VITARICH

August 18, 2014

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 period ended June 30, 2014.

Thank you.

Very truly yours,

VITARICH CORPORATION

Alicia G. Danque
Alternate Corporate Information Officer

60 YEARS OF SERVING THE FILIPINO FARMERS

108182014003067

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000021134
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Industry Classification	
Company Type	Stock Corporation

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COVER SHEET

0000021134
SEC Registration Number

VITARICH CORPORATION AND SUBSIDIARIES
Company's Full Name

Bo. Abangan Sur, McArthur Highway, Marilao, Bulacan
Business Address: No. Street City/Town/Province

Stephanie Nicole S. Garcia
Contact Person

843-3033
Company Telephone Number

12 31
Month *Day*
(Fiscal Year)

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Month *Day*
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Not Applicable
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Not Applicable
Amended Articles Number/Section

4,381
Total Number of Stockholders (6.30.2014)

Total Amount of Borrowings

Domestic	Foreign
₱649.2 million	**₱–**

To be accomplished by SEC Personnel concerned

File Number

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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 **June 30, 2014**

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
Common Stock	**2,786,497,901**

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

Yes [✔] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange, Inc. **Common**

12. Indicate by check mark whether the registrant:

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

Yes [✔] No [ ]

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

Yes [ ] No [✔]

Vitarich Corporation and Subsidiaries

Unaudited Interim Consolidated Financial Statements
As at and for the six months ended June 30, 2014
(With Comparative Figures for 2013)

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 June 30, 2014 (with comparative figures as of December 31, 2013 and for the period ended June 30, 2013) 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:

for:

STEPHANIE NICOLE S. GARCIA
Treasurer/Chief Finance Officer

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

Date: August 18, 2014

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 applicable)

June 30, 2014

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 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. On October 16, 2013, the SEC approved the debt to equity conversion and the Company's increase in authorized capital stock. Consequently, Kormasinc acquired 85.29% ownership of the Company.

The increase in authorized capital stock and the debt-to-equity conversion resulted to an increase in equity to ₱1,298.3 million as at December 31, 2014 from ₱35.8 million as at December 31, 2012.

Results of Operations:

For the second quarter of 2014, Vitarich Corporation and its subsidiaries generated consolidated sale of goods of ₱565 million, lower by 18% from ₱687 million of same quarter last year. As of June 30, 2014, the Company generated sale of goods of ₱1,178 million, 15% lower from a year ago. Lower consolidated revenues were due to the short piglet supply, pig disease outbreak (Porcine Epidemic Diarrhea), and the reduced aqua feed consumption due to extended cold season and fish kills. Short piglet supply continued to persist and was forecasted to prolong until the end of the year.

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.

Additionally, cost of all product lines increased due to high processing and raw material costs. This resulted to a continued increase in cost of commercial feeds.

The Company generated gross profit of 35 million for the second quarter, 60% higher against last year's gross profit of 22 million level.

For the three-month period, consolidated operating expenses increased by 6%. For the second quarter, consolidated operating expenses increased by 6% from ₱80 million from the previous quarter to ₱85 million.

Other operating income for the second quarter of 2014 increased by 50% versus that of the same period last year. Consolidated other operating income for the three-month period went up from 30 million of the same quarter last year to 44 million of the same quarter this year.

Other charges for the second quarter increased from 15 million other income of the same quarter last year to 7 million other charges of the same quarter this year. This has also resulted to a consolidated net income for the second quarter of ₱12 million as against last year's income of ₱3 million. As of June 30, 2014, the Company generated a net loss of ₱31 million, increasing from last year's loss of 15 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 June 30, 2014 vs. audited December 31, 2013

The Company's consolidated total assets as of June 30, 2014 stood at ₱3,267 million, slightly lower than December 31, 2013 level of ₱3,647 million. Total current assets decreased from ₱1,361 million as at December 31, 2013 to ₱1,061 million as at June 30, 2014.

Cash balance as of June 30, 2014 decreased to ₱40 million from ₱45 million as of December 31, 2013. The reduction in cash was attributed to net cash outflows used in operating activities.

Trade and other receivable account decreased by 41% as a result of increased collections as compared to revenue during the year.

Inventories went down by 8.9% due to the decrease purchases.

