



V I T A R I C H

November 18, 2013

PHILIPPINE STOCK EXCHANGE

3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **MS. JANET A. ENCARNACION**
Head - Disclosure Department

Gentlemen:

In compliance with SEC and PSE requirements, we are pleased to transmit herewith a copy of the Quarterly Report (SEC Form 17-Q) for the third quarter ended September 30, 2013.

Thank you.

Very truly yours,

VITARICH CORPORATION

Alicia G. Danque
Alternate Corporate Information Officer

COVER SHEET

0 0 0 0 0 2 1 1 3 4

SEC Registration Number

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

A N D S U B S I D I A R I E S

Company's Full Name

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

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

Business Address: No. Street City/Town/Province

Stephanie Nicole S. Garcia

Contact Person

843-3033

Company Telephone Number

1 2

Month

3 1

Day

(Fiscal Year)

1 7 - Q

(Form Type)

0 6

Month

2 1

Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRMD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

4,428

Total Number of
Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Please use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2013
2. Commission identification number 21134 3. BIR Tax Identification No 000-234-398
4. Exact name of issuer as specified in its charter VITARICH CORPORATION
5. Province, country or other jurisdiction of incorporation or organization BULACAN

6. Industry Classification Code: (SEC Use Only)

MAC ARTHUR HIGHWAY, ABANGAN SUR, MARILAO, BULACAN 3019
7. Address of issuer's principal office Postal Code

843-30-33 connecting all departments
8. Issuer's telephone number, including area code

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
---------------------	--

<u>Common Stock</u>	<u>409,969,764</u>
---------------------	--------------------

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc. Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐


(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☐ No ☒



Vitarich Corporation and Subsidiaries

Unaudited Interim Consolidated Financial Statements
As at and for the nine months ended September 30, 2013
(With Comparative Figures for 2012)



PART I - FINANCIAL INFORMATION

Item 1 – Financial Statements

The unaudited financial statements of Vitarich Corporation and its subsidiaries as at and for the period ended September 30, 2013 (with comparative figures as of December 31, 2012 and for the period ended September 30, 2012) and Selected Notes to Consolidated Financial Statements are filed as part of this form 17-Q as Annex "A".

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Part III, Paragraph (A)(2)(b) of "Annex C" is attached hereto as Annex "B".

PART II - OTHER INFORMATION

Vitarich Corporation and its subsidiaries may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which would otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.


SIGNATURES

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

Registrant - **VITARICH CORPORATION**

By:


STEPHANIE NICOLE S. GARCIA
Treasurer/Chief Finance Officer


PEDRO T. DABU, JR.
Corporate Information Officer/
Asst. Corporate Secretary

Date: November 18, 2013

Annex A

SEC Number 21134

File Number

VITARICH CORPORATION AND SUBSIDIARIES

(Company's Full Name)

MacArthur Highway, Abangan Sur, Marilao Bulacan

(Company's Address)

843-30-33 connecting all departments

(Telephone Number)

(Year Ending)

(month & day)

**Quarterly Consolidated
Unaudited Financial Statements**

Form Type

Amendment Designation (If applcable)

September 30, 2013

Period Ended Date

(Secondary License Type and File Number)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During 2013, the creditor banks and the SPAV Companies transferred their interest in the restructured loan to Kormasinc, Inc. (Kormasinc). On October 16, 2013, the Securities and Exchange Commission (SEC) approved the debt to equity conversion of the loans aggregating ₱2.4 billion to Kormasinc pursuant to a debt to equity agreement between Kormasinc and the Company on September 20, 2013 and the Company's filing for an increase in authorized capital stock from ₱0.5 billion to ₱3.5 billion.

The transfer of interest on the restructured loan to Kormasinc resulted to a capital deficiency of ₱711.0 million arising mainly from the reversal of the unamortized "day-one" gain on the loan of about ₱774.0 million. However, the subsequent approval of the debt to equity conversion resulted to a pro-forma accounting income of ₱689.2 million because of the difference of the market value and par value of the shares and will result to a positive equity of ₱1.7 billion.

A pro-forma presentation of the financial statements showing the effect of these transactions had the SEC approval took place as at September 30, 2013 is as follow:

	Balances as at September 30, 2013	Effects of Debt to Equity Conversion	Balances after Conversion
		<i>(In thousands)</i>	
Restructured debt	₱3,014,417	(₱2,376,528)	₱637,889
Capital stock	409,970	₱2,376,528	₱2,786,498
Additional paid-in capital	913,740	(689,193)	224,547
Revaluation reserve	809,752	–	809,752
Deficit	(2,853,197)	689,193	(2,164,004)
Accumulated unrealized actuarial gains	8,528	–	8,528
	(₱711,207)	₱2,376,528	₱1,665,321
Net loss	(₱763,380)	₱689,193	(₱74,187)

The Board of Directors and Stockholders have approved the increase in authorized capital stock on various dates from ₱0.5 billion to ₱3.5 billion: (1) 1.0 billion shares of stock with a par value of ₱1.00 for a total of ₱1.0 billion on May 27, 2010; (2) 1.5 billion shares of stock with a par value of ₱1.00 for a total of ₱1.5 billion on June 1, 2012; and (3) 3.5 billion shares of stock with a par value of ₱1.00 for a total of ₱3.5 billion on August 28, 2012.

On September 20, 2013, the BOD approved the conversion of part of the Company's debts to Kormasinc amounting to ₱2,376,528,137 into equity at a ratio of 1:1 or 1 share of common stock for every ₱1.00 debt in which ₱90,030,236 shall be applied as payment for the issuance of the 90,030,236 shares out of the existing unissued shares, while ₱2,286,497,901 shall be applied as payment for the additional shares of stock which shall be issued out of the increase in the authorized capital stock.

