COVER SHEET

2 1 1 3 4

S.E.C. Registration Number

VITARICH CORPORATION

(Company's Full Name)

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

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

Atty. Mary Christine Dabu-Pepito	843-30-33 connecting all dept.
Contact Person	Company Telephone Number

Last Friday of June

12-31	17-A	06	
Month *Day*	Form Type	Month	Day

Fiscal Year

Secondary License Type. If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

SEC COVER SHEET 17-A

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2017**

2. SEC identification Number **21134**

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

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

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

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

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

8. **843-3033 connecting to all departments**
   Registrant's telephone number, including area code

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

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock	**2,786,497,901**

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

    Yes [✓] No [ ]

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

    Philippine Stock Exchange, Inc. **Common**

12. Indicate by check mark whether the registrant:

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

    Yes [✓] No [ ]

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

    Yes [ ] No [✓]

13. The aggregate market value of the voting stock by non-affiliates of the registrant total to P 4,171,472,467.68 as of February 28, 2018.

VITARICH CORPORATION

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

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

In 1962, after PAMCO acquired additional machinery and equipment to increase capacity, the Corporation was registered with the Securities and Exchange Commission (SEC) under the name "Vitarich Feedmill, Inc." The Corporation entered the poultry business and built an experimental poultry farm. In the years that followed, the Corporation entered into agreements with U.S. companies Cobb International and Babcock Poultry Farms for the exclusive franchise and distributorship of Cobb broiler and Babcock layer breeds respectively in the Philippines. The Corporation's corporate life has been extended for another fifty years starting on July 31, 2012.

By the early 1970s, the Corporation further expanded its operations and extended its vertical integration by acquiring dressing plants and cold storage facilities. In 1981, the Corporation expanded outside Luzon by setting up the Davao satellite feedmill. The following year, the Corporation increased its feedmilling capacity in Marilao, Bulacan and at the same time, started operating its Cagayan De Oro feedmill and hatchery. Subsequent areas of expansion in the Visayas included the cities of Iloilo and Bacolod.

In 1988, the Corporation entered into a joint venture agreement with Cobb-Vantress, Inc. (CVI) (formerly Cobb International Inc.) and formed Breeder Master Inc. (BMI) (formerly Phil-American Poultry Breeders, Inc.) to engage in the production of day-old parent stocks. CVI is 100% owned by Tyson Foods, Inc., the world's largest chicken Company. BMI, which is currently known as Cobb Vantress Philippines, Inc., is a domestic corporation, which was 80% owned by Vitarich and 20% owned by CVI.

In 2002, the Corporation decided to dispose of its investment in BMI and agreed to pay its liabilities to BMI by returning all of its shares of stocks to BMI. Thus, on February 12, 2003, the Corporation entered into a Memorandum of Agreement (MOA) with BMI and CVI, the minority shareholder of BMI. Under the MOA, the capital investment of Vitarich in BMI will be returned in payment of Vitarich outstanding liability to BMI. This will leave CVI as the sole shareholder of BMI.

On May 31, 2007, The Regional Trial Court of Malolos, Bulacan (Rehabilitation Court) approved the Company's proposed Rehabilitation Plan (Plan). The implementation of the Plan resulted mainly in the restructuring of Company debt aggregating P3.2 billion (at original amount) resulting to longer payment terms and the lowering of interest.

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

On October 16, 2013, the SEC approved the Company's increase in authorized capital to P3.5 billion and the conversion of Company debts amounting to P2.4 billion to Kormasinc, Inc. (Kormasinc) into equity at 1 share of common stock for every P1.00 debt. Of the converted debt, P90.0 million was applied as payment for 90,030,236 shares from unissued shares and P2.3 billion was applied as payment for additional shares from the increase in authorized capital.

With the debt to equity conversion and significant improvement in the Company's operations, the Regional Trial Court of Malolos, Bulacan (the Rehabilitation Court) approved the Company's exit from Corporate Rehabilitation on September 16, 2016.

On June 30, 2017, the Company's stockholders approved the Company's plan to undergo an Quasi-reorganization. The Company will reduce the par value of the Company share and the existing additional paid-in capital and outstanding revaluation surplus will be applied to eliminate the Company deficit of P2.2 billion as at December 31, 2017. The Company, however, has yet to submit the necessary requirements to the SEC as at December 31, 2017.

On July 26, 2017, the BOD and Stockholders of PFCI approved the shortening of the corporate life of PFCI until March 31, 2019. PFCI which has ceased operations since 2005, was placed under the liquidation process. The Company deconsolidated PFCI and recognized a gain of P28.2 million on deconsolidation.

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of P407.1 million to Kormasinc at P1.52 a share increasing Kormasinc's ownership interest from 69.20% to 71.90%.

The registered principal place of business of the Company is located at Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan. The Company has operating offices in Luzon, Iloilo and Davao, and maintains satellite offices in Southern Philippines.

SUBSIDIARIES

Gromax, Inc. is a wholly owned subsidiary of Vitarich, which started commercial operation in January 1996. Previously, Gromax was a division of Vitarich, which was spun off to a separate entity. Gromax was registered with SEC on November 10, 1995.

Effective April 1, 2015, the operations of Gromax, manufacturing animal health and nutritional feeds, was reintegrated into the Company. Specialty feeds supplement the product offering of animal feeds produced by the Company. Pursuant to the reintegration, Gromax transferred all its employees to the Company. Retirement benefits accruing to these employees were transferred accordingly.

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

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

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

On October 1, 1998, the Board of Directors of PFCI approved the conversion into equity of the advances of Vitarich Corporation to PFCI amounting to ₱165 million to be applied to its unpaid subscriptions and for additional shares of stock of PFCI. Out of the ₱165 million advances to be converted into equity, ₱25 million was applied to Vitarich's unpaid subscription while the remaining ₱140 million was shown under Deposit on Future Stock Subscriptions account pending the approval from the SEC of the conversion.

In 2003, PFCI reverted the investment in shares of stock in PFCI to Advances to subsidiaries amounting to ₱140 million, as the Board of Directors of PFCI decided not to pursue its application with the SEC to convert into equity the advances received from Vitarich. PFCI initially recorded the transaction as an increase in investment in shares of stock in PFCI and a decrease in advances to subsidiaries when the Board of Directors of PFCI approved the proposed conversion in 1998.

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

In connection with such legal action, in 2001, PFCI recognized as claims receivable, as of December 31, 2001, certain losses arising from the closure of certain Texas Chicken restaurants and legal fees incurred relating to the case filed against AFC. Losses recognized as claims receivable include, among others, the loss on write-off of leasehold and building improvements relating to the closed stores. The total amount recognized as claims receivable (presented as part of Other Non-current Assets account in the condensed interim consolidated balance sheets) totaled ₱23.2 million as of December 31, 2001.

The Regional Trial Court of Pasig City, in a decision dated April 3, 2002, approved the issuance of a preliminary writ of attachment on the properties of AFC in the Philippines upon posting of PFCI and TMA of a bond amounting to ₱100 million. Management believed that this case would be settled in favor of the PFCI and TMA.

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

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

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

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

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

BUSINESS OF ISSUER

Business Segments and Product Distribution
For management purposes, the Company is organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The industry segments where the Company operates are as follows:

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

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

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

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

Competition
Although the Corporation is focused on the chicken and feed industry, it faces competition from several sources by virtue of its integrated operations. The Corporation intends to strengthen its competition by establishing objectives and strategic plans to effectively compete with other integrators not only for consumers of its products but also for production resources such as contract growers. The Corporation competes based on product performance.

Principal competitors of the Company are San Miguel Corporation (B-Meg), UNAHCO, URC, Feedmix, Tateh, and Hocpo for the feed business. Key players in chicken business are San Miguel Corporation (Magnolia) and Bounty.

Given its vision to serve its customers with effective technical and marketing support, the Company allotted resources to the research and development of production process improvements and product value enhancement.

Sources of Raw Materials
The raw material components of feeds represent the most significant cost component of the Company's operations. Major raw materials of the feed business of the Company are corn, wheat, soya, and rice bran. The Company purchases these materials locally from traders. There are also times that the Company imports these materials from Australia, North and South America, India, and Pakistan. It is also continuously undertaking programs to substitute traditional grains with materials considered as by-products. High cost of major raw materials such as wheat, corn, oil and soybean meal makes it imperative for the Company to source alternative (and non-traditional) raw materials such as food by-products and other protein sources.

The registrant is not dependent on, nor has any major existing supply contract, with one or a limited number of its suppliers for the purchase of essential raw materials.

Customers
The Company has various customers from all product lines and is not dependent on a single or few customers. The loss of one or two of its customers does not have any adverse material effect on its operations. No customer of the Corporation accounted for 20% of its sale. The Corporation has existing sales contracts with business partners and customers in the normal and regular business transactions.

Trademarks, Royalty and Patents -
Devices and logo being used by the Company are registered with the Intellectual Property Office to wit:

	Date Registered
• Vitarich and Devices	November 11, 2010
• Aqua V-Tech and Logo	January 20, 2011
• Gromax Incorporated and design	July 07, 2011
• Cook's Golden Dory all fresh all natural and device	January 14, 2015

The registration is renewable for another ten (10) years. The Company does not hold any other patent, trademark, franchise, concession or royalty agreement.

Certification
Since 1999, the Corporation's Marilao – Feed Mill plant has been consistently complying and maintaining the certification with the ISO 9001 Quality Management System (QMS) through passing the rigid periodic surveillance audits by Certification International (CI). Such system enabled the Corporation to establish procedures that cover all key processes in the business, monitoring process to ensure that they are effective, keeping adequate records, checking output for defects with appropriate corrective actions, regularly reviewing individual processes and the quality system itself for effectiveness, thus facilitating continual improvement.

In 2007, the Corporation's commitment toward consistent product quality and safety was further strengthened when the three Company-owned feed mill facilities in Luzon, Visayas and Mindanao were certified with the International Organization for Standardization (ISO) for quality and feed safety management systems such as the ISO 9001: 2000 for Quality Management System (QMS) integrated with Hazard Analysis and Critical Control Points (HACCP) for the Luzon feed mill plant and ISO 22000:2005 Food Safety Management System (FSMS) for the Visayas and Mindanao feed mill plants. The Corporation has adopted and implemented preventive approaches to product safety that address physical, chemical and biological hazards in various aspects of feeds manufacturing along with the process and product inspection

On November 20, 2013, the Governing Board of Certification International Philippines, Inc. has re-certified the Corporation's Feedmill Plant in Luzon as conforming to ISO 9001:2008 and HACCP systems under Certification Nos. CIP/3999Q/07/10/544 and CIP/3999H/07/10/544, respectively.

At present, the Corporation is continuously complying and maintaining the requirements of the standards for Iloilo and Davao Feed Mill Plants. However, the Company disposed off its feed mill plant located in Marilao, Bulacan in 2014 to further reduce the debt and to generate necessary working capital.

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

Aside from compliance with the environmental laws, the Corporation also needs government approval for its principal products and services from the Bureau of Animal Industry (BAI) and the National Meat Inspection Services (NMIS) for the registration of its feedmill, accreditation of chemical laboratory, accreditation of meat plant, cold storage, respectively, that will all ensure that only safe and wholesome products reach the consumers. The Corporation is also required to secure all applicable permits from the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR) – for its feedmill plant, dressing plant, rendering plant and hatcheries.

The Corporation and its subsidiaries have obtained all necessary permits, licenses and government approvals to manufacture and sell their products.

The Corporation and its subsidiaries have no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the Corporation and its subsidiaries' business or financial condition.

Research and Development

The Company's research and development are centrally organized under the Research and Development Department to focus on the following core activities:

- Product Quality
- Research and Development
- Animal Nutrition

A Research and Development Manager directs these activities, which generally include the following:

- Animal nutrition
- Diagnostic laboratory services
- Feeds and feeds quality control
- Poultry genetic research
- New product development
- Technical extension services for contract breeders, growers and sales clients

In January 2001, the renovated Research Center of the Corporation was inaugurated. This upgraded the chemical laboratory capability and further improved the analysis procedure. Duration for analyzing was shortened through the acquisition of modern laboratory equipment.

The Chemical Laboratory handles most of the laboratory services needed for feed processing, from raw material analyses to finished products tests. The Diagnostic Laboratory handles all the laboratory support related to feed and food safety as well as the surveillance, prevention, and diagnosis of diseases to ensure health maintenance of livestock.

To ensure that its edge in the reliability and accuracy of its analysis is kept, equipment are continuously upgraded, i.e. the LECO protein analyzer, Atomic Absorption Analyzer for macro and trace minerals including heavy metals, Gas Chromatograph (GC) analyzer for Fatty Acid analysis and flavors, Near Infrared System (NIRS) for the simultaneous determination of various nutrients, the Ankom Fiber analyzer, Active water analyzer and UV Vis equipment for some mineral and enzyme analysis. The Diagnostic Laboratory also acquired additional capabilities, particularly for swine serological tests.

For research and development activities, the Corporation spent P4.4M in 2017, P4.88M in 2016, P3.13M in 2015, P3.68M in 2014 and P3.02M in 2013.

Cost and Effects of Compliance with Environmental Laws

The Company generally complies with all environmental laws and regulations implemented by the Environmental Management Bureau of the Department of Environment and Natural Resources and invest appropriately to ensure compliance.

To ensure that its facilities are compliant with existing environmental laws, the Company implemented the following activities:

1. Ambient air testing of the surrounding areas of the plant, i.e., NESW, which incurred P5,000 together with noise monitoring in the said stations. With favorable results, the plant is in compliance with the Standards of the Clean Air Act of the Philippines. This ensures emissions such as particulate matter coming from the plant do not adversely affect the environment.
2. Stack emission testing of boilers to ensure that the gases being emitted during operation of the boilers are within the Standards of the Clean Act of the Philippines. Boiler emission testing cost amounted to P25,000 for our Davao plant and P63,259 for our Iloilo Plant, and with this testing it had monitored that emissions from the boilers are within the standards.
3. Regular monitoring of the final discharge of wastewater from our plants, ensuring that water discharge from our operation are within the regulatory standards set by the Clean Water Act. We have pending renewal applications for wastewater discharge permit with DENR as required by the law costing P2,200 for each of our Iloilo and Davao plants. We also sent water samples for analysis at the cost of P 2,000.00 each. Results are within the standards (BOD is 4 mg/L against std of NMT 50mg/L and TSS is 11 mg/L against std of NMT 85 mg/L).
4. In view of the warehouse expansion projects planned in both Iloilo and Davao plants, applications for modification of Environmental Compliance Certificate (ECC -EPRMP) have been filed and await completion of processing to comply with EMB requirements. Application fee costs P5000.
5. Regular repair and maintenance of facilities and pollution control facilities attached to ensure good operating conditions and thereby prevent/control pollution coming from the plant.
6. Continuous improvement of pollution control devices and/or equipment to meet regulatory Standards.
7. Annual renewal of Permits from DENR-EMB is secured. Cost varies for each plant ranging from P1,000 to 10,000.