Other current assets account of ₱84 million was up by 77% as against ₱48 million in December 31, 2013 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 ₱1,457 million, lower by 19% as of December 31, 2013. Trade and other payables account decreased by 29% as against last year. Deferred tax liabilities decreased by 6%.

Stockholders' equity decreased from ₱1,332 million to ₱1,302 million, due to net loss posted as of the second quarter period.

The Corporation's top four (4) key performance indicators are described as follows:

	Unaudited Jun 2014	Unaudited Jun 2013
Revenue (₱ million)	1,178	1,387
Cost Contribution (₱ million)	1,129	1,325
Gross Profit Rate (%)	4%	4%
Operating Margin (₱ million)	(35.2)	(33.7)

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 ₱1,178 million, lower than the same period last year of ₱1,387 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

FOR THE PERIOD ENDED JUNE 30, 2014 AND THE YEAR ENDED DECEMBER 31, 2013

(In Thousand Pesos)

	June 2014 (Unaudited)	December 2013 (Audited)
ASSETS		
Current Assets		
Cash	**₱39,871**	₱45,327
Trade and other receivables	**406,259**	694,618
Due from related parties	**96,564**	96,917
Inventories	**433,480**	476,068
Other current assets	**84,430**	47,673
Total Current Assets	**1,060,604**	1,360,603
Noncurrent Assets		
Property, plant and equipment	**1,474,504**	1,544,403
Investment properties	**728,899**	739,168
Other noncurrent assets	**2,594**	2,639
Total Noncurrent Assets	**2,205,997**	2,286,210
	₱3,266,601	₱3,646,813
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱811,732**	₱1,150,542
Payable to stockholder	**637,889**	637,889
Income tax payable	**6,897**	4,642
Total Current Liabilities	**1,456,518**	1,793,073
Noncurrent Liabilities		
Trade and other payables	**168,144**	168,144
Net deferred tax liabilities	**223,369**	237,814
Retirement benefit obligation	**96,342**	93,830
Cash bond deposits	**20,642**	21,756
Total Noncurrent Liabilities	**508,497**	521,544
Equity		
Capital stock	**2,786,498**	2,786,498
Additional paid-in capital	**224,547**	224,547
Deficit	**(2,472,515)**	(2,488,593)
Other comprehensive income	**763,056**	809,744
Total Equity	**1,301,586**	1,332,196
	₱3,266,601	₱3,646,813

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2014
(With Comparative Figures for 2013)
(In Thousand Pesos)

	UNAUDITED		UNAUDITED	
	JAN-JUNE 2014	JAN-JUNE 2013	**APR-JUNE 2014**	APR-JUNE 2013
SALE OF GOODS	**₱1,177,696**	₱1,386,740	₱564,521	₱687,115
COST OF GOODS SOLD	**1,129,050**	1,325,118	529,707	665,372
GROSS PROFIT	**48,646**	61,622	34,814	21,743
OTHER OPERATING EXPENSES (INCOME)				
Operating expenses	**151,711**	150,294	85,421	80,337
Operating income	**(67,856)**	(54,951)	(44,315)	(29,503)
	83,855	95,343	41,106	50,834
OPERATING LOSS	**(35,209)**	(33,721)	(6,292)	(29,091)
OTHER CHARGES (INCOME)				
Loss (gain) on sale of property, plant and equipment and investment properties	**5,807**	(18,869)	3,518	(18,869)
Provision for probable losses	**1,636**	–	3,273	–
Interest expense	**283**	98,015	–	51,176
Finance income	**(306)**	(62)	(39)	(23)
Reversal of long outstanding payables	**–**	(82,768)	–	(47,768)
	7,420	(3,684)	6,752	(15,484)
LOSS BEFORE INCOME TAX	**(42,629)**	(30,037)	(13,044)	(13,607)
INCOME TAX EXPENSE (BENEFIT)	**(12,020)**	(15,400)	(24,868)	(16,616)
NET INCOME (LOSS)	**(30,609)**	(14,637)	11,824	3,009
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to profit or loss:				
Revaluation increase on property, plant and equipment - net of tax	**–**	–	–	–
Actuarial gains (losses) - net of tax	**–**	–	–	–
	–	–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱30,609)**	(₱14,637)	₱11,824	₱3,009
INCOME (LOSS) PER SHARE - BASIC AND DILUTED	**(₱0.01)**	(₱0.04)	₱0.04	₱0.02

