67,911,752	₱62,304,360
To reverse advances to supplier(b)	**(35,179,386)**	(31,596,244)	(30,456,544)
To accrue real property tax(c)	**(13,907,470)**	(10,456,212)	(6,437,622)
To write-off deferred tax asset(d)	**(1,731,136)**	–	–
	23,205,817	25,859,296	25,410,194
Made in 2010 -			
To adjust interest expense (e)	**–**	(113,610,191)	(109,474,661)
	₱23,205,817	(₱87,750,895)	(₱84,064,467)

a. In 2011, the Company accrued interest on the restructured debt for Years 1 to 3 of the Plan in accordance with the Debt Scheduling Payment.

b. In 2011, the Company reversed advances to suppliers as at January 1, 2011, 2010 and 2009 pertaining to goods already received.

c. The Company accrued as at January 1, 2011, 2010, and 2009, real property taxes relating to properties located in Marilao, Bulacan.

d. The Company derecognized as at January 1, 2011 deferred tax assets relating to recovery of previously provided with allowance, writeoff of receivables and reversal of valuation allowance on inventories.

e. As discussed in Note 13, in 2010, as a result of the remeasurement of the fair value of the Company's restructured debt, the Company restated the balances of its Deficit account as at January 1, 2010 and 2009 to adjust the amount of and the accretion of discount of the restructured debt recorded by the Company in prior years.

   The effects of prior period adjustments made in 2011 and 2010 on the consolidated statement of financial position and consolidated statements of changes in equity are summarized as follows:

	January 1, 2011		
	As Previously Reported	**Effects of Prior Period Adjustments**	**As Restated**
Trade and other receivables (b)	**₱853,482,240**	**(₱35,179,386)**	**₱818,302,854**
Other current assets (a)	**14,780,486**	**(4,260,173)**	**10,520,313**
Trade and other payables (a,c)	**(1,187,894,915)**	**37,076,824**	**(1,150,818,091)**
Deferred tax liabilities - net (d)	**(154,468,234)**	**(1,731,136)**	**(156,199,370)**
Restructured debt (a)	**(2,070,551,866)**	**27,299,688**	**(2,043,252,178)**
Deficit (a,b,c,d)	**(1,803,595,815)**	**₱23,205,817**	**(1,780,389,998)**

	January 1, 2010		
	As Previously Reported	Effects of Prior Period Adjustments	As Restated
Trade and other receivables (b)	₱906,171,404	(₱31,596,244)	₱874,575,160
Trade and other payables (a,c)	(1,085,049,476)	(10,456,212)	(1,095,505,688)
Restructured debt (a)	(2,026,830,690)	(45,698,439)	(2,072,529,129)
Deficit (a,b,c,d)	(1,553,748,423)	(₱87,750,895)	(1,641,499,318)

	January 1, 2009		
	As Previously Reported	Effects of Prior Period Adjustments	As Restated
Trade and other receivables (b)	₱850,889,786	(₱30,456,544)	₱820,433,242
Trade and other payables (a,c)	(1,104,948,977)	(6,437,622)	(1,111,386,599)
Restructured debt (a)	(1,744,757,909)	(47,170,301)	(1,791,928,210)
Deficit (a,b,c,d)	(1,331,273,666)	(₱84,064,467)	(1,415,338,133)

The effects of prior period adjustments made in 2011 and 2010 on the consolidated statement of comprehensive income are summarized as follows:

	For The Year Ended December 31, 2010		
	As Previously Reported	Effects of Prior Period Adjustments	As Restated
Cost of goods sold	₱2,094,721,578	₱3,583,142	₱2,098,304,720
Administrative expenses	183,474,621	3,451,259	186,925,880
Finance costs	192,644,929	(6,112,058)	186,532,871
Income tax benefit	54,272,021	(1,731,136)	52,540,885

	For The Year Ended December 31, 2009		
	As Previously Reported	Effects of Prior Period Adjustments	As Restated
Cost of goods sold	₱2,434,353,493	₱1,139,700	₱2,435,493,193
Administrative expenses	155,484,865	4,018,589	159,503,454
Finance costs	172,598,121	(1,471,863)	171,126,258

The effects of the prior period adjustments made in 2011 and 2010 amounting to ₱2.7 million and ₱3.7 million for the years ended December 31, 2010 and 2009 increased the consolidated total comprehensive loss in respective years.