Manpower Complement

As of December 31, 2017, the Corporation and its subsidiaries have a total number of 1,003 employees composed of supervisors, managers, executives and rank and file, with 512 regulars and 491 contractual. The Corporation has a collective bargaining agreement with the union representing the Corporation’s rank and file employees.

The Federation of Free Workers - Vitarich Corporation Employees / Workers Union Chapter (FFW – VEWU) is the duly authorized collective bargaining agent that represents all rank and file employees of the Corporation. On November 25, 2015, the Corporations signed a five-year Collective Bargaining Agreement that took effect on August 1, 2015 to July 31, 2020.

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

Pension Costs/Retirement Benefits

The Company maintains a partially funded, noncontributory post−employment defined benefit plan covering all of its regular full-time employees. The defined benefit plan is being administered by a trustee bank which is responsible for the administration of the plan assets and for the definition of the investment strategy. The Company’s retirement benefits are based on years of service and one and one-fourth month’s salary for every year of continuous service.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

Actuarial valuations are made periodically to update the retirement liability and the amount of contributions. The latest actuarial valuation of the plan is as at December 31, 2015.

Pursuant to the reintegration of the Gromax's business to the Company, effective April 1, 2015, Gromax transferred its employees to the Company. Retirement benefits accruing to these employees were transferred to the Company, accordingly.

Financial Risk Management
The Company is exposed to a variety of financial risks which result from its operating, financing and investing activities. The Company's overall risk management program focuses on the unpredictability of the markets and seeks to minimize potential adverse effects on the Company's performance.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks, which the Company is exposed to, are described below and in the succeeding pages.

Foreign Currency Sensitivity
To a certain extent, the Company has an exposure to foreign currency risks as some of its raw materials purchases are sourced outside the Philippines and are therefore denominated in foreign currencies. However, the Company has not yet experienced significant losses due to the effect of foreign currency fluctuations since purchases denominated in foreign currency are kept at a minimum.

Interest Rate Sensitivity
As at December 31, 2017 and 2016, the Company has no significant floating rate financial assets or liabilities. The Company's operating cash flows are substantially independent of changes in market interest rates.

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

Credit Risk
Generally, the maximum credit risk exposure of the financial assets is the carrying amount of the financial assets.

The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's trade and other receivables are not exposed to a concentration of credit risk as the Company deals with a number of customers. The trade and other receivables are actively monitored and assessed, and where necessary an adequate level of provision is maintained. In addition, to minimize credit risk, the Company requires collateral, generally land and real estate, from its customers.

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

The Company's basis in grading its neither past due nor impaired financial assets is as follows:

High grade:	ratings given to counterparties with strong to very strong capacity to meet its obligations.
Standard grade:	ratings given to counterparties with average capacity to meet its obligations.

Liquidity Risk
The Company manages its liquidity profile to be able to service its long-term debt as these fall due by maintaining sufficient cash from operations. The Company maintains cash to meet its liquidity requirements for up to 30-day periods.

Price Risk
The Company is exposed to commodity price risk as the raw materials of its main products are subject to price swings. The Company's management actively seeks means to minimize exposure to such risk.

Item 2. PROPERTIES
The Corporation operates and/or leases numerous production facilities, which include feed mills, dressing plants, and hatcheries. As of December 31, 2017, these facilities include the following.

	Condition	**Remarks**
Feed Mill		
Luzon	Good	Toll
Visayas	Good	Owned
Mindanao	Good	Owned/Toll
Dressing Plant		
Luzon	Good	Toll
Visayas	Good	Toll
Mindanao	Good	Toll
Hatchery		
Luzon	Good	Toll
Visayas	Good	Toll
Mindanao	Good	Toll

The Corporation will only consider any project, which is critical to its continued operations and likewise that which will generate substantial cost savings and higher return of investment.

Item 3. LEGAL PROCEEDINGS

On 28 July 2017, the Court of Appeals granted Vitarich Corporation's partial appeal respecting the remaining claim of P247.7M, exclusive of interests, against Charter Ping An Insurance Corporation. The Court of Appeals remanded the case to the Regional Trial Court of Malolos, Bulacan for further proceedings insofar as the remaining claim of Vitarich Corporation is concerned.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
There were no matters submitted to a vote of security holders during the calendar year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS
The registrant's common equity is principally traded in the Philippine Stock Exchange (PSE). The high and low sales prices for every quarter ended are indicated in the table below:

	2016		2017	
	High	Low	High	Low
1st Quarter	0.75	0.71	1.52	1.49
2nd Quarter	0.88	0.86	2.09	2.01
3rd Quarter	2.42	2.34	2.11	2.07
4th Quarter	1.41	1.34	1.99	1.94

The closing price of the Corporation's common shares as of the last trading date – December 29, 2017 was P 1.96 per share.

As of March 31, 2018, the latest trading date prior to the completion of this annual report, sales price of the common stock was at P2.00 / share.

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

Holders
The Corporation has only one class of shares i.e., common shares. The total number of stockholders as of December 31, 2017 is 4,186 and the total number of shares outstanding on that date was 2,786,497,901.

	Dec 2017	Dec 2016
Number of Issued & Outstanding Shares	2,786,497,901	2,786,497,901
Number of Stockholders	4,186	4,255
Number of Shares owning at least one board lot each	3,180	3,238

The Company's foreign equity ownership as of December 31, 2017 is as follows:

	No. of Shares	% Ownership
Shares owned by Filipino	2,538,930,139	91%
Shares owned by Foreigners	247,567,762	9%
Total	**2,786,497,901**	**100%**

Dividends
In 1995, the Corporation declared a cash dividend of P0.10 per share. For the years 1996 up to 2014, the Corporation did not declare any dividend because of the losses suffered by the Corporation.

Sales of Unregistered Securities

On November 23, 2017, Vitarich Corporation agreed to issue 267,836,113 unissued but existing common shares to Kormasinc, Inc.'s due to the conversion of the latter's credit of

P407,110,891.00 into equity of the Corporation. On December 22, 2017, the Securities and Exchange Commission approved the valuation of 267,836,113 shares.

Top 20 Stockholders

Listed below are the top 20 stockholders of the Corporation as of December 31, 2017:

	Name of Stockholders	Number of Shares	Percent to Total Outanding Shares
1	PCD NOMINEE CORPORATION (FILIPINO)	2,506,378,294	89.95%
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	245,425,942	8.81%
3	PACIFIC EQUITY INC.	10,843,717	0.39%
4	YAZAR CORPORATION	1,402,520	0.05%
5	MA. SOCORRO S. GATMAITAN	1,307,033	0.05%
6	MA. LOURDES S. CEBRERO	1,305,320	0.05%
7	MA. LUZ S. ROXAS	1,305,320	0.05%
8	JOSE M. SARMIENTO	1,305,320	0.05%
9	MA. VICTORIA M. SARMIENTO	1,305,320	0.05%
10	GLICERIA M. SARMIENTO	690,000	0.02%
11	NELIA CRUZ	527,850	0.02%
12	ROGELIO M. SARMIENTO	290,000	0.01%
13	ANTONIO S. RAAGAS	270,000	0.01%
14	BARBARA ARLENE I. SARMIENTO	228,510	0.01%
15	BETINA ANGELINA I. SARMIENTO	228,510	0.01%
16	PACIFIC EQUITY, INC.	226,500	0.01%
17	NORBERTO T. HOFELENA	220,778	0.01%
18	GLADY Y. LAO	215,000	0.01%
19	JOSE EDUARDO RONDAIN	210,000	0.01%
20	BERNAD SECURITIES, INC.	203,000	0.01%
	Others	12,608,967	0.45%
Total Shares Issued and Outstanding		**2,786,497,901**	**100.00%**

Description of Vitarich Shares

Securities of the Corporation consist entirely of common stock with par value of P1.00 per share. All shares are equally eligible to receive dividends and repayment of capital and each share is entitled to one vote at the shareholders' meeting of the Company.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

RESULTS OF OPERATIONS

Fiscal Year 2017 compared to Fiscal Year 2016

Consolidated sale of goods increased by 27%, from 5.1 billion registered in 2016 to 6.5 billion registered in 2017, driven by strong performance of all product lines.

Sale of goods per business segment is as follows:

- Food Segment:
  Sale of goods of food segment increased by 47%, from P1.9 billion registered in 2016 to P2.8 billion in 2017 due to higher sales volume and better selling prices of chicken.

- Feeds Segment:
  Sale of goods of feeds segment increased by 13%, from P2.9 billion registered in 2016 to P3.3 billion in 2017 due to expansion of several farm customers.

- Farms Segment:
  Sale of goods of farms segment increased by 37%, from P301 million registered in 2016 to P412 million in 2017 due to successful recruitment of additional farm breeding and broiler partners.

Cost of goods sold increased by 29%, from P4.5 billion in 2016 to P5.8 billion in 2017 due to higher cost of some raw materials. Better efficiency versus last year, however, helped to partially mitigate the higher raw material prices resulting to a gross profit of P722 million, ahead by P89 million or 14%.

Operating expenses increased by 16% from P474 million in 2016 to P551 million in 2017 due to higher administrative, selling and distribution expenses. Other operating income of P36 million in 2017 decreased by 21% in 2016 primarily due to no recovery of accounts written off.

Other charges decreased by 69%, from P179 million in 2016 to P55 million in 2017 due to higher tax compromise settlement, demurrage on cargo release, and provision of probable loses in 2016.

Tax expense increased by 243% from P8.5 million in 2016 to P29 million in 2017.

With the above, the Company posted a Net Income of P122.4 million in 2017, P104.8 million or 599% higher than 2016 of P17.5 million.

Fiscal Year 2016 compared to Fiscal Year 2015

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

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

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

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

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

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

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

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

Other charges of P178 million in 2016 were 46% higher than 2015 of P122 million due to tax compromise settlement, demurrage on cargo release, and provision of probable loses.

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

2016 other comprehensive income increased by 6149% compared to 2015.

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

Fiscal Year 2015 Compare to Fiscal Year 2014

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

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

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

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

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

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

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

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

Other charges of P122 million in 2015 was 82% lower than 2014 of P689 million.

In 2015 and 2014, the Company's BOD approved the disposal of certain noncore and core property, plant and equipment including its major feed mill and the land where it is located in Marilao, Bulacan. The proceeds were used to further reduce outstanding liabilities and generate needed working capital. In 2015, loss on sale of property, plant and equipment, investment properties and others of P94.6 million decreased by 85%.

- Interest income amounted to P0.17 million in 2015 and P0.53 million in 2014 decreased by 68% *(see note 7 of the accompanying consolidated financial statements)*.
- Allowance for impairment loss was mainly for input VAT of P3.1 million *(see note 10 of the accompanying consolidated financial statements)*.
- Interest expense of P0.22 million was computed on the restructured debt as part of total interest expense in the 2015 consolidated statements of comprehensive income *(see note 21 of the accompanying consolidated financial statements)*.
- The Company recognized fair value gain of P2.8 million in 2015 and fair value loss of P5.4 million in 2014 or 151% reduction *(see note 12 of the accompanying consolidated financial statements)*.

Tax benefit in 2015 decreased by P277.7 million or 97% versus 2014. The components of tax benefit as reported in the consolidated statements of comprehensive income are current tax expenses: MCIT at 2% and deferred tax benefit relating to origination and reversal of temporary differences *(see note 20 of the accompanying consolidated financial statements)*.

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

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

Financial Condition
Total current assets as of December 31, 2017 of P2.0 billion was 11% higher than 2016 of P1.8 billion. Increase in current assets were due to higher cash, inventories and other current assets.

Noncurrent assets increased from P1.0 billion as of December 31, 2016 to P1.1 billion as of December 31, 2017 mainly due to net additions to property, plant and equipment and investment properties.

Current liabilities decreased by 15% from P1.9 billion as of December 31, 2016 to P1.6 billion as of December 31, 2017 mainly due to decreases in trade and other payables, payable to stockholder and current portion of finance lease liabilities.

Noncurrent liabilities increased by 40% from P127 million as of December 31, 2016 to P178 million as of
December 31, 2017 due to higher cash bond deposits, net retirement liability, finance lease liabilities and deferred tax liabilities.

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

	2017	**2016**
Revenue (Php billion)	6.50	5.10
Cost Contribution (Php billion)	5.77	4.47
Gross Profit Rate (%)	11%	12%
Operating Margin (Php billion)	207	205

1) Sales Volume, Price, and Revenue Growth
Consolidated revenue, composed of food, feed, and farm sales, amounted to P6.5 billion, 27% higher than the same period last year of P5.1 billion.

2) Cost Contribution
This measures the cost efficiency of the products and trend of raw materials prices, particularly importations wherein there are foreign exchange exposures. Costs are analyzed on a regular basis for management's better strategic decisions in cost reduction and efficiency measures.

3) Gross Profit Rate
The review is done on a regular basis to check if the targets are being met based on the forecasted gross profit rate. This is being done on a regular basis for proper and immediate action.

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

5) Plant Capacity Utilization
This determines total usage of the plant capacity. The higher the plant utilization, the better the productivity, which translates to better margin.

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

There are no material commitments for capital expenditures.

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

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

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

Item 7. FINANCIAL STATEMENTS

The Consolidated Audited Financial Statement of the Corporation for the year-ended December 31, 2017 including the applicable schedules listed in the accompanying index to financial statements and supplementary schedules are filed as part of this form 17-A.

Item 8. INDEPENDENT PUBLIC ACCOUNTANTS

For the year 2017, the Company's independent public accountant is the accounting firm of Reyes Tacandong & Co. The audit of the financial statements of the Company was handled and certified by the engagement partner, Ms. Belinda B. Fernando. The Company has complied with SRC Rule 68, paragraph 3 (b) (iv) re: five (5) years rotation requirement for the external auditor.