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2014
(With Comparative Figures for 2013)
(In Thousand Pesos)

	JUNE 30, 2014	JUNE 30, 2013	AUDITED DECEMBER 31, 2013
CAPITAL STOCK	**₱2,786,498**	₱409,970	₱2,786,498
ADDITIONAL PAID-IN CAPITAL	**224,547**	913,740	224,547
OTHER COMPREHENSIVE INCOME			
Balance at beginning of year/quarter	**809,744**	831,909	831,909
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	**(3,408)**	(3,763)	(7,515)
Transfer to deficit of revaluation reserve realized through disposal, net of tax	**(43,280)**	(24,331)	(24,655)
Total comprehensive loss for the year:			
Additional revaluation reserve on property, plant and equipment, net of tax	**–**	–	9,904
Unrealized actuarial losses, net of tax	**–**	–	101
Balance at end of year/quarter	**763,056**	803,815	809,744
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year/quarter	**(2,488,593)**	(2,119,792)	(2,119,792)
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	**3,408**	3,763	7,515
Transfer to deficit of revaluation reserve realized through disposal, net of tax	**43,280**	24,331	24,655
Net loss	**(30,609)**	(14,637)	(400,971)
Balance at end of year/quarter	**(2,472,515)**	(2,106,335)	(2,488,593)
TOTAL EQUITY	**₱1,301,587**	₱21,190	₱1,332,196

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014
(With Comparative Figures for 2013)
(In Thousand Pesos)

	UNAUDITED		AUDITED
	JUNE 2014	**JUNE 2013**	**DEC 2013**
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	**(₱42,629)**	(₱30,037)	(₱319,138)
Adjustments for:			
Depreciation and amortization	**30,593**	35,710	70,501
Gain on sale of property, plant and equipment and investment properties	**5,807**	(18,869)	17,300
Retirement benefit cost	**2,512**	341	11,863
Provision for probable losses	**1,636**	–	18,239
Finance income	**(306)**	(62)	(274)
Finance cost	**283**	98,015	154,396
Reversal of accrued interest	–	–	(139,768)
Reversal of unamortized day-1 gain	–	–	681,822
Gain on debt to equity conversion	–	–	(689,193)
Loss (gain) on fair value changes of investment properties	–	–	24,806
Impairment loss on property, plant and equipment	–	–	17,488
Operating profit (loss) before working capital changes	**(2,104)**	85,098	(151,958)
Decrease (increase) in:			
Trade and other receivables	**288,404**	(85,956)	123,723
Due from related parties	**353**	2,099	3,023
Inventories	**42,588**	96,042	68,303
Other current assets	**(37,254)**	(17,716)	(20,463)
Other noncurrent assets	**45**	90	(5)
Increase (decrease) in:			
Trade and other payables	**(340,446)**	(75,807)	(11,550)
Cash bond deposits	**(1,114)**	1,752	2,870
Cash generated from (used for) operations	**(49,528)**	5,602	13,943
Interest paid	**(283)**	(415)	(1,372)
Interest received	**261**	40	274
Cash paid for income taxes	**326**	(5,283)	(6,875)
Retirement benefits paid	–	–	(7,555)
Net cash provided by (used in) operating activities	**(49,224)**	(56)	(1,585)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	**(6,849)**	(12,331)	(21,106)
Proceeds from sale of property, plant and equipment	**40,348**	–	5,400
Proceeds from disposal of investment properties	**10,269**	155	38,895
Acquisitions of investment property	–	–	(10,498)
Net cash provided by (used in) investing activities	**43,768**	(12,176)	12,691
NET INCREASE (DECREASE) IN CASH	**(5,456)**	(12,232)	11,106
CASH AT BEGINNING OF PERIOD	**45,327**	34,221	34,220
CASH AT END OF PERIOD	**₱39,871**	₱21,989	₱45,326

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED JUNE 30, 2014

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 ₱2,473 million and ₱2,489 million as at June 30, 2014 and December 31, 2013, 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.