Results of Operations:

For the third quarter of 2013, Vitarich Corporation and its subsidiaries generated consolidated sale of goods of ₱684 million, lower by 10% from ₱759 million of same quarter last year. As of September 30, 2013, the Company generated sale of goods of ₱2,071 million, 7% lower from a year ago. Lower consolidated revenues were due to the softening demand of hog and chicken feed that resulted to

decrease in sales volume. Decline in chicken feed volume was a result of a deliberate reduction of poultry volume due to continuous challenges confronting the poultry industry. Drop in hog and aqua feed volume was a consequence of the unceasing hog depopulation and fish kill incidences in Luzon.

The Company will continue with its aggressive marketing campaigns, to further expand its sales and distribution network, strengthen market visibility of Company products, and likewise find and identify its niche in the market. Similarly, the Company will continue to pursue improvement of margins through optimum size distribution and efficient supply chain and enhancing efficiency and productivity.

Raw material prices continue to be on the high side as compared to last year. This resulted to increased cost of commercial feeds.

The combined effect of lower sales revenues and higher direct costs resulted to lower gross profit. The Company generated gross loss of ₱18.0 million for the third quarter, 125% lower from a year ago. For the first three quarters, gross profit went down by 80% as against last year's level as cost of goods sold increased in line with higher commodity prices.

The uninterrupted controls on expenditures and permanent implementation of expense reduction programs continuously dropped the level of operating expenses. For the nine-months period, consolidated operating expenses declined by 15%. For the third quarter, consolidated operating expenses of ₱96.0 million went down by 1% from ₱96.9 million. Operating expenses include professional fees incurred related to debt buyout as previously discussed further below.

Other operating income for the third quarter of 2013 improved by 61% versus same period last year. Consolidated other operating income for the nine-months period went up by 12% from last year mainly because of increase in tolling fees.

Other charges substantially increase from ₱15.4 million to ₱694.9 million mainly due to the reversal of the unamortized "day-one" gain on the restructured debt as previously discussed. This has also resulted to a consolidated net loss for the third quarter of ₱763.4 million as against last year's income of ₱4.5 million. As of September 2013, the Company generated a net loss of ₱763.4 million, declining from last year's income of ₱14.1 million.

Corporate Action Plan:

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.

In 2013, 2011 and 2010, the Court approved the disposal of the Group's non-core assets and the assignment of insurance proceeds to settle ₱333.8 million of the restructured debt: dacion en pago of investment properties and property, plant and equipment of ₱254.8 million and assignment to creditors of ₱79.0 million of its receivable from an insurance company as partial settlement. These decisions are for execution in accordance with the Rules of Procedures on Corporate Rehabilitation. The Group still has non-core assets aggregating ₱804.3 million which are also available for disposal.

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, feed mills, 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, goat and carabao.

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

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

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

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

On October 1, 1998, the Board of Directors of PFCI approved the conversion into equity of the advances of Vitarich Corporation to PFCI amounting to P165 million to be applied to its unpaid subscriptions and for additional shares of stock of PFCI. Out of the P165 million advances to be converted into equity, P25 million was applied to Vitarich's unpaid subscription while the remaining P140 million was shown under Deposit on Future Stock Subscriptions account pending the approval from the SEC of the conversion.

In 2003, PFCI reverted the investment in shares of stock in PFCI to Advances to subsidiaries amounting to P140 million, as the Board of Directors of PFCI decided not to pursue its application with the SEC to convert into equity the advances received from Vitarich. PFCI initially recorded the

transaction as an increase in investment in shares of stock in PFCI and a decrease in advances to subsidiaries when the Board of Directors of PFCI approved the proposed conversion in 1998.

AFC unilaterally terminated its development and franchise agreements with PFCI in 2001. As a result, in August 2001, PFCI and TMA filed a case against AFC and some of AFC's officers, such as Tom Johnson, Anthony Pavese and Loreta Sassen, among others, for undue termination of the development and franchise agreements with the Regional Trial Court of Pasig City, docketed as Civil Case No. 68583. The case called for injunction, specific performance, sum of money, and damages against AFC and some of its officers.

In connection with such legal action, in 2001, PFCI recognized as claims receivable, as of December 31, 2001, certain losses arising from the closure of certain Texas Chicken restaurants and legal fees incurred relating to the case filed against AFC. Losses recognized as claims receivable include, among others, the loss on write-off of leasehold and building improvements relating to the closed stores. The total amount recognized as claims receivable (presented as part of Other Non-current Assets account in the condensed interim consolidated balance sheets) totaled 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 believed that this case would be settled in favor of the PFCI and TMA.

On September 24, 2003, the trial court granted the Motion to Dismiss filed by two of the defendants. PFCI, in turn, filed a Motion for Partial Reconsideration of the order. Moreover, AFC has filed a Petition for Certiorari before the Court of Appeals assailing the validity of the trial court previously issued writ of attachment.

On December 22, 2004, the parties have entered into a compromise agreement for the settlement of the case of which the parties have filed a joint motion to dismiss before the Regional Trial Court of Pasig City, Branch 152.

On March 4, 2005, the Regional Trial Court of Pasig City, Branch 152 had approved the Joint Motion to Dismiss filed by the parties based on the Compromise Agreement entered into by them, thus, putting an end to the case.

In 2005, the Company discontinued operations of its Texas Manok's Restaurants. Accordingly, it terminated all its employees and provided full valuation allowances on all its remaining assets.