24. **Revaluation Reserve on Property**

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

	Revaluation Reserve	Deferred Tax	Net
Balance as at January 1, 2011	**₱1,080,614,364**	**(₱324,184,309)**	**₱756,430,055**
Additional revaluation reserve	**83,167,496**	**(24,950,249)**	**58,217,247**
Transfer to deficit of revaluation reserve on property absorbed through depreciation	**(11,880,307)**	**3,564,092**	**(8,316,215)**
Balance as at December 31, 2011 (see Note 10)	**₱1,151,901,553**	**(₱345,570,466)**	**₱806,331,087**
Balance as at January 1, 2010	₱1,178,117,552	(₱353,435,264)	₱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 at December 31, 2010 (see Note 10)	₱1,080,614,362	(₱324,184,307)	₱756,430,055
Balance as at January 1, 2009	₱1,110,151,433	(₱333,045,430)	₱777,106,003
Additional revaluation reserve	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 at December 31, 2009 (see Note 10)	₱1,178,117,554	(₱353,435,264)	₱824,682,288

On December 2011 and 2009, the Company's property, plant and equipment (except for transportation equipment), were revalued at fair values determined by an independent firm of appraisers resulting in an increase of ₱83.2 million and ₱73.4 million in Property, Plant and Equipment and ₱58.2 million and ₱51.4 million on Revaluation Reserve net of taxes, respectively (see Note 10).

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 ₱143.9 million (see Note 10). Upon the sale of the non-core assets, the related revaluation reserve amounting to ₱65.3 million, net of taxes, was also realized.

The portion of revaluation reserve transferred to deficit through depreciation which amounted to ₱8.3 million and ₱2.9 million, net of taxes, for the years ended December 31, 2011 and 2010.

25. **Loss Per Share**

Basic and diluted loss per share were computed as follows:

	2011	2010	2009
Net loss for the year	**₱233,761,707**	₱207,142,913	₱229,974,225
Divided by the weighted average number of outstanding shares	**409,969,764**	409,969,764	409,969,764
Loss per share - basic and diluted	**₱0.57**	₱0.51	₱0.56

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

26. **Significant Agreements**

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 22).

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 at December 31:

	2011	2010	2009
Within one year	**₱13,796,390**	₱13,862,884	₱14,246,585
Within one year but not more than five years	**36,532,675**	49,393,168	35,288,170
More than five years	**3,352,290**	10,192,500	10,192,500
	₱53,681,355	₱73,448,552	₱59,727,255

Total rental from these operating leases amounted to ₱38.3 million in 2011, ₱38.1 million in 2010 and ₱42.1 million in 2009, and are shown as part of "Other operating income" account in the consolidated statement of comprehensive income (see Note 16). Contingent rent recognized for the periods ended 2011 and 2010 amounted to ₱9.0 million and ₱6.9 million, respectively, which is based on 25% of net income before taxes in excess of ₱0.2 million (inclusive of the basic rent) of the lessee.

27. Commitments and Contingencies

Legal Claims

There are outstanding warranty and legal claims against the Group. 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 and its legal counsel believe that the other pending claims will be settled favorably and will not result to a material loss or impairment, if any. None of these contingencies are discussed in the consolidated financial statements in detail so as not to seriously prejudice the Group's position in the related disputes.