The increase in authorized capital stock and the debt-to-equity conversion resulted to an increase in equity to ₱1,298.3 million as at December 31, 2013 from ₱35.8 million as at December 31, 2012.

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, 2013.

The unaudited interim consolidated financial statements of the Group for the three (3) months ended June 30, 2014 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

Adoption of New and Revised PFRS

The Group opted for an early application of PAS 19, Employee Benefits (Amendment) effective for annual period beginning or as at January 1, 2013 as allowed by the standard.

The Group adopted the following new and revised PFRS, which became effective as at January 1, 2013. These are summarized below.

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* - The amendment changed the presentation of items in Other Comprehensive Income. Items reclassified to profit or loss at a future point in time is presented separately from items that cannot be reclassified.

- 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 has to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 12, *Disclosure of Interests in 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.

- 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.

- 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 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.

- Improvements to PFRS

  The omnibus amendments to PFRS 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*

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

<u>New and Revised PFRS Not Yet Adopted</u>
Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2013 and have not been applied in preparing the consolidated financial statements are summarized below.

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

- 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. The amendments clarify (1) the meaning of "currently has a legally enforceable right of set-off"; and (2) 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, *Financial Instruments: Recognition and Measurement*, 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 consolidated financial statements. Additional disclosures will be included in the consolidated financial statements, as applicable.

4. Trade and Other Receivables

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

	Unaudited Jun 2014	Audited Dec 2013
Trade Receivables	**₱349,143**	₱665,586
Insurance Claims Receivable	**217,822**	215,394
Non Trade Receivables	**247,242**	252,299
Advances to Officers and Employees	**5,907**	6,089
Other Receivables	**78,018**	45,166
	898,132	1,184,534
Allowance for Impairment	**(491,873)**	(489,916)
	₱406,259	₱694,618

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 JUNE 30, 2014 – Unaudited (in thousand Pesos)						
	TOTAL	**CURRENT**	**1-30**	**31-60**	**61-90**	**91-120**	**OVER 120**
Feeds	₱202,034	₱134,000	₱18,574	₱4,263	₱2,722	₱4,146	₱38,329
Farms	1,413	194	1,118	60	12	–	29
Foods	145,696	13,537	–	–	90	–	132,069
Total Trade Receivables	**349,143**	**147,731**	**19,692**	**4,323**	**2,824**	**4,146**	**170,427**
Advances to Officers and Employees	5,907	5,907	–	–	–	–	–
Other Receivables	543,082	26,596	10,603	2,632	2,461	124,712	376,078
Total Trade and Nontrade Receivables	**898,132**	**180,234**	**30,295**	**6,955**	**5,285**	**128,858**	**546,505**
Less: Allowance for Impairment	491,873						491,873
NET RECEIVABLES	**₱406,259**	**₱180,234**	**₱30,295**	**₱6,955**	**₱5,285**	**₱128,858**	**₱54,632**

5. Inventories

The details of inventories at the end of the period of June 30, 2014 and the year-ended December 31, 2013 are shown below (*in thousand Pesos*):

	Unaudited Jun 2014	Audited Dec 2013
At Cost:		
Finished goods	**₱52,571**	₱68,218
Materials in-transit	**–**	2,988
Supplies and animal health products	**6,063**	23,810
At NRV:		
Raw materials and feeds supplement	**143,972**	162,255
Factory stocks and supplies	**87,867**	87,560
Livestock	**143,007**	131,237
	₱433,480	₱476,068

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

	Unaudited Jun 2014	Audited Dec 2013
Raw materials and feeds supplement	**₱144,328**	₱163,116
Factory stocks and supplies	**196,397**	184,298
Livestock	**143,006**	131,593
	₱483,731	₱479,007

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

	Unaudited Jun 2014	Audited Dec 2013
Balance at beginning of year	**₱97,955**	₱60,769
Reversal	**–**	–
Impairment loss	**11,791**	37,186
Balance at end of year	**₱109,746**	₱97,955

6. Other Current and Noncurrent Assets

Other Current Assets (*in thousand Pesos*):

	Unaudited Jun 2014	Audited Dec 2013
Current:		
Input VAT	**₱58,788**	₱42,037
Prepayments	**25,642**	5,636
	₱84,430	₱47,673

Other Noncurrent Assets (*in thousand Pesos*):