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

Financial Condition

Unaudited Balance Sheet as of September 30, 2013 vs. audited December 31, 2012

The Company's consolidated total assets as of September 30, 2013 stood at ₱3,875 million, slightly lower than December 31, 2012 level of ₱4,010 million. Total current assets decreased from ₱1,524 million as at December 31, 2012 to ₱1,451 million as at September 30, 2013.

Cash balance as of September 30, 2013 decreased to ₱32.7 million from ₱34.2 million as of December 31, 2012. The reduction in cash was attributed to net cash outflows used in investing activities.

Trade and other receivable account decreased by 1% as a result of increased collections as compared to revenue during the year.

Inventories went down by 17% due to the decrease purchases.

Other current assets account of ₱48.7 million was up by 73% as against ₱28.1 million in December 31, 2012 due to increased input VAT and prepayment accounts. While other non-current assets maintained at ₱2.6 million.

Total current liabilities for the period ended amounted to ₱1,294 million, lower by 0.01% as of December 31, 2012. Trade and other payables account decreased by .08% as against last year. Deferred tax liabilities decreased by 9%.

Stockholders' equity decreased from ₱35.8 million to a capital deficiency of ₱711.2 million, due to net loss posted as of the second quarter period.

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

	Unaudited Sep 2013	Unaudited Sep 2012
Revenue (₱ million)	2,071	2,232
Cost Contribution (₱ million)	2,027	2,012
Gross Profit Rate (%)	2%	10%
Operating Margin (₱ million)	(88)	28

1) Sales Volume, Price, and Revenue Growth

Consolidated revenue composed of feeds, day old chicks, chicken, animal health products, and dory fish sales amounted to ₱2,071 million, lower than the same period last year of ₱2,232 million, mainly because of lower sales volume of all product lines.

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

This is the result after operating expenses are deducted. Review of operating expenses is performed on a regular basis. These are being analyzed and compared against budget, last month and previous years, to ensure that cost reduction measures are being met and implemented.



VITARICH CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2013
(With Comparative Figures for 2012)
(in thousands)

	September 2013 (Unaudited)	December 2012 (Audited)
ASSETS		
Current Assets		
Cash	₱32,654	₱34,221
Trade and other receivables	809,553	818,342
Due from related parties - net	97,364	99,940
Inventories	463,156	544,371
Other current assets	48,693	28,073
Total Current Assets	1,451,420	1,524,947
Noncurrent Assets		
Property, plant and equipment	1,591,587	1,636,268
Investment properties	829,107	846,424
Other noncurrent assets	2,594	2,633
Total Noncurrent Assets	2,423,288	2,485,325
	₱3,874,708	₱4,010,272
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱1,138,692	₱1,231,098
Current portion of restructured debt	155,495	72,463
Income tax payable	–	4,952
Total Current Liabilities	1,294,187	1,308,513
Noncurrent Liabilities		
Restructured debt - net of current portion	2,858,922	2,230,113
Trade and other payables	168,144	168,144
Deferred tax liabilities - net	145,490	159,121
Retirement benefit obligation	97,592	89,666
Cash bond deposits	21,580	18,888
Total Noncurrent Liabilities	3,291,728	2,665,932
Equity		
Capital stock	409,970	409,970
Additional paid-in capital	913,740	913,740
Revaluation reserve	809,752	823,381
Deficit	(2,853,197)	(2,119,792)
Accumulated unrealized actuarial gains	8,528	8,528
Total Equity	(711,207)	35,827
	₱3,874,708	₱4,010,272k

See accompanying Notes to Consolidated Financial Statements.



VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2013
(With Comparative Figures for 2012)
(in thousands)

	For the Nine Months Ended September 30		For the Three Months Ended September 30	
	2013	2012	2013	2012
SALE OF GOODS	₱2,071,214	₱2,231,564	₱684,474	₱759,121
COST OF GOODS SOLD	2,027,571	2,011,963	702,453	688,488
GROSS PROFIT (LOSS)	43,643	219,601	(17,979)	70,633
OTHER OPERATING EXPENSES (INCOME)				
Operating Expenses	236,209	279,435	95,991	96,993
Operating Income	(104,651)	(87,785)	(49,700)	(30,908)
	131,558	191,650	46,291	66,085
OPERATING PROFIT (LOSS)	(87,915)	27,951	(64,270)	4,548
OTHER CHARGES (INCOME)				
Reversal of "day one" gain	773,952	—	681,822	—
Reversal of long outstanding payables	(139,767)	—	(56,999)	—
Finance costs	52,893	—	47,008	—
Gain on sale of investment property and property and equipment	(18,869)	—	—	—
Impairment loss on:				
Trade and other receivables	18,615	10,136	14,544	—
Inventories	8,360	—	2,355	—
Project development cost	—	5,228	—	—
Finance income	(264)	—	(202)	—
	694,920	15,364	688,528	—
PROFIT (LOSS) BEFORE INCOME TAX	(782,835)	12,587	(752,798)	4,548
TAX BENEFIT	19,455	1,467	4,055	—
NET INCOME (LOSS)	(763,380)	14,054	(748,743)	4,548
OTHER COMPREHENSIVE INCOME				
Revaluation increase on property, plant and equipment - net of tax	16,346	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱747,034)	₱14,054	(₱748,743)	₱4,548
INCOME (LOSS) PER SHARE - BASIC AND DILUTED	(₱1.86)	₱0.034	(₱1.83)	(₱0.011)

See accompanying Notes to Consolidated Financial Statements.



VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2013
(With Comparative Figures for 2012)
(in thousands)

	Capital Stock	Additional Paid-in Capital	Revaluation Reserve	Accumulated Unrealized Actuarial Gain	Deficit	Total
Balance at January 1, 2013 (Audited)	₱409,970	₱913,740	₱823,381	₱8,528	(₱2,119,792)	₱35,827
Transfer to deficit of revaluation reserve absorbed through disposal, net of tax	—	—	(29,975)	—	29,975	—
Additional revaluation reserve on property, plant and equipment	—	—	16,346	—	—	16,346
Unrealized actuarial gains, net of tax	—	—	—	—	—	—
Net loss for the period	—	—	—	—	(763,380)	(763,380)
	—	—	(13,629)	—	(733,405)	(747,034)
Balance at September 30, 2013 (Unaudited)	₱409,970	₱913,740	₱809,752	₱8,528	(₱2,853,197)	(₱711,207)
Balance at January 1, 2012 (Audited)	₱409,970	₱913,740	₱806,331	₱—	(₱2,005,835)	₱124,206
Transfer to deficit of revaluation reserve absorbed through depreciation, net of tax	—	—	(3,855)	—	5,507	1,652
Net loss for the period	—	—	—	—	(85,156)	(85,156)
	—	—	(3,855)	—	(79,649)	(83,504)
Balance at September 30, 2012 (Unaudited)	₱409,970	₱913,740	₱802,476	₱—	(₱2,085,484)	₱40,702

See accompanying Notes to Consolidated Financial Statements.



VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2013
(With Comparative Figures for 2012)
(in thousands)

	January - September 2013 (Unaudited)	January - September 2012 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(P782,835)	P14,054
Adjustments for:		
Finance cost	826,846	–
Reversal of long outstanding payables	(139,768)	–
Depreciation and amortization	31,849	57,715
Gain on sale of property, plant and equipment and investment properties	(18,869)	–
Impairment loss on project development cost	–	5,228
Finance income	(264)	–
Operating profit before working capital changes	(83,041)	76,997
Decrease (increase) in:		
Trade and other receivables	9,235	(86,617)
Due from related parties	2,575	347
Inventories	81,216	(29,396)
Other current assets	(21,117)	(5,759)
Other noncurrent assets	40	(17,211)
Increase (decrease) in:		
Trade and other payables	107,049	66,306
Cash bond deposits	2,692	104
Retirement benefit	7,926	7,420
Cash generated from (used for) operations	106,575	12,191
Interest received	177	–
Interest paid	(97,600)	–
Retirement benefits paid	–	(11,798)
Cash paid for income taxes	(5,601)	(1,018)
Net cash used in operating activities	3,551	(625)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	(7,006)	(25,261)
Acquisitions of investment property	–	(3,714)
Proceeds from disposal of investment properties	1,888	–
Net cash used in investing activities	(5,118)	(28,975)
NET DECREASE IN CASH	(1,567)	(29,600)
CASH AT BEGINNING OF PERIOD	34,221	42,282
CASH AT END OF PERIOD	P32,654	P12,682

See accompanying Notes to Consolidated Financial Statements.



VITARICH CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2013

1. General Information and Status of Operations

Corporate Information

Vitarich Corporation (the Company or Parent Company) was incorporated in the Philippines and 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 on February 8, 1995. 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.

Status and Plan of Operations

The Group has incurred losses resulting into deficit of ₱747 million and ₱763 million as at September 30, 2013 and December 31, 2012, respectively, mainly because of operational difficulties and interest expense on its loans. These conditions raise substantial doubt about the Group's ability to continue as a going concern.

To address these conditions, the Group 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 Group and approved the Group's rehabilitation plan (Plan) 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.

In 2013, 2011 and 2010, the Court approved the disposal of the Group's non-core assets and the assignment of insurance proceeds to settle ₱333.8 million of the restructured debt: dacion en pago of investment properties and property, plant and equipment of ₱254.8 million and assignment to creditors of ₱79.0 million of its receivable from an insurance company as partial settlement. These are executory in accordance with the Rules of Procedures on Corporate Rehabilitation. The Group still has non-core assets aggregating ₱804.3 million which are also available for disposal.

During 2013, the creditor banks and the SPAV Companies transferred their interest in the restructured loan to Kormasinc, Inc. (Kormasinc). On October 16, 2013, the SEC approved the debt to equity conversion of the loans aggregating ₱2.4 billion to Kormasinc pursuant to a debt to equity agreement

between Kormasinc and the Company on September 20, 2013 and the Company's filing for an increase in authorized capital stock from ₱500 million to ₱3.5 billion. A pro-forma presentation of the financial statements using the effect of these transactions had the SEC approval took place as at September 30, 2013 are as follows:

	Balances as at September 30, 2013	Effects of Debt to Equity Conversion	Balances after Conversion
		<i>(In thousands)</i>	
Restructured debt	₱3,014,417	(₱2,376,528)	₱637,889
Capital stock	409,970	₱2,376,528	₱2,786,498
Additional paid-in capital	913,740	(689,193)	224,547
Revaluation reserve	809,752	–	809,752
Deficit	(2,853,197)	689,193	(2,164,004)
Accumulated unrealized actuarial gains	8,528	–	8,528
	(₱711,207)	₱2,376,528	₱1,665,321
Net loss	(₱763,380)	₱689,193	(₱74,187)

The transfer of interest in the restructured loan is the result of the debt to equity conversion related to reversal of the related “day one” gain of ₱774.0 million. Moreover, subsequent approval of the debt to equity conversion resulted to a pro-forma accounting income of ₱689.2 million because of the difference of the market value and par value of the shares.