In pursuant to SRC Rule 68.1 (Qualification and Reports of Independent Auditors), the Company engaged Reyes Tacandong & Co. for the examination of the Company's financial statements effective calendar year 2011. The engagement of Reyes Tacandong & Co. and the engagement partner is approved by the Board of Directors and the stockholders of the Company.

External Audit Fees and Services

The work of Reyes Tacandong & Co. consisted of an audit of the financial statements of the Company to enable them to express an opinion on the fair presentation of the Company's financial position, results of operations and cash flows in accordance with Philippine Financial Reporting Standards. In addition to their report, and as a value-added service, Reyes Tacandong & Co also reviewed the Corporation's computation of the annual income tax expense and likewise also the review of the unaudited quarterly consolidated statements of financial position of the Corporation and the related statements of comprehensive income, changes in equity and cash flows for the quarter ended in accordance with Philippine Standards on Review Engagements (PSRE) 2410, *"Engagements to Review Financial Statements"* issued by the Auditing and Assurance Standards Council, as applicable to review engagements. For the years 2017, 2016 and 2015, audit and audit-related fees amounted to ₱4.36 million, ₱3.8 million and ₱3.6 million, exclusive of VAT and out of pocket expenses, respectively.

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

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

Audit, Risk Oversight, and Related Party Transactions Committee

The Audit, Risk Oversight, and Related Party Transactions Committee's approval policies and procedure for external auditors are:

1. Statutory audit of company's annual financial statements
    a. The Audit, Risk Oversight, and Related Party Committee ensures that the services of the external auditor conform with the provision of the company's manual of corporate governance specifically articles 2.3.4.1; 2.3.4.3 and 2.3.4.4

b. The Audit, Risk Oversight, and Related Party Committee makes an assessment of the quality of prior year audit work services, scope, and deliverables and makes a determination of the reasonableness of the audit fee based on the proposed audit plan for the current year.

2. For other services other than annual F/S audit:
   a. The Audit, Risk Oversight, and Related Party Committee evaluates the necessity of the proposed services presented by Management taking into consideration the following:

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

   b. The Audit, Risk Oversight, and Related Party Committee approves and ensures that other services provided by the external auditor shall not be in conflict with the functions of the external auditor for the annual audit of its financial statements.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no event in the past fifteen (15) years where the previous and current external auditor had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure. There were no disagreements with the external auditor of the Corporation on any matter of accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

The directors of the Corporation are elected at the annual meeting of the stockholders of the Corporation to hold office until the next succeeding annual meeting of the stockholders and until the respective successors have been elected and qualified.

Officers are elected by the newly elected Board of Directors at the first meeting. The Board also elects during its first meeting the chairman and members of the Audit, Compensation & Nomination, and Risk & Governance Committees. There are two (2) independent directors, one of whom is the Chairman of the Audit Committee and the other heads the Compensation & Nomination and the Risk & Governance Committees. Officers of the Corporation shall be subject to removal at any time by the Board of Directors, but all officers, unless removed, shall hold office until their successors are appointed. If any vacancy shall occur among the officers of the Corporation, such vacancy shall be filled by the Board of Directors.

None of the members of the Board of Directors, executive officers and nominees of the Corporation are involved in any criminal, bankruptcy, or insolvency investigation or proceeding for the past five (5) years.

Jose Vicente C. Bengzon III, Filipino, 60 years old
Director/Chairman of the Board
Mr. Bengzon is an Independent Director of Bermaz Auto Phil's Inc. since 2017, Director & Chairman of Audit Committee of Century Peak Mining Corp since 2016; the Vice Chairman & Chairman of Executive Committee, Commtrend Construction Corp since Oct 2014; President of UPCC Holdings Corp since 2006 & Director & Chairman of Risk Management Committee, Rizal Microbank since 2010. He was acting Chairman, Philippine National Construction Corp. 2012 - 2013; Director, Manila North Tollways

Corp. 2012 - 2013; Director, Citra Metro Manila Tollways Corp. 2012 - 2013; Director, South Luzon Tollways Corp. 2011 - 2012. Prior to this, he is a Director of Pres. Jose P. Laurel Rural Bank Inc. since 2010 and Philippine National Construction Corporation since 2011. He is also the President of UPCC Holdings Corporation since 2006. Prior to this, he was the Chief Privatization Officer of the Department of Finance. He was the President of Abarti Artworks Corporation from 2001-2004. He was also an Entrepreneur of Westborough Food Corporation from 1993-2001. He is a Certified Public Accountant and a graduate of De La Salle University having obtained his Bachelor of Science in Commerce and Bachelor of Arts degrees major in Economics in 1980 therefrom. He took his Master of Business Administration at the Kellogg School of Management at Northwestern University in 1988.

Ricardo Manuel M. Sarmiento, Filipino, 41 years old
Director/President & Chief Executive Officer
Mr. Ricardo Manuel Sarmiento is presently the President and Chief Executive Officer of Vitarich Corporation. He leads the over-all operations of Vitarich Corporation. He holds a degree in Bachelor of Science in Tourism from the University of the Philippines in Diliman, Quezon City. He is a member of the Upsilon Sigma Phi. Mr. Sarmiento joined Vitarich in July 2005.

Stephanie Nicole M. Sarmiento-Garcia, Filipino, 38 years old
Director/Executive Vice-President, Corporate Service Management Director and Treasurer
Ms. Garcia is the EVP, Corporate Management Director and Treasurer of the Company. As such, she is in charge of the funds, assets, securities, receipts and disbursements of the Corporation. She oversees efficient operations, allocates funds and negotiates contracts and prices as well. Prior to Vitarich, Ms. Garcia worked as a Store Manager at *Le Pain Quotidien,* an international chain of café-style restaurants, specializing in bakery items. Early on, she held a front desk position at the *Ritz Carlton Hotel* in San Francisco. She holds a degree in International Hospitality Management from Glion Institute of Higher Education (formerly known as Glion Hotels School), a private, university-level Swiss hotel management school in Switzerland. Ms. Garcia joined Vitarich in October 2003.

Rogelio M. Sarmiento, Filipino, 69 years old
Director
Mr. Sarmiento was the President of L. S. Sarmiento & Co., Inc., Sarmiento Industries, Inc., Fortuna Mariculture Corporation, and Sarphil Corporation from 1968 to 1981. He obtained his Bachelor of Science in Business Administration degree from the University of San Francisco and his Master of Business Administration degree from the University of Sta. Clara in the United States of America. He was President of the Philippine Association of Feed Millers Inc. from 1990-1992 and Vice-President of the Philippine Chamber of Commerce from 1988 to 1989. Formerly a member of the Interim Batasang Pambansa, he concurrently served as Minister of State for Transportation and Communications. He also served as Deputy Director General of the National Economic and Development Authority. He was a member of the House of Representatives representing the First District of the Province of Davao del Norte from 1992 to 2001.

Benjamin I. Sarmiento Jr., Filipino, 49 years old
Director
Mr. Benjamin Sarmiento is a graduate of the University of San Francisco with a degree of Bachelor of Arts in Economics. He is the Chief Executive Officer of Pacific Equity, Inc. from 1989 up to the present. He is also a Director of the following companies: M3 Ventures, International Inc. from 1991 up to the present, and Ultra-Seer, Inc., Hillsdale Marketing Inc., Specialized Products & Services, Inc., Escotek, Inc. and Diversified Industrial Technology, Inc. from 2002 up to the present. He is the Chief Executive Officer of Sarmiento Pacific Agribusiness.

Lorenzo Vito M. Sarmiento III, Filipino, 43 years old
Director
Mr. Sarmiento is President of Davito Holdings Corporation. He is Co-founder and Chief Operating Officer of Advanced Environmental Soil Solutions, inc. He was President of Medityre, President of Speed Space Systems, Chairman of Emphasys Process Corporation, Investor and co-founder at South Super Sports, Team Manager under contract with the Philippine Football Federation, Creative Director of Speed HKG. He graduated in 1999 from the University of San Francisco, San Francisco CA USA, with a degree in Bachelor of Science in Business Administration with emphasis in Marketing and International Business. He took up special courses in International Studies at the Richmond College in London, England and Network Engineering at Herald College, San Francisco CA USA. He was elected as director of the Corporation on June 29, 2012.

Manuel D. Escueta, Filipino, 67 years old
Independent Director
Mr. Escueta was elected as an Independent Director of the Corporation on January 24, 2014. He worked as General Advertising Manager of P&G Asia (1973-2000), Vice President for Corporate Marketing & Communication of United Laboratories, Inc. (2001-2004), Head, President and CEO of Pascual Laboratories, Inc. - Consumer Health Division (2005-2012), and Chairman of Pascual Consumer HealthCare Corp (2012-2013). He is at present the President of Educhild Foundation, Inc. and the Vice-Chairman of the Board of Trustees of Southridge PAREF School for Boys. He also served as a Board of Director of the Advertising Board of the Philippines (1980-1985, 1992-1995). He is a graduate of University of the Philippines in Diliman, Quezon City with a degree on Business Administration Major in Marketing in 1972.

Levi F. Diestro, Filipino, 60 years old
Director
Mr. Diestro is an International Human Resources Manager and currently the Vice President Human Resources and Administrative Department of Quick Reliable Courier Services Inc. a logistics company. At present, he is also the Treasurer of Asian Institute of Human Resources, PMAP (People Management Association of the Philippines) He worked at Maynilad Water Services Inc., a subsidiary of MVP Group of Companies as Vice President Human Resources, Division from 2011 to 2016. He was a Consultant of the Bureau of Customs , Department of Finance in 2011. He also became the Corporate HR Director of Lina Group of Companies in 2008 to 2010. He served as a Country HR Manager (Philippine Site) of intel, Numonyx Philippines, Inc., HR manager of DHL Exel Supply Chain, HR-Employee Relations and Services Manager of Analog Devices, Inc., HR-Senior Division Manager of Integrated Microelectonics, Inc., and HR Department Manager of Philippine Auto Components, Inc. - Denso Corp. Japan. He is a graduate of Colegio de San Juan de Letran, with a degree on BS Psychology in 1980, MBA units. He was elected as director of the Corporation on July 04, 2014.

Atty. Juan Arturo Iluminado C. de Castro, Filipino, 37 years old
Director
Dr. Juan Arturo Iluminado C. de Castro (or "Johnny") is a practicing lawyer with a Bachelor of Laws degree from the University of the Philippines (UP) College of Law, and is the first Filipino to obtain both a Doctorate in the Science of Law (J.S.D.) and a Master of Laws (LL.M.) degree at the University of California (UC) Berkeley School of Law (Boalt Hall) in the United States of America (USA) in 2011. He authored the book on Philippine Energy Law (2012), which provides guidance for investing in the country's electric power industry. Dr. De Castro has extensive experience in corporate rehabilitation or Chapter 11 Bankruptcy in the Philippines as managing partner of the De Castro & Cagampang-De Castro Law Firm, a boutique law firm in Makati. Their law practice includes civil and criminal litigation before various courts, appellate practice, real estate transactions, and cases before the Sandiganbayan, among others. He is currently also an Assistant Professorial Lecturer at the De La Salle University College of Law.

Vicente J.A Sarza, Filipino, 65 years old
Independent Director
Vicente Sarza is a Director and Chief Operating Officer at Mabuhay Capital. Prior to joining Mabuhay Capital, Mr. Sarza was Senior Vice President, head of institutional banking at Asia United Bank (AUB), a publicly listed company, which operates as a universal bank. Before moving to AUB, Mr. Sarza was a Principal, Head of Advisory Services in KPMG Philippines. He was responsible for the significant expansion of market share and significant increase in recognition of KPMG Advisory as an advisory services firm in key industries such as financial institutions, energy, water, infrastructure, insurance and in government and the multilateral institutions. Over the years, Mr. Sarza's extensive experience includes successful engagements as Director to Chief Privatization Officer, rank of Undersecretary in the Privatization and Management Office (An Agency of the Department of Finance). Mr. Sarza was also a Director and Chairman of the Technical Committee Privatization Office and Special Concerns for Department of Finance (Republic of the Philippines). Mr. Sarza had various roles in the successful privatization of Maynilad, International School, Philippine Telecommunications Investment Corp., Energy Development Corp., and lloilo Airport. Mr. Sarza spent more than 25 years in banking, his stints spanning corporate, middle market, and consumer banking with added responsibilities in his last 8 years through involvement in senior functions such as Mancom, Asset and Liabilities Management and Credit Committee duties, among others. Prior to Department of Finance, Mr. Sarza spent a total of 14 years in United Coconut Planters Bank (UCPB) and UCPB Savings Banks as Manager of First Vice President-Head of the Commercial Credit Division and President and COO, respectively. Mr. Sarza holds a A.B. Economics from the Ateneo De Manila University.

Other Executive Officers

Reynaldo D. Ortega, Flipino, 48 years old
Vice President and General Manager, Poultry and Foods Division
Dr. Ortega is a Doctor of Veterinary Science and Medicine and obtained his degree from the Central Luzon State University, Munoz, Nueva Ecija in 1992. He started as Production Supervisor in Purefoods Corporation in Sto. Tomas, Batangas and was later assigned as Veterinary Supervisor at Purefood's JMT office in Ortigas, Pasig. He joined Vitarich Corporation in 1994 as Extension Veterinarian and, since then, handled various positions as Veterinary Services Group Head, Contract Growing Operations Head, Technical Head, Poultry and Livestock Division Head, until his appointment as Vice President and General Manager-Poultry and Foods Division in January 2017. His training includes Poultry Tunnel Ventilation System, Poultry Management in Cage System, Immunology and Virology, and Artificial Insemination in Broiler Breeder. He attended various symposiums about Poultry production, processing and marketing in USA, Europe and Asia.