	Unaudited Jun 2014	Audited Dec 2013
Noncurrent:		
Project development costs	**₱–**	₱31,368
Deposits	**2,544**	2,589
Other assets	**50**	53,327
	2,594	87,284
Allowance for impairment:		
Other assets	**–**	53,277
Project development costs	**–**	31,368
	2,594	84,645
	₱2,594	₱2,639

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)*:

	June 30, 2014 (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	**₱1,051,015**	**₱769,515**	**₱291,460**	**₱32,007**	**₱83,575**	**₱3,916**	**₱116,691**	**₱2,348,179**
Additions	**–**	**2,387**	**2,124**	**–**	**1,021**	**–**	**1,316**	**6,848**
Disposals	**(42,443)**	**–**	**(5,389)**	**(854)**	**(2,104)**	**–**	**–**	**(50,790)**
Balance at end of year	**1,008,572**	**771,902**	**288,195**	**31,153**	**82,492**	**3,916**	**118,007**	**2,304,237**
Accumulated Depreciation and Impairment								
Balance at beginning of year	**–**	**475,086**	**121,498**	**18,009**	**79,010**	**3,677**	**106,496**	**803,776**
Additions	**–**	**20,273**	**6,432**	**830**	**984**	**62**	**2,011**	**30,592**
Disposals	**–**	**–**	**(2,225)**	**(582)**	**(1,828)**	**–**	**–**	**(4,635)**
Balance at end of year	**–**	**495,359**	**125,705**	**18,258**	**78,166**	**3,739**	**108,506**	**829,733**
Net carrying amount, June 30, 2014	**₱1,008,572**	**₱276,543**	**₱162,490**	**₱12,895**	**₱4,326**	**₱177**	**₱9,501**	**₱1,474,504**

	December 31, 2013 (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	₱1,085,393	₱755,276	₱288,703	₱30,529	₱81,837	₱3,916	₱111,936	₱2,357,590
Additions	–	11,857	3,074	–	1,420	–	4,755	21,106
Additional revaluation reserve	1,806	10,864	(317)	1,478	318	–	–	14,149
Disposals	(36,184)	(8,482)	–	–				(44,666)
Balance at end of year	1,051,015	769,515	291,460	32,007	83,575	3,916	116,691	2,348,179
Accumulated Depreciation and Impairment								
Balance at beginning of year	–	416,390	109,015	16,174	77,347	3,424	98,973	721,323
Additions	–	46,744	12,483	1,835	1,663	253	7,523	70,501
Disposals	–	(5,536)	–	–	–	–	–	(5,536)
Impairment	–	17,488	–	–	–	–	–	17,488
Balance at end of year	–	475,086	121,498	18,009	79,010	3,677	106,496	803,776
Net carrying amount, December 31, 2013	₱1,051,015	₱294,429	₱169,962	₱13,998	₱4,565	₱239	₱10,195	₱1,544,403

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

	June 30, 2014 (Unaudited)							
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost, JUNE 30, 2014	**₱33,563**	**₱716,228**	**₱209,313**	**₱15,797**	**79,966**	**₱3,917**	**₱118,007**	**₱1,176,791**
Accumulated depreciation and impairment	**–**	**482,395**	**114,066**	**13,332**	**76,297**	**3,740**	**108,297**	**798,127**
Net carrying amount	**₱33,563**	**₱233,833**	**₱95,247**	**₱2,465**	**₱3,669**	**₱177**	**₱9,710**	**₱378,664**

	December 31, 2013 (Audited)							
	Land	Machinery and Equipment	Buildings	Land Improvements	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost, December 31, 2013	₱34,657	₱713,840	₱210,709	₱16,252	₱80,893	₱3,917	₱116,691	₱1,176,959
Accumulated depreciation and impairment	–	463,904	112,108	13,549	77,275	3,677	106,495	777,008
Net carrying amount	₱34,657	₱249,936	₱98,601	₱2,703	₱3,618	₱240	₱10,196	₱399,951

Fair Value Measurement

The Group's property, plant and equipment (except for transportation equipment) were appraised by an independent firm of appraisers on September 30, 2013.