2. Basis of Preparation and Statement of Compliance

The unaudited interim 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.

The unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2012.

The unaudited interim consolidated financial statements of the Group for the nine (9) months ended September 30, 2013 have been prepared in accordance with PAS 34 *Interim Financial Reporting* and 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 Accounting Policies

The accounting policies, judgments, estimates and assumptions adopted in the preparation of the unaudited interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements as at December 31, 2012, except for the adoption of new standards and interpretations as at January 1, 2013 noted below.

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 should be presented separately from items that cannot be reclassified.

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

- PAS 27, *Separate Financial Statements (as revised in 2011)* – As a consequence of the new PFRS 10 and PFRS 12, 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 prescribes the application of the equity method to investments in joint ventures and associates.
- PFRS 1, *Government Loans (Amendment)* – This amendment requires first-time adopters to apply the requirements of PAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to PFRS. The exception will give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest.
- 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.
- PFRS 10, *Consolidated Financial Statements* – The standard replaces the portion of PAS 27, Consolidated and Separate Financial Statements, 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. Management will have 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 (JCEs) 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 Interests 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 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- *Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance* – The amendments provide additional transition relief in PFRS 10, PFRS 11 Joint Arrangements and PFRS 12 Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before PFRS 12 is first applied.

- 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. The Group has duly met the PFRS 13 requirements yet they have had no significant effect on the presentation of its asset and capital structure, financial position, or results of operations, nor have the remaining accounting rules and regulations to be applied for the first time in fiscal 2013 on the Group's asset and capital structure, financial position, or results of operations as presented in this semiannual financial report.
- Improvements to PFRS

The omnibus amendments to PFRS were issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

- PAS 1, Presentation of Financial Statements
- PAS 16, Property Plant and Equipment
- PAS 32, Financial Instrument: Presentation
- PAS 34, Interim Financial Reporting

Effective for annual periods beginning on or after January 1, 2014:

- Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities – The amendments provide an exception from the requirements of consolidation to investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities – The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32, Financial Instruments: Presentation. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems may be considered equivalent to net settlement.

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

- PFRS 9, Financial Instruments: Classification and Measurement – This standard is the first phase in replacing PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39.

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

4. Trade and Other Receivables

The trade and other receivables are composed of the following (*in thousand Pesos*):

	Unaudited Sep 2013	Audited Dec 2012
Trade Receivables	₱1,190,950	₱1,222,212
Insurance Claims Receivable	215,394	215,394
Non Trade Receivables	214,307	192,482
Advances to Officers and Employees	7,675	7,550
Other Receivables	69,756	48,383
	1,698,082	1,686,021
Allowance for Impairment	(888,529)	(867,679)
	₱809,553	₱818,342

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

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

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

Other receivables comprise mainly of unsecured, non-interest bearing advances to suppliers, advances to contract growers and breeders, short term deposits and claims from SSS.

The Group's claim for settlement for typhoon damages from the Philippine Charter Insurance Corporation (now Charter Ping An 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 Supreme Court. 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.

AGING OF RECEIVABLES

As at September 30, 2013 – Unaudited (in thousand Pesos)							
	TOTAL	CURRENT	1-30	31-60	61-90	91-120	OVER 120
Feeds	₱696,886	₱184,728	₱39,632	₱14,904	₱12,509	₱7,078	₱438,035
Farms	53,882	298	3,805	13	60	9	49,697
Foods	293,880	30,846	5,864	524	455	298	255,893
Total Trade Receivables	1,044,648	215,872	49,301	15,441	13,024	7,385	743,625
Advances to Officers and Employees	7,975	7,975	–	–	–	–	–
Other Receivables	645,459	20,373	5,095	368	3,117	3,351	613,156
Total Trade and Nontrade Receivables	1,698,082	244,220	54,396	15,809	16,141	10,736	1,356,781
Less: Allowance for Impairment	888,529						888,529
NET RECEIVABLES	₱809,553	₱244,220	₱54,396	₱15,809	₱16,141	₱10,736	₱468,252

5. Inventories

The details of inventories at the end of the period of September 30, 2013 and the year-ended December 31, 2012 are shown below (*in thousand Pesos*):

	Unaudited Sep 2013	Audited Dec 2012
At Cost:		
Finished goods	₱41,655	₱56,622
Materials in-transit	–	23,953
Supplies and animal health products	20,212	18,069
At NRV:		
Raw materials and feeds supplement	126,916	239,296
Factory stocks and supplies	96,553	108,818
Livestock	177,820	97,613
	₱463,156	₱544,371

Cost of inventories valued at NRV is shown below (*in thousand Pesos*):

	Unaudited Sep 2013	Audited Dec 2012
Raw materials and feeds supplement	₱127,777	₱240,157
Factory stocks and supplies	164,466	168,370
Livestock	178,175	97,969
	₱470,418	₱506,496

Movements in the allowance for obsolescence and decline in value account are shown below (*in thousand Pesos*):

	Unaudited Sep 2013	Audited Dec 2012
Balance at beginning of year	₱60,769	₱60,872
Reversal	–	(373)
Impairment loss	8,360	270
Balance at end of year	₱69,129	₱60,769

6. Other Current and Noncurrent Assets

Other Current Assets (*in thousand Pesos*):

	Unaudited Sep 2013	Audited Dec 2012
Current:		
Input VAT	₱44,053	₱24,984
Prepayments	4,640	3,089
	₱48,693	₱28,073

Other Noncurrent Assets (in thousand Pesos):