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. Financial Instruments

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

	2011		2010		2009	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets						
Loans and receivables:						
Cash in Bank	**₱40,319,582**	**₱40,319,582**	₱64,364,905	₱64,364,905	₱53,963,523	₱53,963,523
Trade and other receivables (see Note 7)	**757,900,236**	**757,900,236**	766,584,589	766,584,589	832,226,635	832,226,635
Due from related parties - net (see Note 22)	**97,603,792**	**97,603,792**	102,704,292	102,704,292	102,906,302	102,906,302
	₱895,823,610	**₱895,823,610**	₱933,653,786	₱933,653,786	₱989,096,460	₱989,096,460
Financial Liabilities						
Financial liabilities at amortized cost:						
Restructured debt (see Note 13)	**₱2,170,372,966**	**₱2,821,370,850**	₱2,043,252,178	₱2,697,670,601	₱2,072,529,129	₱2,287,334,481
Trade and other payables* (see Note 12)	**1,262,670,024**	**1,262,670,024**	1,135,082,396	1,135,082,396	1,076,070,450	1,076,070,450
Cash bond deposits (see Note 14)	**22,611,662**	**22,611,662**	19,971,342	19,971,342	22,065,167	22,065,167
	₱3,455,654,652	**₱4,106,652,536**	₱3,198,305,916	₱3,852,724,339	₱3,170,664,746	₱3,385,470,098

**excluding statutory liabilities*

Loans and Receivables and Financial Liabilities (Except Restructured Debt). Due to the short-term nature of transactions, the fair value of loans and receivables and financial liabilities approximate the carrying values at balance sheet date.

Restructured Debt. The fair value was based on the discounted value of future cash flows using the prevailing interest rates that is specific to the terms of the restructured debt as at balance sheet date.

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.

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.

Interest Rate Sensitivity
As at December 31, 2011, 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 Plan allowed the Group to defer the payment of its loans and their related interest charges and certain trade payables for a period of three years from the date of approval of the Plan (see also Notes 1 and 13).

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

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

	2011	2010	2009
Cash in Bank	**₱40,319,582**	₱64,364,905	₱53,963,523
Trade and other receivables (see Note 7)	**757,900,236**	766,584,589	832,226,635
Due from related parties (see Note 22)	**97,603,792**	102,704,292	102,906,302
	₱895,823,610	₱933,653,786	₱989,096,460

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 and real estate, from its customers.

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

The aging of past due receivables but not impaired is as at December 31, 2011 is as follows:

	2011	2010	2009
One to 30 days	**₱50,801,795**	₱193,770,657	₱161,705,852
Over 30 days but not more than 60 days	**11,801,324**	4,625,880	13,636,319
Over 60 days but not more than 90 days	**8,288,684**	3,072,636	9,177,308
Over 90 days but not more than 120 days	**10,466,141**	2,524,504	4,028,846
More than 120 days	**109,556,632**	85,640,287	103,369,991
	₱190,914,576	₱289,633,964	₱291,918,316

Significant portions of these past due accounts, particularly for those that are more than 120 days past due, are covered by collaterals.

Impairment of receivables amounted to ₱98.2 million in 2011 (₱91.5 million and ₱55.2 million in 2010 and 2009, respectively).

Liquidity Risk

The Group's petition for corporate rehabilitation, which resulted in the eventual approval of the Plan, has significantly assisted in addressing the liquidity issue of the Group as the 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, 2011, the Group's financial liabilities have contractual maturities which are presented below:

	Current		Noncurrent	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Restructured debt	₱31,710,348	₱–	₱475,017,167	₱2,569,800,623
Trade and other payables	1,043,163,364	–	60,042,090	168,822,359
Interest payable	119,583,624	–	320,959,252	521,154,604
	₱1,194,457,336	₱–	₱856,018,509	₱3,259,777,586

As at December 31, 2010, the Group's financial liabilities have contractual maturities which are presented below:

	Current		Noncurrent	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Restructured debt	₱10,570,116	₱–	₱317,103,475	₱2,748,854,546
Trade and other payables	880,210,577	–	60,042,090	194,829,728
Interest payable	58,267,764	–	299,814,426	603,615,290
	₱949,048,457	₱–	₱676,959,991	₱3,547,299,564

As at December 31, 2009, the Group's financial liabilities have contractual maturities which are presented below:

	Current		Noncurrent	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Restructured debt	₱–	₱–	₱336,390,622	₱2,917,976,399
Trade and other payables	779,206,196	–	69,247,719	227,616,585
Interest payable	–	–	277,364,125	691,149,632
	₱779,206,196	₱–	₱683,002,466	₱3,836,742,616

The above contractual maturities reflect the gross cash flows, which differ from the carrying values of the liabilities at amortized cost as at the end of the reporting periods.

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.