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

	Valuation Technique	Significant unobservable Inputs	Range (weighted average)
Land	Sales Comparison Approach	Selling price per square meter	₱4,030/ sq. m.
Machinery and Equipment	Cost of Reproduction Approach	Replacement cost less accrued depreciation	3 - 5 years remaining useful life
Buildings	Cost of Reproduction Approach	Replacement cost less accrued depreciation	5 - 10 years remaining useful life
Land Improvements	Cost of Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining useful life
Office Furniture, Fixtures and Equipment	Cost of Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining useful life
Leasehold Improvements	Cost of Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining useful life

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 ₱841.0 million and ₱954.1 million as at December 31, 2013 and 2012, respectively. The Group sold through dacion en pago, as approved by the Court, portion of these assets.

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 Jun 2014	Audited Dec 2013
Balance at beginning of year	**₱739,168**	₱846,424
Fair value gain	–	(24,806)
Additions	–	10,498
Disposals	**(10,269)**	(92,948)
Balance at end of year	**₱728,899**	₱739,168

9. Trade & Other Payables

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

	Unaudited Jun 2014	Audited Dec 2013
Trade & non-trade payables	**₱443,415**	₱873,570
Accrued interest	**209,267**	208,986
Accrued expenses	**172,709**	109,178
Customers' deposits	**41,208**	32,149
Provisions	**27,072**	44,052
Other payables	**86,205**	50,751
	979,876	1,318,686
Less non-current portion	**168,144**	168,144
Current portion	**₱811,732**	₱1,150,542

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.

In 2013, Kormasinc acquired the interest in the loans from all the creditor banks and SPAV Companies and entered into a debt to equity conversion of debts amounting to ₱2,376,528,138 at 1:1 or 1 share of common stock for every 1.00 debt. This was approved by the SEC on October 16, 2013.

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

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 Jun 2014	Audited Dec 2013
Debt at original amount	**₱3,254,367**	₱3,254,367
Payments to date:		
Balance at beginning of year	**(3,254,367)**	(177,839)
Payments	**–**	(62,111)
Debt to equity conversion	**–**	(2,376,528)
Reclassification	**–**	(637,889)
Balance at end of year	**(3,254,367)**	(3,254,367)
	–	–
Unamortized discount at original amount	**1,596,974**	1,596,974
Accretion to date:		
Balance at beginning of year	**(1,596,974)**	(823,022)
Accretion	**–**	(92,130)
Reversal	**–**	(681,822)
Balance at end of year	**(1,596,974)**	(1,596,974)
	–	–
Discounted value	**–**	–
Current maturing portion	**–**	–
Restructured debt - long term portion	**₱–**	₱–

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 Jun 2014	Audited Dec 2013
Creditor banks	**₱–**	₱–
SPAV companies	**–**	–
	₱–	₱–

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

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

Interest Expense
The breakdown of this account is as follows:

	Unaudited Jun 2014	Audited Dec 2013
Accretion of discount	**₱–**	₱92,130
Nominal interest payable to creditor banks/SPAVs	**283**	62,266
	₱283	₱154,396

11. Cash Bond Deposits

Cash bond deposits amounting to ₱20.6 million and ₱21.8 million as at June 30, 2014 and December 31, 2013, 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 Company has authorized capital stock of 3.5 billion shares at ₱1 par value equivalent to ₱3.5 billion as at June 30, 2014 and December 31, 2013, respectively. Movements of the shares are as follows:

	2013	2012
Authorized:		
Balance at beginning of year	**500,000,000**	500,000,000
Increase in shares	**–**	3,000,000
Balance at end of year	**500,000,000**	3,500,000,000
Issued and outstanding		
Balance at beginning of year	**2,786,497,902**	409,969,764
Debt to equity conversion	**–**	2,376,528,138
Balance at end of year	**2,786,497,902**	2,786,497,902

The BOD approved the increase in the Company's authorized capital stock from 500 million shares of stock at ₱1.00 par value equivalent to ₱500 million to (a) 1.0 billion shares of stock at ₱1.00 par value equivalent to ₱1.0 billion on May 27, 2010, (b) 1.5 billion shares of stock at ₱1.00 par value equivalent to ₱1.5 billion on June 1, 2012, and (c) 3.5 billion shares of stock at ₱1.00 par value equivalent ₱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 ₱2,376,528,138 into equity at a ratio of 1:1 or 1 share of common stock for every ₱1.00 debt in which ₱90,030,237 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 by 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
Oct. 16, 2013	3,000,000,000	2,286,497,901
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 following summarizes the information on the Company's issued and outstanding shares as at December 31, 2013:

	Number of shares issued and outstanding	Percentage of shares
Debt to equity conversion	2,376,528,137	85.29%
Listed shares:		
Owned by public	408,257,586	14.65%
Owned by directors and officers	1,712,179	0.06%
Total	2,786,497,902	

Of the total shares owned by the public, 10,938,207 shares are foreign-owned.