Joven P. Dy, Filipino, 67 years old
Senior Vice President for Poultry Foods Operations
Mr. Dy is currently the Senior Vice President for Food Operations of Vitarich Corporation. He obtained his degree in Bachelor of Science in Business Administration major in Accounting (Cum Laude) from Far Eastern University in 1971. He joined Vitarich in 1977-1992 and handled different positions. He also worked for Republic Flour Mills in 1992-1994 as Poultry Meat and National Sales Manager, Swift Foods, Inc. in 1994-2004 as Vice President for Integrated Branch Operations and National Consumer Sales, and Bounty Agro Ventures, Inc. in 2003-2014 as Senior Vice President for Visayas and Mindanao Branch Operations and National Consumer Sales. He also becomes the Chairman of the Board of Vitarich Employees Consumer Cooperative in 1987-1992 and President of Philippine Association of Meat Processors, Inc. in 1992-1993.

Guillermo B. Miralles, Filipino, 53 years old
Vice-President, National Feed Sales and Production
Mr. Miralles obtained his degree on Bachelor of Arts (AB – Classical) major in English and Philosophy from Queen of Apostles College Seminary, Tagum City in 1986. He joined the Corporation in 1994, and since then, handled different positions in the Visayas and Mindanao operations prior to his appointment as General Manager for Vismin Operations in October 2003. Before joining Vitarich Corporation, he was connected with Virginia Foods, Inc. as its Sales Manager.

Atty. Tadeo F. Hilado, Filipino, 64 years old
Corporate Secretary
Atty. Tadeo F. Hilado is an Of Counsel of the Angara Abello Concepcion Regala and Cruz Law Offices (ACCRALAW). He joined the said Firm in 1978 and became a Partner in 1987. He received his Bachelor of Arts degree from De La Salle University (summa cum laude) in 1973 and his Bachelor of Laws degree from the University of the Philippines in 1977. He obtained a Master of Laws degree from the University of Michigan in 1981 after which he worked for a year as a visiting lawyer in the U.S. law firm of Graham & James in San Francisco, California. He has been with Accralaw's Corporate and Special Projects Department for more than 30 years and has extensive experience in corporate law, mergers and acquisitions, securities (including registration of securities, public offerings, mutual funds and other collective investment schemes), foreign investments and joint ventures. He has advised multinational companies in the establishment of their representative offices, branches and subsidiaries in the Philippines, including preparation of joint venture and shareholder agreements with Filipino partners and compliance with Filipino ownership requirements in nationalized businesses and industries. He has acted as director and corporate secretary of numerous privately and publicly held and listed companies.

Atty. Mary Christine C. Dabu-Pepito, Filipino, 32 years old
Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer
Atty. Dabu-Pepito was first appointed as the Corporation's Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer on March 21, 2016. She is also the Corporate Secretary of Precisione International Research and Diagnostic Laboratory, Inc. She obtained her Bachelor of Arts (Cum Laude) at the University of the Philippines – Diliman and her Bachelor of Laws degree at the San Beda College-Manila in 2011 where she ranked 8th out of 87 graduates. She was admitted to the Bar on March 28, 2012 and joined Dulay, Pagunsan & Ty Law Offices as one of its Associates Lawyer until May 2013. From June 2013 up to March 2016, she was an Associate Lawyer at Dabu & Associates Law Office and was appointed as a Partner of the said firm on April 2016. Her areas of practice include civil, family, criminal, commercial, administrative, employment and labor law litigation as well as corporate and commercial services. She has appeared before the Office of the City Prosecutor, National Labor Relations Commission, Housing and Land Use Regulatory Board, Social Security Commission, Metropolitan Trial Courts and Regional Trial Courts. She has also represented clients before the Court of Appeals and Supreme Court.

Family Relationships
Mr. Ricardo Manuel M. Sarmiento is the son of Director Rogelio M. Sarmiento and sister of Stephanie Nicole S. Garcia. Benjamin I. Sarmiento Jr. and Lorenzo Vito M. Sarmiento III are the cousins of Mr. Ricardo Manuel M. Sarmiento.

Significant Employees
There are no persons other than the Directors and Executive Officers expected to make a significant contribution to the business of the Corporation.

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

Item 10. EXECUTIVE COMPENSATION

Standard Arrangement
The members of the Board of Directors are entitled to a per diem of P7,000 for regular meetings whereas the members of the Audit, Risk Oversight, Related Party Transactions, Corporate Governance and Compensation & Nomination Committees are entitled to a per diem of P3,000 for every meeting participation.

Arrangements with Directors & Officers
The Corporation does not extend or grant warrants or options to its executive officers and directors. Thus, the Corporation has no obligation to disclose information pertaining to warrants and options.

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

Executive Compensation

The compensation includes the following:

	2017	2016	2015
Short-term employee benefits	**21,436,701**	17,596,944	10,377,449
Retirement benefits	**1,196,965**	1,047,455	496,538
Compensation paid in share of stock/equivalent value in cash	**–**	–	1,883,840
Others	**5,952,556**	4,777,000	3,987,930
	28,586,222	23,421,399	16,745,757

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

NAME & PRINCIPAL POSITION	YEAR	SALARY	Bonus & Others
RICARDO MANUEL M. SARMIENTO – CEO/President			
JOVEN P. DY - SVP, Poultry & Foods Operations			
GUILLERMO B. MIRALLES – VP, Feeds Business Development			
STEPHANIE NICOLE S. GARCIA- EVP, Corporate Management Services Director/Treasurer			
REYNALDO D. ORTEGA- VP and General Manager, Poultry and Foods Division			
TO T A L (Estimated)	2018	12.89	-
	2017	10.97	-
	2016	10.93	-
ALL OTHER OFFICERS & DIRECTORS AS A COMPANY UNNAMED (Estimated)	2018	1.54	-
	2017	1.33	-
	2016	0.75	-

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

1. **Ricardo Manuel M. Sarmiento** – CEO/President
2. **Stephanie Nicole S. Garcia** – EVP, Corporate Management Services Director/Treasurer
3. **Joven P. Dy** – SVP, Poultry & Foods Operations
4. **Guillermo B. Miralles** – VP, Feeds Business Development;
5. **Reynaldo D. Ortega** - VP and General Manager, Poultry and Foods Division

Item 11. SECURITY OF OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Owners of record of more than 5% of the Corporation's voting securities as of 31 December 2017 are as follows:

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship w/ Record Owner	Citizenship	No. of Shares	Percent of Class
Common Shares	**PCD NOMINEE CORPORATION (FILIPINO)** 37/F The Enterprise Center, Ayala Avenue Corner, Makati City Beneficial owner of more than 5% of the outstanding shares	Various Beneficial Owners	Filipino	2,506,378,294	89.95%
	KORMASINC, INC. 7th Floor, LTA Bldg., 118 Perea St. Legazpi Village, Makati City	Various Beneficial Owners	Filipino	1,928,339,491	69.20%
Common Shares	**PCD NOMINEE CORPORATION (NON-FILIPINO)** G/F Makati City Stock Exchange Building 6767 Ayala Avenue, Makati City Beneficial owner of more than 5% of the outstanding shares	Various Beneficial Owners	Non-Filipino	245,425,942	8.81%
	DRAGONAGA CAPITAL LIMITED Flat 1301, 3/F Kai Yue Commercial Bldg. No. 2 Argyle St. Mongkok, Kowloon, Hong Kong	Various Beneficial Owners	Hong Kong	165,308,000	5.93%

<u>Security of Ownership of Management</u>

The number of common shares beneficially owned by directors and executive officers as of 31 December 2017 is as follows:

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF CLASS
Common	Jose Vicente C. Bengzon III	10,000	Filipino	0.00%
Common	Rogelio M. Sarmiento	6,585,320	Filipino	0.24%
Common	Benjamin I. Sarmiento Jr.	199	Filipino	0.00%
Common	Ricardo Manuel M. Sarmiento	56,484,990	Filipino	2.03%
Common	Stephanie Nicole S. Garcia	104,359	Filipino	0.00%
Common	Lorenzo Vito M. Sarmiento III	500	Filipino	0.00%
Common	Jose M. Sarmiento	1,305,320	Filipino	0.05%
Common	Levi F. Diestro	300	Filipino	0.00%
Common	Vicente J.A. Sarza	1	Filipino	0.00%
Common	Manuel D. Escueta	1	Filipino	0.00%
Common	Juan Arturo Iluminado C. de Castro	4,625,034	Filipino	0.17%
Common	Joven P. Dy*	100,000	Filipino	0.00%
Common	Guillermo B. Miralles**	0	Filipino	0.00%
Common	Reynaldo D. Ortega***	974	Filipino	0.00%
Common	Mary Christine Dabu-Pepito	0	Filipino	0.00%
Common	Alicia G. Danque	0	Filipino	0.00%

* Mr. Joven P. Dy resigned as Senior Vice President, Poultry & Foods on January 31, 2018
** Mr. Guillermo B. Miralles retired as Vice President, Feeds Business Development on January 31, 2018
*** Mr. Reynaldo D. Ortega was appointed as Senior Vice President, Poultry & Foods Division on March 6, 2018

Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

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

Payable to a Stockholder

Settlement of Restructured Debt. The remaining balance of payable to a stockholder resulted mainly from the acquisition by Kormasinc of the Company's restructured debt from creditors. Of the restructured debt of ₱3.2 billion acquired by Kormasinc (including interest of ₱200.0 million), ₱2.4 billion was converted to equity in 2013.

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of P407.1 million to Kormasinc at P1.52 a share. Consequently, Kormasinc's ownership interest increased from 69.20% to 71.90%.

Due to and from related parties

Advances to and from Related Parties. The Company also grants unsecured, noninterest-bearing advances to its related parties for working capital requirements. These are payable on demand, hence, are classified under current assets in the consolidated statements of financial position.

Trade Payable. The Company buys raw materials, hogs, and breeder flocks from related parties and sells animal feeds, raw materials, feed supplements and dressed chicken to related parties.

Advances to Officers and Employees

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

Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the common shares of the Corporation under a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the Corporation and the Securities and Exchange Commission, as required under the Corporation Code.

Description of any arrangement which may result in a change in control of the Corporation

There are no arrangements that will affect or change the ownership.

PART IV – CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

On May 25, 2017, the Board of Directors approved Vitarich Corporation's Amended Manual on Corporate Governance in compliance with the new Code of Corporate Governance for Publicly Listed Companies.

PART V – EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits

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

(b) Reports on SEC Form 17-C

The following are the items reported under SEC Form 17-C

Date of Report	REMARKS
January 10, 2017	Appointment of Mr. Reynaldo D. Ortega as VP & General Manager Poultry & Foods Division
January 24, 2017	Certificate of Availment issued by the Bureau of Internal Revenue granting Vitarich's offer of compromise for the settlement of the assessed tax deficiency for the year 2011
February 20, 2017	Received the Certificate of Approval issued by the Bureau of Internal Revenue granting Vitarich's application for abatement/cancellation of 100% of the surcharge and compromise penalty for the 2013 and 2014 Withholding Tax on Compensation Expanded Withholding Tax
April 12, 2017	Approval of 2016 Audited Consolidated Financial Statement of Vitarich Corporation and Subsidiaries
April 27, 2017	Amended notice of annual general meeting on additional agenda no. 8 Approval of Plan for Quasi- Reorganization and agenda no. 9 Approval of amendment of Article 7 of the Amended Articles of Incorporation due to the plan for Quasi-Reorganization
May 17, 2017	Media Briefing on the Financial Results of the Company for 1st Quarter of 2017 (Amended)
May 17, 2017	Analyst's Briefing on Financial Results for 1Q 2017
May 23, 2017	Advisement Letter to send Definitive Information Statement thru CD Format
May 25, 2017	Amended Notice of Annual General Meeting 2017
May 25, 2017	Approved the Company's plan to undergo Quasi- Reorganization
June 1, 2017	Corporation's List of Stockholders entitled to vote as of record date May 30, 2017
June 20, 2017	Certification of Independent Director Manuel D. Escueta
June 20, 2017	Certification of Independent Director Vicente J.A. Sarza
June 30, 2017	Results of Annual General Meeting 2017
June 30, 2017	Results of Organizational Meeting of Board of Directors 2017
July 3, 2017	Amendment of Articles of Incorporation
July 6, 2017	Amendment of Results of Annual General Meeting 2017
November 23, 2017	Approval of Debt to Equity
December 7, 2017	Media and Analyst Briefing on Financial Results for 3Q 2017

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MARILAO, BULACAN on 11 APR 2018.

By:

Ricardo Manuel M. Sarmiento
CEO & President
(Principal Executive Officer)

Rowena M. Hocson
Comptroller

Stephanie Nicole S. Garcia
Treasurer
(Principal Operating Officer)

Marian A. Dionisio
Accounting Manager
(Principal Accounting Officer)

Mary Geraldine G. Relativo
Chief Finance Officer
(Principal Financial Officer)

Atty. Tadeo F. Hilado
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 11 APR 2018 day of ___ 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
	–	–	–
	–	–	–
	–	–	–
	–	–	–

DOC. NO. 411
PAGE NO. 84
BOOK NO. 5
SERIES NO. 2018

NENITA DELA CRUZ TUAZON
Notary Public
SANDICO ST. POBLACION, MARILAO, BULACAN
IBP LIFE NO. 591047 / BULACAN 5/19/2008
PTR 0739495 1/3/2018 MARILAO, BUL.
TIN NO. 170-307-664-000
ATTORNEY'S ROLL NO. 47194
MCLE EXEMPT NO. V-001622 UNTIL APRIL 14, 2019

Names	Valid Identification No.	Date/Place of Issue
Ricardo Manuel M. Sarmiento		
Stephanie Nicole S. Garcia		
Mary Geraldine G. Relativo		
Rowena M. Hocson		
Marian A. Dionisio		
Atty. Tadeo F. Hilado		

VITARICH

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Vitarich Corporation and Subsidiaries (the Company)** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at and for the year ended **December 31, 2017 and 2016** in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Jose Vicente C. Bengzon III
Chairman of the Board

Ricardo Manuel M. Sarmiento
President/Chief Executive Officer

Stephanie Nicole S. Garcia
Executive Vice President & Corporate Management Services Director / Treasurer

Signed this ___ day of _____ 2018

SUBSCRIBED AND SWORN to before me this 11th day of April 2018 at Marilao, Bulacan. Affiants exhibited to me their respective government-issued ID's as competent proof of their identities and acknowledged that they executed the same freely and voluntarily, to wit:

Jose Vicente C. Bengzon, III	______________________, valid until ____________
Ricardo Manuel M. Sarmiento	[illegible]
Stephanie Nicole S. Garcia	[illegible]