	2011	2010 (As Restated - see Note 22)	2009 (As Restated - see Note 22)
Total liabilities	**₱3,716,121,600**	₱3,477,402,172	₱3,504,143,861
Total equity	**124,205,030**	299,749,490	506,892,403

VITARICH CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2011

Below is a schedule showing financial soundness indicators in the years 2011, 2010 and 2009.

	2011	2010	2009
Current/Liquidity Ratio	**1.26**	1.48	1.75
Current assets	**₱1,419,458,477**	₱1,435,086,000	₱1,524,621,521
Current liabilities	**1,128,646,648**	967,669,033	869,973,607
Solvency Ratio	**(0.05)**	(0.04)	(0.04)
Net loss before depreciation	**(173,048,187)**	(138,086,866)	(148,567,557)
Total liabilities	**3,716,121,600**	3,477,151,662	3,504,143,861
Debt-to-equity Ratio	**29.92**	11.6	6.91
Total liabilities	**3,716,121,600**	3,477,402,172	3,504,143,861
Total equity	**124,205,030**	299,749,490	506,892,403
Asset-to-equity Ratio	**30.92**	12.6	7.91
Total assets	**3,840,326,630**	3,777,151,662	4,011,036,264
Total equity	**124,205,030**	299,749,490	506,892,403
Interest rate coverage Ratio	**(0.34)**	(0.32)	(0.34)
Pretax loss before interest	**(64,053,501)**	(59,309,377)	(58,847,967)
Interest expense	**190,082,768**	186,532,871	171,126,258
Profitability Ratio	**(1.88)**	(0.69)	(0.45)
Net loss	**(233,761,707)**	(207,142,913)	(229,974,225)
Total equity	**124,205,030**	299,749,490	506,892,403

VITARICH CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2011

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards *[superseded by PFRS 1 (Revised)]*	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments		✓	
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
PFRS 8	Operating Segments	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1	Presentation of Financial Statements *[superseded by PAS 1 (Revised)]*	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
PAS 1 (Revised)	Presentation of Financial Statements		✓	
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
PAS 2	Inventories	✓		
PAS 7	Cash Flow Statements	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 14	Segment Reporting *[superseded by PFRS 8]*	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23	Borrowing Costs *[superseded by PAS 23 (Revised)]*			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24	Related Party Disclosures *[superseded by PAS 24 (Revised)]*	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements *[superseded by PAS 27 (revised)]*	✓		
PAS 27 (Revised)	Consolidated and Separate Financial Statements		✓	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate		✓	

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 28	Investments in Associates			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions *[superseded by PFRS 7]*			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE INTERPRETATIONS - IFRIC

No.	Title	Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC–1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC–2	Members' Share in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC–4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC–5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC–6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC–7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC–9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
Philippine Interpretation IFRIC–10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC–12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC–13	Customer Loyalty Programmes			✓
Philippine Interpretation IFRIC–14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendment to Philippine Interpretation IFRIC-14, Prepayments of a Minimum Funding Requirement		✓	
Philippine Interpretation IFRIC–16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC–17	Distributions of Non-cash Assets to Owners			✓

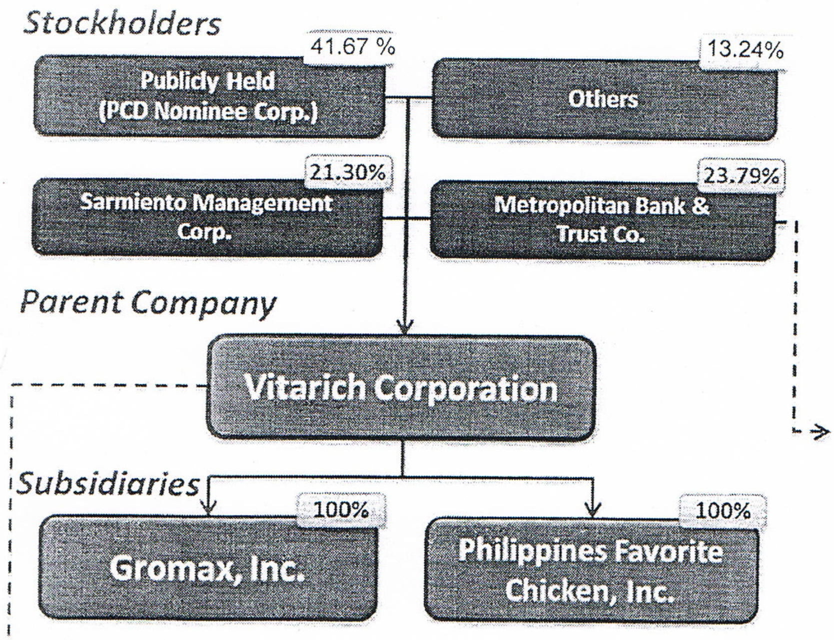
No.	Title	Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC–18	Transfers of Assets from Customers			✓
Philippine Interpretation IFRIC–19	Extinguishing Financial Liabilities with Equity Instruments			✓