The total number of shareholders of the Company is 4,414 and 4,516 as at December 31, 2013 and 2012, respectively.

Additional Paid-in Capital

The approval by the SEC of the debt to equity conversion resulted to a pro-forma accounting income of ₱689.2 million arising from the difference between the market value and the par value of the shares at which price the debt was converted to equity.

Movements in the additional paid-in capital (APIC) are as follows:

	2013	2012
Balance at beginning of year	**₱224,546,509**	₱913,739,669
Gain on debt to equity conversion		(689,193,160)
Balance at end of year	**₱224,546,509**	₱224,546,509

13. Loss Per Share

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

	Unaudited Jun 2014	Audited Dec 2013
Net loss for the year	**₱30,609**	₱400,971
Divided by the weighted average number of outstanding shares	**2,786,498**	1,004,102
Loss per share - basic and diluted	**₱0.01**	₱0.40

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.

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, 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.
c) The Farms segment is involved in the production of day-old chicks.
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 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 June 30, 2014, and certain asset and liability information regarding business segments at June 30, 2014.

As at June 30, 2014 – Unaudited (in thousand Pesos)

	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Net Sales						
External Sales	418,599	674,443	84,654	–	–	1,177,696
Inter-segment sales	–	–	–	–	–	–
	418,599	674,443	84,654	–	–	1,177,696
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold	401,422	616,714	83,629	–	–	1,101,765
Depreciation	8	28,754	68	1,764	–	30,594
Operating expenses	20,755	76,247	2,548	48,852	–	148,402
Other operating (income) loss	(18,525)	(37,738)	(11,593)	–	–	(67,856)
	403,660	683,977	74,652	50,616	–	1,212,905
RESULTS						
Segment Results	14,939	(9,534)	10,002	(50,616)	–	(35,209)
Other charges -net						(7,420)
Income/(Loss) before tax						(42,629)
Tax Expense						12,020
Net Income/(Loss)						**(30,609)**

OTHER INFORMATION						
Segment assets	577,932	1,953,442	373,973	484,034	(122,780)	3,266,601
Segment liabilities	393,986	285,861	1,313	623,950	659,905	1,965,015
Restructured debt	–	–	–	–	–	–
Consolidated Total Liabilities	393,986	285,861	1,313	623,950	659,905	1,965,015

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 June 30, 2014, 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.

16. Subsequent Events

On July 4, 2014, the BOD approved the sale of its several properties in Marilao, Bulacan.

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 Jun 2014	Audited Dec 2013
Current / Liquidity Ratio	0.73	0.76
Current assets	1,060,604	1,360,603
Current Liabilities	1,456,518	1,793,073
Solvency Ratio	(0.0)	(0.14)
Net income (loss) before depreciation	(562)	(330,470)
Total Liabilities	1,965,015	2,314,617
Debt-to-Equity Ratio	1.51	1.74
Total liabilities	1,965,015	2,314,617
Total Equity	1,301,586	1,332,196
Asset-to-Equity Ratio	2.51	2.74
Total assets	3,266,601	3,646,813
Total equity	1,301,586	1,332,196
Interest rate coverage Ratio	(151.63)	0.62
Pretax income (loss) before interest	(42,912)	517,080
Interest expense	283	836,218
Profitability Ratio	(0.02)	(0.30)
Net loss	(30,609)	(400,971)
Total equity	1,301,586	1,332,196

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 Agreement between Vitarich Corporation and Kormasinc, Inc. dated 20 September 2013, the failure of Vitarich to sell the non-core assets within twenty three (23) months from its execution and its failure to turnover the proceeds of sale are considered events of default.

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.