	Unaudited Sep 2013	Audited Dec 2012
Noncurrent:		
Project development costs	₱31,368	₱31,368
Deposits	2,594	2,633
Other assets	53,277	53,277
	87,239	87,278
Allowance for impairment:		
Other assets	53,277	53,277
Project development costs	31,368	31,368
	84,645	84,645
	₱2,594	₱2,633

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

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

7. Property, Plant and Equipment

The composition and movements of this account are presented below (in thousands):

September 30, 2013 (Unaudited)								
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	₱1,085,393	₱755,276	₱288,703	₱30,528	₱81,837	₱3,916	₱111,936	₱2,357,589
Additions	1,806	20,068	—	1,478	318	—	—	23,670
Disposals	(36,184)	—	(317)	—	—	—	—	(36,501)
Balance at end of year	1,051,015	775,344	288,386	32,006	82,155	3,916	111,936	2,344,758
Accumulated Depreciation and Impairment								
Balance at beginning of year	—	416,391	109,015	16,174	77,346	3,424	98,971	721,321
Additions	—	28,590	1,617	298	819	177	349	31,850
Balance at end of year	—	444,981	110,632	16,472	78,165	3,601	99,320	753,171
Net carrying amount, September 30, 2013	₱1,051,015	₱330,363	₱177,754	₱15,534	₱3,990	₱315	₱12,616	₱1,591,587

2012 (Audited)								
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	₱1,049,260	₱730,108	₱286,840	₱30,528	₱80,366	₱3,797	₱109,618	₱2,290,517
Additions	437	25,168	1,863	—	1,471	119	2,318	31,376
Additional revaluation reserve	35,696	—	—	—	—	—	—	35,696
Balance at end of year	1,085,393	755,276	288,703	30,528	81,837	3,916	111,936	2,357,589
Accumulated Depreciation and Impairment								
Balance at beginning of year	—	375,672	95,347	14,339	76,025	2,840	91,843	656,066
Additions	—	40,719	13,668	1,835	1,321	584	7,128	65,254
Balance at end of year	—	416,391	109,015	16,174	77,346	3,424	98,971	721,321
Net carrying amount, December 31, 2012	₱1,085,393	₱338,885	₱179,688	₱14,355	₱4,490	₱493	₱12,964	₱1,636,268

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

September 30, 2013 (Unaudited)								
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost, September 30, 2013	₱35,588	₱705,225	₱207,635	₱16,253	₱27,986	₱–	₱103,016	₱1,095,703
Disposals	(1,425)							
Accumulated depreciation and impairment	–	395,164	104,368	13,152	24,241	–	90,832	627,757
Net carrying amount	₱34,163	₱310,061	₱103,267	₱3,101	₱3,745	₱–	₱12,184	₱467,946

2012 (Audited)								
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost, December 31, 2012	₱36,025	₱718,166	₱207,635	₱16,253	₱79,476	₱3,916	₱111,936	₱1,173,407
Accumulated depreciation and impairment	–	409,975	104,723	13,152	75,964	3,424	98,973	706,211
Net carrying amount	₱36,025	₱308,191	₱102,912	₱3,101	₱3,512	₱492	₱12,963	₱467,196

Revaluation

The latest appraisal of the Group's property, plant and equipment (except for transportation equipment) by an independent firm of appraisers was in December 2011 except for land, which was re-appraised in December 2012.

Collateral

Property, plant and equipment with carrying value (at revalued amount) of ₱1.5 billion as at December 31, 2012 were used as collaterals for the Group's restructured debt.

Assets Held for Disposal

On January 29, 2010, the Court approved the disposal of several of the Group's non-core assets to comply with the restructured debt scheduling payment. The net carrying value of the assets held for disposal aggregated ₱954.1 million in 2012. These comprise of property, plant and equipment of ₱127.4 million in 2012 and investment properties of ₱826.7 million in 2012.

The Group sold through dacion en pago in June 2013 and November 2010, portion of these assets with a net carrying value of ₱51.3 million and ₱152.9 million, respectively, to settle loans aggregating ₱70.1 million and ₱184.7 million to Kormasinc. at a net gain of ₱18.8 million and ₱31.8 million, respectively. The assets sold comprise of (1) property, plant and equipment with a net carrying value of ₱36.2 million and ₱143.9 million at the selling price of and ₱52.5 million and ₱173.9 million; and (2) investment properties with a carrying value of ₱15.1 million and ₱9.0 million at the selling price of ₱17.6 million and ₱10.8 million, respectively. As a result of the sale of some of these assets in 2013 and 2010, revaluation reserve amounting to ₱24.3 million and ₱65.3 million was transferred to deficit.

8. Investment Properties

Investment properties comprise of the Group's hatchery buildings, dressing and rendering plants that are held to earn rentals 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 *(in thousand pesos)*:

	Unaudited Sep 2013	Audited Dec 2012
Balance at beginning of year	₱846,424	₱772,928
Additions	–	25,203
Fair value gain	–	51,054
Disposals	(17,317)	(2,761)
Balance at end of year	₱829,107	₱846,424

9. Trade & Other Payables

This account consists of *(in thousand Pesos)*:

	Unaudited Sep 2013	Audited Dec 2012
Trade & non-trade payables	₱836,609	₱956,997
Accrued interest	199,985	294,872
Accrued expenses	131,870	89,921
Provisions	27,072	25,813
Customers' deposits	31,178	22,543
Other payables	80,122	9,096
	1,306,836	1,399,242
Less non-current portion	168,144	168,144
Current portion	₱1,138,692	₱1,231,098

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

Nontrade payables 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. These are settled throughout the year.