NENITA DELA CRUZ TUAZON
NOTARY PUBLIC
SANDICO ST. POBLACION, MARILAO, BULACAN
IBP LIFE NO. 591047 / BULACAN 5/19/2008
PTR 0739495 1/3/2018 MARILAO, BUL.
TIN NO. 170-307-664-000
ATTORNEY'S ROLL NO. 47194
MCLE EXEMPT NO. V-001622 UNTIL APRIL 14, 2019

Doc No.: 395;

Page No.: 80;

Book No.: 5;

Series of 2018.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 2 1 1 3 4

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
4,186	Last Friday of June	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

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8741 Paseo de Roxas
Makati City 1226 Philippines
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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)
Marilao–San Jose Road, Sta. Rosa I
Marilao, Bulacan

Opinion

We have audited the accompanying consolidated financial statements of VITARICH CORPORATION (a subsidiary of Kormasinc, Inc.) AND SUBSIDIARIES (the Company), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017, 2016 and 2015 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

Realizability of Insurance Claims Receivable
Management makes a yearly assessment of the Company's insurance claims for typhoon damages. On August 17, 2016, the Company received ₱58.9 million as partial settlement. The Company continues to legally pursue the collection of the remaining balance of insurance claims receivable amounting to ₱157.5 million as at December 31, 2017. The court proceedings for the remaining claims were remanded to the Regional Trial Court of Malolos City in accordance with the resolution issued by the Court of Appeals on February 13, 2018. This assessment is significant to our audit because it is material to the consolidated financial statements. Moreover, the assessment requires management judgment and estimate. We have reviewed management's legal bases in pursuing the insurance claim and management's assessment. Necessary disclosures are included in Note 3, *Significant Judgment, Accounting Estimates and Assumptions* and Note 7, *Trade and Other Receivables*.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A (Annual Report) and Annual Report distributed to stockholders for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report distributed to stockholders for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-2 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-004-2017
Valid until January 13, 2020
PTR No. 6607958
Issued January 3, 2018, Makati City

April 6, 2018
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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

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Makati City 1226 Philippines
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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)
Marilao–San Jose Road, Sta. Rosa I
Marilao, Bulacan

We have audited the accompanying consolidated financial statements of VITARICH CORPORATION (a subsidiary of Kormasinc, Inc.) AND SUBSIDIARIES (the Company), as at and for the year ended December 31, 2017, on which we have rendered our report dated April 6, 2018.

In compliance with Securities Regulations Code Rule No. 68, as amended, we are stating that the Company has three thousand one hundred eighty (3,180) stockholders owning at least one hundred (100) or more shares each.

REYES TACANDONG & CO.

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-2 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-4-2017
Valid until January 13, 2020
PTR No. 6607958
Issued January 3, 2018, Makati City

April 6, 2018
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)
Marilao–San Jose Road, Sta. Rosa I
Marilao, Bulacan

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of VITARICH CORPORATION (a subsidiary of Kormasinc, Inc.) AND SUBSIDIARIES (the Company) as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 included in this Form 17-A and have issued our report thereon dated April 6, 2018. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2017 are the responsibility of the Company's management. These supplementary schedules include the following:

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

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

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-2 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-4-2017
Valid until January 13, 2020
PTR No. 6607958
Issued January 3, 2018, Makati City

April 6, 2018
Makati City, Metro Manila

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2017**	2016
ASSETS			
Current Assets			
Cash	6	**₱323,006,118**	₱116,539,786
Trade and other receivables	7	**1,136,432,957**	1,184,472,271
Inventories	8	**507,674,127**	481,584,570
Other current assets	9	**55,485,820**	44,432,459
Total Current Assets		**2,022,599,022**	1,827,029,086
Noncurrent Assets			
Property, plant and equipment	10	**573,262,979**	516,625,499
Investment properties	11	**540,175,409**	495,216,122
Other noncurrent assets	9	**20,354,093**	21,153,348
Total Noncurrent Assets		**1,133,792,481**	1,032,994,969
		₱3,156,391,503	₱2,860,024,055
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**₱1,387,605,949**	₱1,452,602,060
Loans payable	13	**170,369,800**	–
Current portion of finance lease liabilities	25	**20,666,402**	2,814,057
Payable to a stockholder	22	**–**	407,110,891
Total Current Liabilities		**1,578,642,151**	1,862,527,008
Noncurrent Liabilities			
Cash bond deposits	14	**31,502,568**	23,360,528
Net retirement liability	19	**84,531,536**	82,154,756
Finance lease liabilities - net of current portion	25	**25,032,960**	13,828,652
Net deferred tax liabilities	21	**37,205,477**	8,141,359
Total Noncurrent Liabilities		**178,272,541**	127,485,295
Total Liabilities		**1,756,914,692**	1,990,012,303
Equity			
Capital stock	23	**3,054,334,014**	2,786,497,901
Additional paid-in capital	23	**363,821,288**	224,546,510
Deficit		**(2,289,382,822)**	(2,417,045,094)
Other comprehensive income	23	**270,704,331**	276,012,435
Total Equity		**1,399,476,811**	870,011,752
		₱3,156,391,503	₱2,860,024,055

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2017**	2016	2015
SALE OF GOODS		**₱6,493,532,984**	₱5,100,905,369	₱3,445,208,941
COST OF GOODS SOLD	15	**(5,772,014,096)**	(4,468,110,351)	(2,938,147,805)
GROSS PROFIT		**721,518,888**	632,795,018	507,061,136
Operating expenses	16	**(550,684,190)**	(473,510,631)	(421,367,127)
Other operating income	17	**35,757,918**	45,548,884	37,519,107
		(514,926,272)	(427,961,747)	(383,848,020)
OPERATING PROFIT		**206,592,616**	204,833,271	123,213,116
OTHER CHARGES - Net	18	**(55,174,330)**	(178,852,344)	(122,570,883)
INCOME BEFORE INCOME TAX		**151,418,286**	25,980,927	642,233
PROVISION FOR (BENEFIT FROM) INCOME TAX	21			
Current		**22,789,816**	13,566,878	10,907,953
Deferred		**6,274,302**	(5,094,879)	(17,441,531)
		29,064,118	8,471,999	(6,533,578)
NET INCOME		**122,354,168**	17,508,928	7,175,811
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to profit or loss:				
Revaluation increase on property, plant and equipment - net of deferred income tax	10	**–**	88,471,885	–
Actuarial gains - net of deferred income tax	19	**–**	–	1,415,754
		–	88,471,885	1,415,754
TOTAL COMPREHENSIVE INCOME		**₱122,354,168**	₱105,980,813	₱8,591,565
EARNINGS PER SHARE - BASIC AND DILUTED	24	**₱0.04**	₱0.006	₱0.003

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2017**	2016	2015
CAPITAL STOCK - ₱1 par value				
Balance at beginning of year		**₱2,786,497,901**	₱2,786,497,901	₱2,786,497,901
Issuances		**267,836,113**	–	–
Balance at end of year	23	**3,054,334,014**	2,786,497,901	2,786,497,901
ADDITIONAL PAID - IN CAPITAL				
Balance at beginning of year		**224,546,510**	224,546,510	224,546,510
Additions		**139,274,778**	–	–
Balance at end of year	23	**363,821,288**	224,546,510	224,546,510
DEFICIT				
Balance at beginning of year		**(2,417,045,094)**	(2,437,488,308)	(2,451,784,426)
Net income		**122,354,168**	17,508,928	7,175,811
Transfer to deficit of revaluation reserve realized through depreciation, net of deferred income tax	10	**5,308,104**	2,934,286	3,515,340
Transfer to deficit of actuarial gain from transfer of retirement liability of Gromax to the Company		**–**	–	3,604,967
Balance at end of year		**(2,289,382,822)**	(2,417,045,094)	(2,437,488,308)
OTHER COMPREHENSIVE INCOME				
Balance at beginning of year		**276,012,435**	190,474,836	195,097,898
Transfer to deficit of revaluation reserve realized through depreciation, net of deferred income tax	10	**(5,308,104)**	(2,934,286)	(3,515,340)
Revaluation increase on property, plant and equipment, net of deferred income tax	10	**–**	88,471,885	–
Transfer to deficit of actuarial gain from transfer of retirement liability of Gromax to the Company	19	**–**	–	(2,523,476)
Actuarial gain, net of deferred income tax	19	**–**	–	1,415,754
Balance at end of year		**270,704,331**	276,012,435	190,474,836
		₱1,399,476,811	₱870,011,752	₱764,030,939

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2017**	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱151,418,286**	₱25,980,927	₱642,233
Adjustments for:				
Depreciation and amortization	10	**43,589,177**	33,580,370	24,533,154
Gain on deconsolidation of a subsidiary	4	**(28,196,360)**	–	–
Interest expense	25	**23,840,890**	12,642,159	–
Interest income	6	**(1,754,128)**	(928,803)	(170,676)
Gain on fair value changes of investment properties	11	**–**	(7,048,102)	(1,685,952)
Impairment loss on property and equipment	10	**–**	488,533	–
Loss on sale of property, plant and equipment, investment properties and others	10	**–**	–	94,613,100
Operating income before working capital changes		**188,897,865**	64,715,084	117,931,859
Decrease (increase) in:				
Trade and other receivables		**48,039,314**	(307,523,480)	(80,302,432)
Inventories		**(26,089,557)**	(148,333,186)	(63,853,077)
Other current assets		**(11,053,361)**	30,341,525	(19,934,130)
Other noncurrent assets		**(3,007,572)**	1,166,940	(23,454,611)
Increase (decrease) in:				
Trade and other payables		**(81,325,037)**	345,572,634	46,409,521
Cash bond deposits		**8,142,040**	3,352,244	3,588,739
Retirement liability		**2,376,780**	7,064,624	4,075,067
Net cash generated from (used for) operations		**125,980,472**	(3,643,615)	(15,539,064)
Interest paid		**(23,840,890)**	(12,642,159)	–
Interest received		**1,754,128**	928,803	170,676
Income tax paid		**–**	(13,566,878)	(10,938,064)
Net cash provided by (used in) operating activities		**103,893,710**	(28,923,849)	(26,306,452)

(Forward)

	Note	Years Ended December 31 2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	10	**(₱67,363,178)**	(₱30,414,867)	(₱55,706,718)
Investment properties	11	**(434,000)**	(11,274,229)	(13,402,922)
Proceeds from sale of Investment properties	11	**–**	1,701,600	102,079,200
Net cash provided by (used in) investing activities		**(67,797,178)**	(39,987,496)	32,969,560
CASH FLOWS FROM FINANCING ACTIVITIES				
Net availment of loans	13	**170,369,800**	–	–
Payment of payable to a stockholder		**–**	–	(63,272,000)
Net cash provided by (used in) financing activities		**170,369,800**	–	(63,272,000)
NET INCREASE (DECREASE) IN CASH		**206,466,332**	(68,911,345)	(56,608,892)
CASH AT BEGINNING OF YEAR		**116,539,786**	185,451,131	242,060,023
CASH AT END OF YEAR	6	**₱323,006,118**	₱116,539,786	₱185,451,131
NONCASH FINANCIAL INFORMATION				
Debt to equity conversion	22	**₱407,110,891**	₱–	₱–
Unpaid acquisition of investment properties	11	**44,525,287**	–	–
Acquisition of property, plant and equipment through finance lease	25	**29,056,652**	16,642,709	–
Reclassification of property, plant and equipment to investment properties	11	**–**	37,507,853	–
Recovery of accounts written-off	11	**–**	12,648,000	–
		₱480,692,830	₱66,798,562	₱–

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Vitarich Corporation (singly and collectively referred to as the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 31, 1962 to engage primarily in manufacturing and selling of feeds and livestock. On March 30, 2012, the SEC approved the extension of its corporate life for another 50 years. The Company's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

The subsidiaries of the Company are as follows:

		Percentage	
	Line of Business	**2017**	2016
Gromax, Inc. (Gromax)*	Manufacturing	**100.00**	100.00
Philippines Favorite Chicken, Inc. (PFCI)**	Distributor	**–**	100.00

**Ceased operations in 2015.*
***Ceased operations in 2005 and deconsolidated in 2017.*

On October 16, 2013, the SEC approved the Company's increase in authorized capital stock to ₱3.5 billion and the conversion of Company debts amounting to ₱2.4 billion to Kormasinc, Inc. (Kormasinc) into equity at 1 share of common stock for every ₱1.00 debt. Of the converted debt, ₱90.0 million was applied as payment for 90,030,236 shares from unissued shares and ₱2.3 billion was applied as payment for additional shares from the increase in authorized capital.

With the debt to equity conversion and significant improvement in the Company's operations, the Regional Trial Court of Malolos, Bulacan (the Rehabilitation Court) approved the Company's exit from Corporate Rehabilitation on September 16, 2016.

On June 30, 2017, the Company's stockholders approved the Company's plan to undergo a Quasi-reorganization. The Company will reduce the par value of the Company share and the existing additional paid-in capital and outstanding revaluation surplus will be applied to eliminate the Company deficit of ₱2.2 billion as at December 31, 2017. The Company, however, has yet to submit the necessary requirements to the SEC as at December 31, 2017.

On July 26, 2017, the BOD and Stockholders of PFCI approved the shortening of the corporate life of PFCI until March 31, 2019. PFCI which has ceased operations since 2005, was placed under the liquidation process. The Company deconsolidated PFCI and recognized a gain of ₱28.2 million on deconsolidation (see Note 4).

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share increasing Kormasinc's ownership interest from 69.20% to 71.90% (see Note 23).

The registered principal place of business of the Company is located at Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan. The Company has operating offices in Luzon, Iloilo and Davao, and maintains satellite offices in Southern Philippines.

The accompanying consolidated financial statements as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 were approved and authorized for issue by the BOD on April 6, 2018.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC pronouncements.

Measurement Bases

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

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for property, plant and equipment (excluding transportation equipment) and investment properties which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset.

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 3, Significant Judgment, Accounting Estimates and Assumptions
- Note 10, Property, Plant and Equipment
- Note 11, Investment Properties
- Note 27, Fair Value Information

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2017:

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

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

- Amendment to PFRS 12, *Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard* – The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and clarifies that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements.

New and Amended PFRS in Issue But Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below.

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing consolidated financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and condition of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue,* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of change in use. A mere change in management’s intentions for the use of the property does not provide evidence of a change in use.