PHILIPPINE INTERPRETATIONS - SIC

No.	Title	Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC–7	Introduction of the Euro			✓
Philippine Interpretation SIC–10	Government Assistance - No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC–12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
Philippine Interpretation SIC–13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
Philippine Interpretation SIC–15	Operating Leases - Incentives			✓
Philippine Interpretation SIC–21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
Philippine Interpretation SIC–25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC–27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC–29	Disclosure - Service Concession Arrangements			✓
Philippine Interpretation SIC–31	Revenue - Barter Transactions Involving Advertising Services			✓
Philippine Interpretation SIC–32	Intangible Assets - Web Site Costs			✓

Ownership Structure

(as at December 31, 2011)



Other Related Parties

1. Luz Farms, Inc.
2. Texas Manok ATBP Inc.
3. First Sarmiento Property Holdings Inc.
4. LSSCI
5. SELF
6. Sarmiento Foundation Inc.
7. Precisione International Research & Diagnostic Lab Inc.

1. FMIC and Subsidiaries - 98.06%
2. Metropolitan Bank (China) Ltd. (MBCL) - 100.00%
3. PSBank - 75.98%
4. Metrobank Card Corporation (MCC) - 60.00%
5. ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries - 59.61%
6. Metropolitan Bank (Bahamas) Limited - 100.00%
7. First Metro International Investment Company Limited (FMIIC) and Subsidiary - 99.61%
8. Metro Remittance (Hongkong) Limited (MRHL) - 100.00%
9. MB Remittance (Singapore) Pte. Ltd. (MRSPL) - 100.00%
10. Metro Remittance (USA), Inc. (MR USA) - 100.00%
11. Metro - Remittance (Spain), S.A. (MR Spain) - 100.00%
12. Metro Remittance (Italia), S.p.A. (MR Italia) - 100.00%
13. Metro Remitance (UK) Limited (MR UK) - 100.00%
14. Metro Remittance Center, Inc. (MRCI) - 100.00%
15. MBTC Services GmbH (MBTC Services) - 60.00%
16. Philbancor Venure Capital Corporation (SPVCC) - 60.00%
17. MBTC Venture Capital Corporation (MVCC) - 60.00%
18. MBTC Technology, Inc. (MTI) - 100.00%
19. Data Serv, Inc. (DSI) - 100.00%
20. Circa 2000 Homes, Inc. (Circa) - 100.00%
21. Global Business Power Corporation (GBPC) - 29.42%
22. Lepanto Consolidated Mining Company (LCMC) - 16.65%
23. SMFC - 30.39%
24. First Metro Save and Learn Equity Fund (FMSLEF) - 19.23%
25. Toyota Motor Philippines Corporation (TMPC) - 30.00%
26. Cathay International Resources Corporation (CIRC) - 34.32%
27. Toyota Financial Services Philippines Corporation (TFSPC) - 34.00%
28. Northpine Land, Inc. (NLI) - 20.00%
29. SMBC Metro Invest,ent Corporation (SMBC Metro) - 30.00%
30. Taal Land Inc. (TLI) - 35.00%
31. Philippine AXA Life Insurance Corporation (PALIC) - 27.60%
32. First Metro Save and Learn Balance Fund (FMSLBF) - 24.48%
33. Philippine Charter Insurance Corporation (PCIC) - 32.68%