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

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. The case is pending decision before the Court of Appeals.

Other payables consist of security deposits, social security premiums payable and statutory liabilities.

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.

10. 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. Several of these creditor banks have transferred their interest in the loans to SPAV Companies. During 2013, all the SPAV Companies transferred their interest in the loans to Kormasinc.

On September 20, 2013, the Company and Kormasinc entered into a debt-to-equity conversion of the loans aggregating to ₱2.4 billion. This transaction resulted to a change in the terms of the restructured debt and as such, the unamortized “day one” gain of to ₱689.2 million as at September 20, 2013 was recognized in full.

The debt to equity conversion was approved by the SEC on October 16, 2013.

A summary of the restructured debt at discounted value is presented below (*in thousand pesos*):

	Unaudited Sep 2013	Audited Dec 2012
Debt at original amount	₱3,254,367	₱3,254,367
Payments to date:		
Balance at beginning of year	(177,839)	(177,839)
Payments	(62,111)	–
Balance at end of year	(239,950)	(177,839)
	3,014,417	3,076,528
Unamortized discount at original amount	1,596,974	1,596,974
Accretion to date:		
Balance at beginning of year	823,022	690,819
Accretion	773,952	132,203
Balance at end of year	1,596,974	823,022
	–	773,952
Discounted value	3,014,417	2,302,576
Current maturing portion	155,495	(72,463)
Restructured debt - long term portion	₱2,858,922	₱2,230,113

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, 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

The outstanding balance of the debt (at original value) is due to the following:

	Unaudited September 2013	Audited Dec 2012
Kormasinc	₱3,014,417	₱162,975
Creditor banks	—	1,546,458
SPAV companies	—	1,367,095
	₱3,014,417	₱3,076,528

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 Group'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;
- d. debt scheduling payment as summarized below:

	Principal	Interest	Accretion of Discount
Within 1 to 3 years	₱—	₱—	₱488,979
Within 4 to 6 years	251,830	187,293	390,846
Within 7 to 9 years	432,737	260,066	358,242
Within 10 to 15 years	2,569,801	521,155	358,906
	₱3,254,368	₱968,514	₱1,596,973

Compliance with Restructured Debt

Matured obligation, based on the debt scheduling payment, aggregated ₱276.3 million as at September 30, 2013 and ₱165.1 million as at December 31, 2012. This includes interest of ₱193.7 million in 2013 and ₱129.7 million in 2012.

As of September 30, 2013, the Company had paid a total of ₱333.8 million, which is more than the matured obligations. This was reported by the Court appointed Receiver, in his Quarterly Report to the Rehabilitation Court. The payments consist of ₱254.8 million through a dacion en pago of non-core assets to Kormasinc, Inc. in 2010 and 2013 and ₱79.0 million assignment of insurance proceeds to the creditors in 2011.

On September 14, 2012, the Company bidded out non-core assets to Kormasinc Inc., a creditor. The resulting dacion en pago for ₱70.1 million. Being a creditor, Kormasinc payment will be in reduction of restructured debt of ₱70.1 million. The bid was approved by the Court on June 2013.

The dacion en pago of the non-core assets which was offered by the Company as an equivalent compliance with the restructured debt annual schedule of payment, and the assignment of the insurance proceeds were approved by the Court. Although subject to appeal by creditor banks, these modes of payment are executory pursuant to the rules on corporate rehabilitation unless nullified by the higher Court.

The creditor banks have filed a motion for the termination of the rehabilitation proceedings arising from the Company's failure to achieve the goals set in the Plan. The Court of Appeals has ruled the case in favor of the Company. However, an appeal by the creditor banks is pending decision before the Supreme Court. The management and its legal counsel believe that the case will be ruled in its favor.

Interest Expense

The breakdown of this account is as follows:

	Unaudited Sep 2013	Audited Dec 2012
Accretion of discount	₱773,952	₱132,203
Nominal interest payable to creditor banks/SPAVs	52,893	61,069
	₱826,845	₱193,272

11. Cash Bond Deposits

Cash bond deposits amounting to ₱21.6 million and ₱18.9 million as at September 30, 2013 and December 31, 2012, respectively, substantially consist of surety bond deposits obtained from contract growers, contract breeders, customers and salesmen.

The carrying amounts of the cash bond deposits are at nominal values because the timing of the refund or settlement could not be reasonably estimated.

12. Equity

Capital Stock. The Group is authorized to issue 500 million common 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 September 30, 2013 and December 31, 2012 or a total of ₱410.0 million.

The Board of Directors (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 (a) 1.0 billion shares of stock with a par value of ₱1.00 for a total of ₱1.0 billion on May 27, 2010, (b) 1.5 billion shares of stock with a par value of ₱1.00 for a total of ₱1.5 billion on June 1, 2012, and (c) 3.5 billion shares of stock with a par value of ₱1.00 for a total of ₱3.5 billion on August 28, 2012.

The stockholders also approved the increase in authorized capital stock either in cash or for the conversion of debt to equity during the annual stockholders' meeting on June 25, 2010 for the initial increase of 500 million shares and during the special stockholders' meeting on August 28, 2012 and October 15, 2012 for additional increase of 500 million shares and 2 billion shares, respectively.

On September 20, 2013, the BOD approved the conversion of part of the Company's debts to Kormasinc amounting to ₱2,376,528,137 into equity at a ratio of 1:1 or 1 share of common stock for every ₱1.00 debt in which ₱90,030,236 shall be applied as payment for the issuance of the 90,030,236 shares out of the existing unissued shares, while ₱2,286,497,901 shall be applied as payment for the additional shares of stock which shall be issued out of the increase in the authorized capital stock.