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

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

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides requirements in addition to those set in PAS 12, *Income Taxes,* by specifying how to determine the accounting tax position when there is uncertainty over tax treatments. It requires an entity to (a) determine whether uncertain tax positions are assessed separately or as a group, and (b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. Otherwise, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

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

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

Basis of Consolidation

Subsidiaries – Subsidiaries are entities controlled by the Company. The consolidated financial statements include the accounts of the Company and its subsidiaries. In assessing control, the Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

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

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

On July 26, 2017, the BOD and Stockholders of PFCI approved the shortening of the corporate life of PFCI until March 31, 2019. PFCI which has ceased operation since 2005 was placed under the liquidation process. Accordingly:

1. The assets and liabilities of the subsidiary are derecognized at their carrying amounts at the date when control is lost.
2. The amounts recognised in other comprehensive income in relation to the former subsidiary are reclassified to profit or loss, or transferred directly to retained earnings if required by other PFRS.
3. Any resulting difference is recognised as a gain or loss in profit or loss attributable to the parent.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

"Day 1" Difference. Where the transaction in a non−active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statements of comprehensive income. In cases where there is no observable data on inception, the Company deemed the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

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

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

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

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

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

The Company's cash, trade and other receivables (excluding advances), and security deposits (classified under other noncurrent assets) are classified under this category.

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

All interest–related charges are recognized as expense and included under "Interest expense" account in the consolidated statements of comprehensive income.

The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments plus or minus the cumulative accretion using the effective interest method of any difference between that initial amount and the maturity amount. Interest expense, including premiums payable on settlement or redemption and direct issue costs, is charged to the consolidated statements of comprehensive income on an accrual basis using the effective interest method. Interest expense is added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

Derecognition of Financial Assets and Liabilities

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

a. the right to receive cash flows from the asset has expired;

b. the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

c. the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

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

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

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

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

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

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

Inventories
The Company recognizes inventories when the risk and rewards are transferred to the Company usually upon receipt from local suppliers and upon delivery of the goods to the carrier from importation.

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

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

Livestock, Finished Goods and Factory Stocks and Supplies Inventories – First-In, First-Out Method. Finished goods include the cost of raw materials, direct labor and a proportion of manufacturing overheads based on normal operating capacity. All costs directly attributable to acquisition of livestock, factory stocks and supplies inventories are included as part of costs of these inventories.

NRV of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion of production and the estimated costs necessary to make the sale. NRV of raw materials and supplies is the current replacement cost.

Other Assets
Other current assets consist of creditable withholding tax (CWT), prepayment, and input value added tax (VAT) .

CWT. CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time.

Prepayments are classified as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

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

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

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

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

Other noncurrent assets consist of security deposits (disclosed under financial instruments), project development costs and computer software, among others.

Project Development Costs. These costs represent capitalized development costs which are accounted for under the cost model. The cost of the asset is the amount of cash paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition or production.

Costs associated with research activities are recognized as expense in the consolidated statements of comprehensive income as these are incurred. Costs that are directly attributable to the development phase of the Company's aqua feeds and aqua culture projects are recognized as project development cost provided they meet the following recognition requirements:

a. there is a demonstration of technical feasibility of the prospective product for internal use or sale;
b. the intangible asset will generate probable economic benefits through internal use or sale;
c. sufficient technical, financial and other resources are available for completion; and,
d. the intangible asset can be reliably measured.

All other development costs are expensed as incurred.

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

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

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

Others consist of impaired assets of PFCI which ceased operations in 2005 and was deconsolidated in 2017.

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

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for major additions, improvements and renewals are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Subsequent to initial recognition at cost, property, plant and equipment (except for transportation equipment) are carried at appraised values, as determined by independent appraisers, less any subsequent accumulated depreciation, amortization and any accumulated impairment losses. Fair market value is determined based on appraisals made by external professional valuers by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation reserve is credited to "Revaluation reserve" account presented under the equity section of the consolidated statements of financial position. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in the consolidated statements of comprehensive income. Annually, an amount from the "Revaluation reserve" account is transferred to "Deficit" under the equity section in the consolidated statements of financial position for the depreciation relating to the revaluation reserve, net of related taxes. Upon disposal, any revaluation reserve relating to the particular asset sold is transferred to "Deficit." Revaluations are performed with sufficient regularity ensuring that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets (except for land). The depreciation and amortization periods for property, plant and equipment, based on the above policies, are as follows:

Asset Type	Number of Years
Machinery and equipment	10 to 20
Buildings	20
Leasehold and land improvements	2 to 5 or lease term, whichever is shorter
Office furniture, fixtures and equipment	3 to 10
Transportation equipment	4 to 5

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Construction-in-progress (CIP) pertains to properties under construction and is stated at cost. Cost includes costs of construction, labor and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and available for operational use.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of comprehensive income in the year the item is derecognized.

Investment Properties

Investment properties, accounted for under the fair value model, are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in the consolidated statements of comprehensive income.

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

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

Rental income and operating expenses from investment properties are reported as part of "Other operating income" and "Operating expenses," respectively, in the consolidated statements of comprehensive income.

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

Impairment of Nonfinancial Assets

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

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

Equity

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

Other Comprehensive Income (OCI). OCI comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Company pertains to revaluation reserve on property, plant and equipment and remeasurement gains and losses on retirement liability.

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

Earnings per Share

The Company presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any. Diluted earnings per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

Revenue Recognition

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

Sale of Goods. Revenue is recognized when the risk and rewards of ownership of the goods have passed to the buyer.

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

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

Other Income. Other income is recognized when earned.

Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statements of comprehensive income upon consumption of goods, utilization of the services or at the date these are incurred.

Interest expense is reported on an accrual basis and is recognized using the effective interest method.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction of a qualifying asset, which necessarily takes a substantial period of time to prepare for its intended use are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that these will result in future economic benefits to the Company and the costs can be measured reliably. Other borrowing costs are recognized as expense.

Capitalization of borrowing costs is suspended during extended period in which the Company suspends active development of a qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

Leases

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

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

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

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

d. there is a substantial change to the asset.

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

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

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

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

Employee Benefits

Short-term benefits. The Company provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

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

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and net interest expense or income in the consolidated statements of comprehensive income.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Company recognizes restructuring-related costs.

Net interest on the net retirement liability or asset is the change during the period in the net retirement liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement liability or asset. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the liabilities are to be settled directly. The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

Stock Compensation Plan
The Company's officers and employees receive part of their remuneration in the form of shares of stock of the Company, which are purchased through the stock exchange. The market value of the shares of stock received by the Company’s executives and officers approximate the compensation that they should have received should the payment been made in other form of consideration at the grant date.

Income Taxes

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

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

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

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

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

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Provisions and Contingencies

Provisions for legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Company's financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting

Operating segments are components of the Company: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Company); (b) whose operating results are regularly reviewed by the Company's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Company's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

3. **Significant Judgment, Accounting Estimates and Assumptions**

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

Judgment

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

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

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

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

There are on-going litigations filed against the Company and its subsidiaries that management believes would not have a material adverse impact on the Company's financial condition and results of operations.

Classification of Leases. The Company classifies leases in accordance with the substance of the contractual agreement and the transfer of the risks and benefits incidental to the ownership of the leased property. Leases, where management has determined that the risks and rewards related to the leased property are transferred to the Company, are classified as finance leases. On the other hand, leases entered into by the Company, where management has determined that the risks and rewards of the leased property are retained with the lessor, are accounted for as operating leases.

Operating Lease - Company as Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Rental income recorded under "Other operating income" account in the consolidated statements of comprehensive income amounted to ₱29.3 million, ₱27.6 million and ₱26.5 million in 2017, 2016 and 2015, respectively (see Note 25).

Operating Lease - Company as Lessee. The Company entered into various lease agreements covering several warehouses to house its finished goods, raw materials and other inventories. Each of the lease agreements is renewable for another lease term upon mutual consent of both parties.

Rent expense charged to operations amounted to ₱3.5 million, ₱12.0 million and ₱9.4 million in 2017, 2016 and 2015, respectively (see Note 25).

Finance Leases. The Company has entered into finance lease agreements covering its transportation equipment. The Company has determined that it retains the significant risks and rewards of ownership of this transportation equipment and accordingly the lease agreements are accounted for under finance lease (see Note 25).

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

Project development costs as at December 31, 2017 and 2016 amounting to ₱31.4 million was fully provided with allowance for impairment losses (see Note 9).

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

Estimates and Assumptions

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

Determination of Impairment Losses on Trade and Other Receivables. Allowance is made for specific accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status, average age of accounts, collection experience, and historical loss experience. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis.

The Company recognized provision for impairment losses on trade and other receivables amounting to ₱4.3 million, ₱12.3 million and ₱18.1 million in 2017, 2016 and 2015, respectively (see Note 7). In 2017, the Company's BOD approved the write-off of trade and other receivables amounting to ₱111.1 million (see Note 7).

The carrying value of trade and other receivables amounted to ₱1,136.4 million and ₱1,184.5 million as at December 31, 2017 and 2016, respectively. Allowance for impairment losses on trade and other receivables as at December 31, 2017 and 2016 amounted to ₱263.7 million and ₱501.5 million, respectively (see Note 7).

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

Inventories carried at costs as at December 31, 2017 and 2016 amounted to ₱507.7 million and ₱481.6 million, respectively (see Note 8).

Revaluation of Property, Plant and Equipment (Excluding Transportation Equipment) and Investment Properties. Management uses valuation technique where active market quotes are not available to determine the fair value of financial instruments and nonfinancial assets. This includes developing estimates and assumptions consistent with how market participants would price the instruments. Estimated fair value may vary from the actual price that would be achieved in an arm's length transaction at the reporting date.

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

The value of the property, plant and equipment (except for land and investment properties and transportation equipment) was arrived at using the Cost of Reproduction Approach. Under this approach, the most significant inputs are estimates of the current cost of reproduction of the replaceable property in accordance with the current market prices for materials, labor, manufactured equipment, contractor's overhead and profit and fees, but without prior provision for overtime or bonuses for labor and premiums for materials. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence to arrive at a reasonable valuation which is an unobservable input.

The value of the investment properties and land under property, plant and equipment was derived using the Sale Comparison Approach. Under this approach, the value of the land is based on the sales and listings of comparable properties registered within the vicinity. This approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property to those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on factors such as location, size and shape of the land, and time element which are the most significant unobservable inputs on the valuation. Although this input is subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

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

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

In December 2016, the Company's property, plant and equipment (except transportation equipment) were re-appraised by an independent firm of appraisers resulting to an additional revaluation reserve of ₱126.4 million before tax effect (see Note 10). Also, in December 2016, the Company's investment properties were re-appraised by an independent firm of appraisers resulting to an additional fair value gain of ₱7.0 million (see Note 11).

The carrying value of property, plant and equipment carried at fair value amounted to ₱493.4 million and ₱474.0 million as at December 31, 2017 and 2016 respectively (see Note 10). The carrying value of investment properties amounted to ₱540.2 million and ₱495.2 million as at December 31, 2017 and 2016, respectively (see Note 11).

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

The carrying amount of property, plant and equipment and computer software as at December 31, 2017 and 2016 follows:

	Note	**2017**	2016
Property, plant and equipment*	10	**₱248,128,991**	₱191,491,511
Computer software	9	**8,317,201**	7,616,454
		₱256,446,192	₱199,107,965

**Excluding the carrying amount of land amounting to ₱325.1 million as at December 31, 2017 and 2016.*

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

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

No impairment loss was recognized in 2017 and 2015. Impairment loss on property and equipment amounting to ₱0.5 million was recognized in 2016 (see Note 10).

The aggregate carrying value of property, plant and equipment, and computer software as at December 31, 2017 and 2016 amounted to ₱581.6 million and ₱524.2 million (see Notes 9 and 10).

Estimation of Retirement Benefits. The determination of the Company's obligation and cost for post−employment benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 19 and include, among others, discount rates and expected rates of increase in salaries. Actual results that differ from the Company's assumptions are accumulated and are recognized as part of equity. While management believes that the assumptions are reasonable and appropriate, significant differences in the Company's actual experience of significant changes in the assumptions may materially affect the pension and other retirement benefit obligation.

The estimated present value of defined benefit obligation amounted to ₱88.2 million and ₱85.6 million as at December 31, 2017 and 2016, respectively, while fair value of plan assets amounted to ₱3.6 million and ₱3.5 million as at December 31, 2017 and 2016, respectively (see Note 19).

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

No deferred tax assets were recognized on certain deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱21.3 million and ₱124.0 million as at December 31, 2017 and 2016, respectively (see Note 21). Management has assessed that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized.

Deferred tax assets recognized by the Company amounted to ₱114.0 million and ₱145.4 million as at December 31, 2017 and 2016, respectively (see Note 21).

4. Deconsolidation of a Subsidiary

On July 26, 2017, the BOD and stockholders of PFCI approved the shortening of the corporate life of PFCI until March 31, 2019. PFCI which has ceased operations since 2005, was placed under the liquidation process. The Company deconsolidated PFCI and recognized a gain of ₱28.2 million on deconsolidation.

The related accounts of PFCI as at July 26, 2017 (the date the control is lost) have been excluded in the consolidated financial statements of the Company. Assets of PFCI have been fully provided for probable loss.

The details of the carrying amounts of assets and liabilities of PFCI deconsolidated are as follows:

	Amount
Current assets	₱132,296,155
Noncurrent assets	102,719,254
Allowance for impairment losses	(235,015,409)
Provision for probable losses	25,812,642
Trade payable and accrued expenses	2,383,718
Net liabilities	28,196,360
Remaining investment	–
Gain on deconsolidation of a subsidiary	₱28,196,360

5. Segment Reporting

Business Segments

For management purposes, the Company is organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The industry segments where the Company operates are as follows:

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

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

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

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

Segment Assets and Liabilities
Segment assets and liabilities include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment liabilities do not include deferred tax liabilities.

Intersegment Transactions
Segment revenues, expenses and performance include sales and purchases between business segments and between geographical segments. Such sales and purchases are eliminated in consolidation. The Company generally accounts for intersegment sales and transfers at cost.