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

The following summarizes the information on the Group's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	No. of Shares Issued
Feb. 9, 1989	200,000,000	109,969,764
Aug 11, 1986	200,000,000	200,000,000
Dec. 5, 1982	33,000,000	33,000,000
Dec. 5, 1977	45,000,000	45,000,000
Oct. 31, 1974	7,000,000	7,000,000
May 2, 1973	10,000,000	10,000,000
Oct. 2, 1972	5,000,000	5,000,000

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

The Group's public ownership as of September 30, 2013 and December 31, 2012 are as follows:

	Unaudited Sep 2013	Audited Dec 2012
Number of Issued & Outstanding Shares	409,969,764	409,969,764
Number of Stockholders	4,443	4,516
Number of Shares owning at least one board lot each	3,409	3,473

The Group's foreign equity ownership as of September 30, 2013 is as follows:

	No. Of Shares	% Ownership
Shares owned by Filipino	399,031,557	97.33%
Shares owned by Foreigners	10,938,207	2.67%
Total	409,969,764	100.00%

Issuances, Repurchases, and Repayments of Debt and Equity Securities. There were no issuances, repurchases, and repayments of debt and equity securities made for the second quarter of the year.

Dividends. There are no dividends paid for common shares in the current interim period.

13. Loss Per Share

Basic and diluted loss per share were computed as follows (*in thousand pesos*):

	Unaudited Sep 2013	Unaudited Sep 2012
Loss for the year	(₱763,380)	₱14,054
Divided by the weighted average number of outstanding shares	409,969	409,969
Loss per share - basic and diluted	(₱1.86)	(₱0.034)

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

14. Segment Information

The Company's operating businesses and those of its subsidiaries are 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 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.
- The Feeds segment caters to the feed requirement of the poultry, livestock, and fish growers. It is engaged in the manufacture and distribution of animal and aqua feeds, animal health and nutritional products, and feed supplements.
- The Farms segment is involved in the production of day-old chicks.
- 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 include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowance. Segment liabilities include all operating liabilities and consist principally of accounts, wages, and taxes currently payable and accrued liabilities. Segment liabilities do not include deferred tax liabilities.

The Company generally accounts for intersegment sales and transfers at cost.

The following table presents revenue and profit information regarding business segments for the second quarter ended September 30, 2013, and certain asset and liability information regarding business segments at September 30, 2013.

As at September 30, 2013 – Unaudited (in thousand Pesos)

	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Net Sales						
External Sales	672,889	1,306,710	91,615	–	–	2,071,214
Inter-segment sales	–	–	–	–	–	–
	672,889	1,306,710	91,615	–	–	2,071,214
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold	706,583	1,181,642	98,589	–	(1,653)	1,985,161
Depreciation	–	42,410	–	–	–	42,410
Operating expenses	29,636	124,669	4,461	75,193	2,250	236,209
Other operating (income) loss	(29,257)	(62,783)	(16,514)	–	3,903	(104,651)
	706,962	1,285,938	86,536	75,193	4,500	2,159,129
RESULTS						
Segment Results	(34,073)	20,772	5,079	(75,193)	(4,500)	(87,915)
Other charges -net						(694,920)
Income/(Loss) before tax						(782,835)
Tax Expense						19,455
Net Income/(Loss)						(763,380)

OTHER INFORMATION

Segment assets	737,013	2,011,997	507,215	717,553	(99,070)	3,874,708
Segment liabilities	615,295	1,287,511	6,971	453,412	(636,196)	1,726,993
Restructured debt	–	–	–	2,858,922	–	2,858,922
Consolidated Total						
Liabilities	697,159	1,287,511	6,971	3,312,334	(636,196)	4,585,915

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.

15. 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:

- Foreign Currency Sensitivity
- Interest Rate Sensitivity
- Credit Risk
- Liquidity Risk
- Price Risk

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.

As at September 30, 2013, 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.

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 condensed interim consolidated statements of financial position.

The Group continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The 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.

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.

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.

VITARICH CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

(In thousand Pesos)

Below is a schedule showing the financial soundness indicators of the Corporation for the period ended:

	Unaudited Sep-13	Audited Dec-12
Current / Liquidity Ratio	1.15	1.17
Current assets	1,451,420	1,524,947
Current Liabilities	1,294,187	1,308,514
Solvency Ratio	(0.17)	(0.01)
Net income (loss) before depreciation	(763,344)	(55,214)
Total Liabilities	4,585,915	3,974,445
Debt-to-Equity Ratio	(6.45)	110.94
Total liabilities	4,585,915	3,974,445
Total Equity	(711,207)	35,826
Asset-to-Equity Ratio	(5.45)	111.94
Total assets	3,874,708	4,010,271
Total equity	(711,207)	35,826
Interest rate coverage Ratio	(13.8)	0.38
Pretax loss before interest	(729,942)	72,812
Interest expense	52,893	193,284
Profitability Ratio	1.07	(3.36)
Net income (loss)	(763,380)	(120,471)
Total equity	(711,207)	35,826

OTHER MATTERS

- There were no contingent assets nor liabilities since the last annual statement of financial position.
- There were no material commitments for capital expenditures.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

Any event that will trigger direct or contingent financial obligation that is material to the Group, 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 obligation under it, it shall be considered as an event of default under the Omnibus Agreement, and will result to an adverse financial liability of the Corporation.

However, with the approval of the Rehabilitation Plan, all the terms of the Second Amendment shall be subject to the decision of the Rehabilitation Court.

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