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

	2017					
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	Consolidated
REVENUES						
Sale of goods	₱2,761,884	₱3,319,155	₱412,494	₱6,493,533	₱–	₱6,493,533
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation and amortization	2,397,466	2,921,815	431,366	5,750,647	–	5,750,647
Operating expenses excluding depreciation and amortization	73,818	155,132	–	228,950	299,513	528,463
Depreciation and amortization	3,008	34,286	–	37,294	6,295	43,589
Other operating income	–	(6,854)	–	(6,854)	(28,904)	(35,758)
	2,474,292	3,104,379	431,366	6,010,037	276,904	6,286,941
SEGMENT OPERATING PROFIT (LOSS)	₱287,592	₱214,776	(₱18,872)	₱483,496	(₱276,904)	206,592
Other charges - net						(55,174)
Income before tax						151,418
Tax expense						(29,064)
Net income for the year						₱122,354
ASSETS AND LIABILITIES						
Segment assets	₱356,728	₱999,943	₱343,898	₱1,700,569	₱1,455,823	₱3,156,392
Segment liabilities	359,285	66,294	–	425,579	1,331,336	1,756,915
OTHER INFORMATION						
Capital expenditures	₱2,624	₱12,913	₱8,332	₱23,869	₱43,928	₱67,797
Non-cash expenses other than depreciation and impairment losses	₱10,689	₱21,955	₱425	₱33,069	₱–	₱33,069

	2016					
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	Consolidated
REVENUES						
Sale of goods	₱1,873,620	₱2,926,254	₱301,031	₱5,100,905	₱–	₱5,100,905
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	1,614,549	2,564,676	271,784	4,451,009	–	4,451,009
Operating expenses excluding depreciation and amortization	56,149	146,118	–	202,267	254,764	457,031
Depreciation and amortization	8,264	20,522	–	28,786	4,794	33,580
Other operating income	(19,700)	(13,404)	–	(33,104)	(12,444)	(45,548)
	1,659,262	2,717,912	271,784	4,648,958	247,114	4,896,072
SEGMENT OPERATING PROFIT (LOSS)	₱214,358	₱208,342	₱29,247	₱451,947	(₱247,114)	₱204,833
Other charges - net						(178,852)
Income before tax						25,981
Tax expense						(8,472)
Net income for the year						₱17,509
ASSETS AND LIABILITIES						
Segment assets	₱299,321	₱888,014	₱312,847	₱1,500,182	₱1,359,842	₱2,860,024
Segment liabilities	343,322	60,382	3,682	407,386	1,582,626	1,990,012
OTHER INFORMATION						
Capital expenditures	₱2,748	₱13,519	₱8,723	₱24,990	₱45,989	₱70,979
Non-cash expenses other than depreciation and impairment losses	₱12,286	₱25,236	₱489	₱38,011	₱–	₱38,011

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

6. Cash

This account consists of:

	2017	2016
Cash on hand	**₱1,515,170**	₱280,189
Cash in banks	**321,490,948**	116,259,597
	₱323,006,118	₱116,539,786

Cash in banks earn interest at prevailing bank deposit interest rates of 0.2% to 0.3% in 2017 and 2016. Interest income on cash in banks amounted to ₱0.3 million, ₱0.9 million and ₱0.2 million in 2017, 2016 and 2015, respectively (see Note 18).

7. **Trade and Other Receivables**

This account consists of:

	Note	2017	2016
Trade		**₱913,914,689**	₱1,105,524,203
Nontrade		**208,262,664**	163,328,014
Insurance claims receivable		**157,512,740**	157,512,740
Advances to:			
Suppliers		**107,910,325**	102,370,344
Officers and employees	22	**9,505,515**	6,033,674
Due from related parties	22	**–**	146,173,847
Retention receivable		**–**	2,189,126
Others		**3,049,663**	2,797,194
		1,400,155,596	1,685,929,142
Allowance for impairment losses		**(263,722,639)**	(501,456,871)
		₱1,136,432,957	₱1,184,472,271

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 Company such as tolling, rentals, hatching, hauling and laboratory analysis charges. These are settled within 30-60 days and are noninterest-bearing.

The Company has an outstanding claim for typhoon damages from Charter Ping An Insurance Corporation. Pursuant to the Insurance Code, the Company is entitled to interest on its claim at a rate twice the ceiling prescribed by the Monetary Board beginning March 12, 2010, 90 days from the date the Company has filed the claim. On August 17, 2016, the Company received ₱58.9 million as partial settlement. The Company continues to legally pursue the remaining outstanding balance of ₱157.5 million as at December 31, 2017. The court proceedings for the remaining claims were remanded to the Regional Trial Court of Malolos City in accordance with the resolution issued by the Court of Appeals on February 13, 2018. Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result in any significant adverse impact on the Company's financial condition and results of operations.

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

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

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

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

	Note	**2017**	2016
Balance at beginning of year		**₱501,456,871**	₱489,170,834
Effect of deconsolidation	4	**(130,894,053)**	–
Write-off		**(111,149,937)**	–
Provisions	16	**4,309,758**	12,286,037
Balance at end of year		**₱263,722,639**	₱501,456,871

In 2017, the Company's BOD approved the write-off of trade and other receivables amounting to ₱111.1 million. Recovery of accounts receivable in 2016 amounted to ₱12.6 million (see Note 17).

8. Inventories

This account consists of:

	2017	2016
Raw materials and feeds supplement	**₱220,082,185**	₱209,502,033
Finished goods	**140,678,155**	141,377,620
Livestock	**88,789,897**	72,456,672
Supplies and animal health products	**57,429,985**	57,609,557
Factory stocks and supplies	**693,905**	638,688
	₱507,674,127	₱481,584,570

Inventories are valued at cost as at December 31, 2017 and 2016. Inventories charged to cost of goods sold amounted to ₱5,279.9 million, ₱4,163.6 million and ₱2,747.1 million in 2017, 2016 and 2015, respectively (see Note 15).

9. Other Assets

Other Current Assets

This account consists of:

	2017	2016
CWT	**₱41,406,176**	₱29,377,101
Prepayments	**13,614,250**	15,055,358
Input VAT	**3,556,926**	4,497,634
	58,577,352	48,930,093
Allowance for impairment losses	**(3,091,532)**	(4,497,634)
	₱55,485,820	₱44,432,459

Prepayments mainly pertain to insurance and bond premiums, among others, which are amortized within a year.

Movement in the allowance for impairment losses account is shown below:

	Note	**2017**	2016
Balance at beginning of year		**₱4,497,634**	₱4,497,634
Effect of deconsolidation	4	**(1,406,102)**	–
Balance at end of year		**₱3,091,532**	₱4,497,634

Other Noncurrent Assets

This account consists of:

	Note	**2017**	2016
Project development costs		**₱31,368,396**	₱31,368,396
Security deposits	25	**12,036,892**	13,536,894
Computer software		**8,317,201**	7,616,454
Others	4	**67,336**	53,344,274
		51,789,825	105,866,018
Allowance for impairment losses:			
Project development costs		**(31,368,396)**	(31,368,396)
Others	4	**(67,336)**	(53,344,274)
		(31,435,732)	(84,712,670)
		₱20,354,093	₱21,153,348

Project development costs represent expenses incurred on the Company's aqua feeds and aqua culture projects. Based on management's evaluation, these costs may no longer be recoverable. Accordingly, the project development cost amounting to ₱31.4 million was provided with full valuation allowance as at December 31, 2017 and 2016.

Security deposits represent rental deposits paid by the Company and will be returned at the end of the lease term.

Movements of computer software follow:

	Note	**2017**	2016
Cost			
Balance at beginning of year		**₱11,423,281**	₱11,420,481
Additions		**4,507,574**	2,800
Balance at end of year		**15,930,855**	11,423,281
Accumulated Depreciation and Amortization			
Balance at beginning of year		**3,806,827**	–
Depreciation and amortization	10	**3,806,827**	3,806,827
Balance at end of year		**7,613,654**	3,806,827
Net carrying amount		**₱8,317,201**	₱7,616,454

Others consist mainly of impaired assets of PFCI which ceased operations in 2005 and was deconsolidated in 2017 (see Note 4).

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

	Note	2017	2016
Balance at beginning of year		**₱84,712,670**	₱84,712,670
Effect of deconsolidation	4	**(53,276,938)**	–
Balance at end of year		**₱31,435,732**	₱84,712,670

10. Property, Plant and Equipment

The composition and movements of this account are presented below:

		2017							
		At Appraised Values				**At Cost**			
	Note	**Land**	**Machinery and Equipment**	**Buildings**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost									
Balance at beginning of year		**₱325,133,988**	**₱197,516,711**	**₱89,309,227**	**₱14,767,972**	**₱78,139,480**	**₱167,784,181**	**₱214,761**	**₱872,866,320**
Additions		**–**	**19,462,706**	**15,368,902**	**600,000**	**10,378,507**	**32,533,204**	**18,076,511**	**96,419,830**
Effect of deconsolidation	4	**–**	**(295,960)**	**–**	**–**	**(49,146,356)**	**–**	**–**	**(49,442,316)**
Reclassifications		**–**	**214,761**	**–**	**–**	**–**	**–**	**(214,761)**	**–**
Balance at end of year		**325,133,988**	**216,898,218**	**104,678,129**	**15,367,972**	**39,371,631**	**200,317,385**	**18,076,511**	**919,843,834**
Accumulated Depreciation, Amortization and Impairment loss									
Balance at beginning of year		**–**	**120,742,171**	**30,375,321**	**10,049,673**	**69,744,451**	**125,329,205**	**–**	**356,240,821**
Depreciation and amortization	15,16	**–**	**14,008,268**	**5,812,710**	**997,102**	**5,766,795**	**13,197,475**	**–**	**39,782,350**
Effect of deconsolidation	4	**–**	**(295,960)**	**–**	**–**	**(49,146,356)**	**–**	**–**	**(49,442,316)**
Disposals		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at end of year		**–**	**134,454,479**	**36,188,031**	**11,046,775**	**26,364,890**	**138,526,680**	**–**	**346,580,855**
Net carrying amount		**₱325,133,988**	**₱82,443,739**	**₱68,490,098**	**₱4,321,197**	**₱13,006,741**	**₱61,790,705**	**₱18,076,511**	**₱573,262,979**

		2016							
		At Appraised Values				At Cost			
	Note	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost									
Balance at beginning of year		₱255,841,046	₱174,148,532	₱70,014,380	₱31,416,058	₱72,898,686	₱144,044,807	₱3,839,048	₱752,202,557
Additions		–	9,186,059	3,894,138	4,590,134	5,433,110	23,739,374	214,761	47,057,576
Revaluation		93,819,942	20,396,456	11,561,661	–	610,348	–	–	126,388,407
Reclassifications	11	(24,527,000)	(6,214,336)	3,839,048	(21,238,220)	(802,664)	–	(3,839,048)	(52,782,220)
Balance at end of year		325,133,988	197,516,711	89,309,227	14,767,972	78,139,480	167,784,181	214,761	872,866,320
Accumulated Depreciation, Amortization and Impairment loss									
Balance at beginning of year		–	109,958,888	26,295,360	21,543,094	66,464,433	116,991,337	–	341,253,112
Depreciation and amortization	15,16	–	11,811,263	4,066,928	1,540,731	4,016,753	8,337,868	–	29,773,543
Impairment	18	–	417,971	13,033	–	57,529	–	–	488,533
Reclassifications	11	–	(1,445,951)	–	(13,034,152)	(794,264)	–	–	(15,274,367)
Balance at end of year		–	120,742,171	30,375,321	10,049,673	69,744,451	125,329,205	–	356,240,821
Net carrying amount		₱325,133,988	₱76,774,540	₱58,933,906	₱4,718,299	₱8,395,029	₱42,454,976	₱214,761	₱516,625,499

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

	2017							
	Land	**Machinery and Equipment**	**Buildings**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost as at year end	**₱15,810,607**	**₱174,699,988**	**₱79,927,414**	**₱12,712,131**	**₱35,288,128**	**₱200,317,382**	**₱18,076,511**	**₱536,832,161**
Accumulated depreciation and impairment	**2,200,059**	**120,577,940**	**29,018,642**	**8,390,584**	**22,613,668**	**138,526,678**	**–**	**321,327,571**
Net carrying amount	**₱13,610,548**	**₱54,122,048**	**₱50,908,772**	**₱4,321,547**	**₱12,674,460**	**₱61,790,704**	**₱18,076,511**	**₱215,504,590**

	2016							
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost as at year end	₱13,610,548	₱155,022,520	₱64,558,512	₱12,112,131	₱27,109,679	₱167,784,181	₱214,761	₱440,412,332
Accumulated depreciation and impairment	–	110,893,768	26,118,447	7,393,482	19,393,326	125,329,205	–	289,128,228
Net carrying amount	₱13,610,548	₱44,128,752	₱38,440,065	₱4,718,649	₱7,716,353	₱42,454,976	₱214,761	₱151,284,104

The reconciliation of revaluation reserve is as follows:

	Revaluation Reserve	Deferred Income Tax Liability (see Note 21)	Net (see Note 23)
Balance as at January 1, 2017	**₱383,022,377**	**(₱114,906,713)**	**₱268,115,664**
Transfer to deficit of revaluation reserve on property, plant and equipment realized through depreciation	**(7,583,006)**	**2,274,902**	**(5,308,104)**
Balance as at December 31, 2017	**₱375,439,371**	**(₱112,631,811)**	**₱262,807,560**
Balance as at January 1, 2016	₱260,825,807	(₱78,247,742)	₱182,578,065
Revaluation increase on property, plant and equipment	126,388,407	(37,916,522)	88,471,885
Transfer to deficit of revaluation reserve on property, plant and equipment realized through depreciation	(4,191,837)	1,257,551	(2,934,286)
Balance as at December 31, 2016	₱383,022,377	(₱114,906,713)	₱268,115,664

In 2016, property, plant, and equipment with a net book value of ₱37.5 million that are subject to lease arrangements were reclassified to investment properties (see Note 11). The net carrying amount of ₱37.5 million becomes part of the cost of these investment properties. Related revaluation reserve of ₱17.7 million and deferred tax liabilities of ₱5.3 million of these reclassified properties as at December 31, 2016 will be reversed only after the properties are disposed off (see Note 21).

As at December 31, 2017 and 2016, fully depreciated property, plant and equipment with gross carrying value of ₱17.5 million and ₱16.1 million, respectively, are still in use.

Depreciation and amortization expense follows:

	Note	**2017**	2016	2015
Property, plant and equipment		**₱39,782,350**	₱29,773,543	₱24,533,154
Computer software	9	**3,806,827**	3,806,827	–
	16	**₱43,589,177**	₱33,580,370	₱24,533,154

Fair Value Measurement

The Company's property, plant and equipment (except for transportation equipment and construction in progress) were appraised by an independent firm of appraisers. The latest appraisal report is at December 31, 2016. The fair value measurement for property, plant and equipment has been categorized as level 3 (significant unobservable inputs).

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

	Valuation Technique	Significant Unobservable Inputs	Range	
			2017	2016
Land	Sales Comparison Approach	Price per square meter	**₱1,493-₱1,857**	₱1,493-₱1,857
		Value adjustments	**35%-48%**	35%-48%

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

The significant unobservable inputs to fair valuation are as follows:

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

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

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

11. Investment Properties

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

Movements in this account are summarized below:

	Note	2017	2016
Balance at beginning of year		**₱495,216,122**	₱428,439,538
Additions		**44,959,287**	23,922,229
Reclassifications	10	**–**	37,507,853
Gain on fair value changes	18	**–**	7,048,102
Disposals/dacion		**–**	(1,701,600)
Balance at end of year		**₱540,175,409**	₱495,216,122

Additions in 2017 mainly pertain to the improvements made in the Davao dressing plant. Additions in 2016 include foreclosed land amounting to ₱12.6 million which is presented as recovery of accounts written-off (see Note 17).

The composition of investment properties as at December 31, 2017 and 2016 are as follows:

	2017	2016
Cost	**₱411,496,474**	₱366,537,187
Cumulative gain on fair value changes	**128,678,935**	128,678,935
	₱540,175,409	₱495,216,122

Fair Value Measurement

Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal report is at December 31, 2017. The Company recognized fair value gain of nil, ₱7.0 million and ₱1.7 million in 2017, 2016 and 2015, respectively, presented as "Gain on fair value changes of investment properties" (see Note 18). The fair value measurement for investment properties has been categorized as level 3 (significant unobservable inputs).

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

			Range	
	Valuation Technique	Significant Unobservable Inputs	**2017**	2016
Land	Sales Comparison Approach	Price per square meter	**₱875-₱1,200**	₱875-₱1,200
		Value adjustments	**5%-45%**	5%-45%

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

The significant unobservable inputs to fair valuation are as follows:

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

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

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

12. Trade and Other Payables

This account consists of:

	Note	**2017**	2016
Trade	22	**₱1,118,159,255**	₱994,734,867
Customers' deposits		**95,526,755**	94,623,433
Nontrade		**88,759,812**	130,559,677
Accrued expenses		**64,479,255**	173,622,265
Provisions		**–**	51,048,403
Others		**20,680,872**	8,013,415
Total		**₱1,387,605,949**	₱1,452,602,060

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

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

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

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

Provisions pertain to probable claims from third parties. It includes an estimated liability of ₱25.8 million of PFCI arising from a legal case for non-payment of rentals as at December 31, 2016 and 2015. PFCI case is still pending decision before the Court of Appeals. PFCI ceased operations in 2005 and was deconsolidated in 2017 (see Note 4). This also includes provision for probable claims from a third party amounting to ₱25.2 million as at December 31, 2016 which was settled in 2017. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* further information is not disclosed as it may prejudice the Company's position on the matter.

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

13. Loans Payable

In 2017, the Company obtained peso-denominated short-term loans from local banks to finance its working capital requirements. The short-term loans bear interest rate at 5.25% per annum.

Interest expense amounted to ₱22.6 million and ₱12.4 million in 2017 and 2016, respectively (see Note 25).

Changes in liabilities arising from financing activities presented in statements of cash flows pertain to the following:

	Amount
Availment	₱263,154,971
Payments	(92,785,171)
	₱170,369,800

14. Cash Bond Deposits

Cash bond deposits amounting to ₱31.5 million and ₱23.4 million as at December 31, 2017 and 2016, respectively, substantially consist of surety bond deposits obtained from contract growers, contract breeders, customers and salesmen. These will be refunded upon termination of the contract.

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

15. Cost of Goods Sold

This account consists of:

	Note	**2017**	2016	2015
Inventories used	8	**₱5,279,916,421**	₱4,163,614,921	₱2,747,060,652
Outside services		**362,870,150**	199,466,373	118,643,537
Salaries and employee benefits	16	**36,268,521**	28,040,721	28,081,267
Contractual services		**34,737,795**	31,437,545	11,030,555
Communication, light and water		**22,587,543**	17,463,380	11,483,600
Depreciation	16	**21,368,469**	17,101,069	14,623,776
Repairs and maintenance		**11,018,431**	8,518,813	5,601,816
Others		**3,246,766**	2,467,529	1,622,602
		₱5,772,014,096	₱4,468,110,351	₱2,938,147,805

16. Operating Expenses

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

	2017	2016	2015
Administrative expenses	**₱288,114,768**	₱249,144,949	₱224,778,914
Selling and distribution expenses	**262,569,422**	224,365,682	196,588,213
	₱550,684,190	₱473,510,631	₱421,367,127

The details of operating expenses by nature are shown below:

	Note	2017	2016	2015
Transportation, travel, freight and handling		**₱217,575,591**	₱160,305,846	₱155,360,515
Salaries and employee benefits		**147,581,575**	84,769,115	104,239,910
Professional fees		**43,167,407**	27,597,307	21,558,576
Advertising and promotions		**23,773,620**	30,566,344	19,172,724
Representation and entertainment		**23,344,380**	23,501,076	17,525,344
Depreciation and amortization		**22,220,708**	16,479,301	9,909,378
Contractual services		**13,006,906**	14,183,996	11,080,311
Commissions		**10,933,801**	11,975,275	9,857,770
Taxes and licenses		**10,637,066**	12,309,529	9,647,197
Supplies		**8,781,413**	8,594,416	4,510,117
Communications, light and water		**7,288,106**	7,193,243	12,341,864
Provision for impairment loss on receivables	7	**4,309,758**	12,286,037	18,100,754
Insurance		**3,857,942**	4,067,549	4,025,438
Rentals	25	**3,479,363**	11,997,898	9,350,366
Repairs and maintenance		**2,220,084**	1,426,117	5,494,014
Input VAT on exempt sales		**–**	42,761,102	–
Others		**8,506,470**	3,496,480	9,192,849
		₱550,684,190	₱473,510,631	₱421,367,127

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

Employee Benefits

Breakdown of employee benefits is presented below:

	Note	2017	2016	2015
Salaries and wages		**₱164,498,784**	₱100,375,235	₱118,483,461
Retirement benefits	19	**6,460,979**	7,064,624	8,706,438
Other short term benefits		**12,890,333**	5,369,977	5,131,278
		₱183,850,096	₱112,809,836	₱132,321,177

Salaries and employee benefits is allocated as follows:

	Note	2017	2016	2015
Cost of goods sold	15	**₱36,268,521**	₱28,040,721	₱28,081,267
Operating expenses:				
Administrative expenses		**78,727,608**	45,220,209	55,606,933
Selling and distribution expenses		**68,853,967**	39,548,906	48,632,977
		147,581,575	84,769,115	104,239,910
		₱183,850,096	₱112,809,836	₱132,321,177

Depreciation and Amortization

Depreciation and amortization is allocated as follows (see Note 10):

	Note	**2017**	2016	2015
Cost of goods sold	15	**₱21,368,469**	₱17,101,069	₱14,623,776
Operating expenses:				
Administrative expenses		**13,517,738**	10,821,664	5,286,172
Selling and distribution expenses		**8,702,970**	5,657,637	4,623,206
		22,220,708	16,479,301	9,909,378
		₱43,589,177	₱33,580,370	₱24,533,154

17. **Other Operating Income**

This account consists of:

	Note	**2017**	2016	2015
Rentals	25	**₱29,270,036**	₱27,647,585	₱26,487,499
Sale of scrap materials		**6,487,882**	5,213,651	–
Recovery of accounts written-off	11	**–**	12,648,000	–
Revenue from toll milling and toll hatching		**–**	39,648	1,874,120
Foreign currency exchange gain		**–**	–	4,657,996
Others		**–**	–	4,499,492
		₱35,757,918	₱45,548,884	₱37,519,107

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

18. **Other Income (Charges)**

This account consists of:

	Note	**2017**	2016	2015
Tax compromise settlement		**(₱39,283,928)**	(₱92,245,484)	₱–
Gain on deconsolidation of a subsidiary	4	**28,196,360**	–	–
Interest expense	25	**(23,840,890)**	(12,642,159)	–
Liquidated damages	25	**(22,000,000)**	–	–
Interest income	6	**1,754,128**	928,803	170,676
Demurrage on cargo release		**–**	(56,217,312)	–
Provision for probable losses	12	**–**	(25,235,761)	–
Gain on fair value changes of investment properties	11	**–**	7,048,102	1,685,952
Impairment losses on:				
Property, plant and equipment	10	**–**	(488,533)	–
Other current assets	9	**–**	–	(3,095,532)
Loss on sale of property, plant and equipment, investment properties and others	10	**–**	–	(94,613,100)
Legal fees		**–**	–	(14,672,209)
Others		**–**	–	(12,046,670)
		(₱55,174,330)	(₱178,852,344)	(₱122,570,883)

Tax compromise settlement pertains to Company payment to the Bureau of Internal Revenue to settle tax assessments.

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

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

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

19. Retirement Benefits

The Company maintains a partially funded, noncontributory post–employment defined benefit plan covering all of its regular full-time employees. The defined benefit plan is being administered by a trustee bank which is responsible for the administration of the plan assets and for the definition of the investment strategy. The Company's retirement benefits are based on years of service and one and one-fourth month's salary for every year of continuous service.

The plan exposes the Company to the following risks:

Salary risk
Any increase in the retirement plan participants' salary will increase the retirement plan's liability.

Longevity risk
Any increase in the plan participants' life expectancy will increase the retirement plan's liability.

Interest rate risk
A decrease in the bond interest rate will increase the present value of the retirement liability. However, this is partially counterbalanced by an increase in the return on the plan assets.

Investment risk
If the actual return on plan assets is below the discount rate used in calculating the present value of the retirement liability, a plan deficit will arise. However, the compositions of plan assets are balanced enough not to expose the Company to significant concentrations of investment risk.

Actuarial valuations are made periodically to update the retirement liability and the amount of contributions. The latest actuarial valuation of the plan is as at December 31, 2015.

Pursuant to the reintegration of the Gromax's business to the Company, effective April 1, 2015, Gromax transferred its employees to the Company. Retirement benefits accruing to these employees were transferred to the Company, accordingly. Deferred tax effect resulting from this transfer amounted to ₱1.1 million.

Breakdown of retirement expense recognized in the consolidated statements of comprehensive income is as follows (see Note 16):

	2017	2016	2015
Current service costs	**₱2,262,871**	₱3,227,518	₱5,686,315
Interest expense	**4,375,509**	4,005,883	3,173,560
Interest income	**(177,401)**	(168,777)	(153,437)
	₱6,460,979	₱7,064,624	₱8,706,438

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

	2017	2016
Present value of the obligation	**₱88,180,586**	₱85,626,405
Fair value of plan assets	**(3,649,050)**	(3,471,649)
	₱84,531,536	₱82,154,756

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

	2017	2016
Balance at beginning of year	**₱85,626,405**	₱78,393,004
Interest expense	**4,375,509**	4,005,883
Current service costs	**2,262,871**	3,227,518
Benefits paid	**(4,084,199)**	–
Balance at end of year	**₱88,180,586**	₱85,626,405

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

	2017	2016
Balance at beginning of year	**₱3,471,649**	₱3,302,872
Interest income	**177,401**	168,777
Balance at end of year	**₱3,649,050**	₱3,471,649

Actual returns on plan assets amounted to ₱0.2 million in 2017 and 2016.

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

	2017	2016
Cash and cash equivalents	**46.98%**	46.98%
Debt instruments	**29.67%**	29.67%
Equity instruments	**26.74%**	26.74%
Others	**-3.39%**	-3.39%

There are no expected future contributions in the plan in 2018.

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

	2017	2016
Less than one year	**₱507,338**	₱492,561
Between one and five years	**4,858,231**	4,716,729
Over five years	**34,727,393**	33,715,916
	₱40,092,962	₱38,925,206

The cumulative actuarial gains recognized in OCI as at December 31, 2017 and 2016 are as follows:

	Cumulative Remeasurement Gain	Deferred Income Tax (see Note 21)	Cumulative Remeasurement Gain, Net of Deferred Income Tax (see Note 23)
Balance as at December 31, 2016 and 2017	**₱11,281,101**	**₱3,384,330**	**₱7,896,771**
Balance as at January 1, 2015	₱12,863,562	₱3,859,069	₱9,004,493
Transfer to deficit of actuarial gain	(3,604,967)	(1,081,491)	(2,523,476)
Actuarial gain, net of deferred income tax	2,022,506	606,752	1,415,754
Balance as at December 31, 2015	₱11,281,101	₱3,384,330	₱7,896,771

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

	2017	2016
Discount rate	**5.1%**	5.1%
Expected rate of salary increase	**8.0%**	8.0%
Average remaining working life of an employee retiring at the age of 60:		
Male	**23**	23
Female	**26**	26

The weighted average duration of the present value of defined benefit obligation is 17 years and 17.1 years in 2017 and 2016, respectively.

A quantitative sensitivity analysis for changes in assumptions as at December 31, 2017 is shown below (amounts in thousands):

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

20. Stock Compensation Plan

The Company has a stock compensation plan for its officers and other executives. Under the plan, 20% of the annual gross pay of the Company's executives and officers is to be paid in shares of stock of the Company, which are purchased through the stock exchange. The Company's executives and officers' salaries under the stock compensation plan amounting to ₱1.9 million in 2015 were converted to cash (see Note 22). No payments were made in 2017 and 2016.

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

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

21. Provision for (Benefit from) Income Tax

The components of provision for (benefit from) income tax as reported in the consolidated statements of comprehensive income are as follows:

	2017	2016	2015
Reported in Consolidated Profit and Loss			
Current tax expense:			
RCIT at 30%	**₱22,789,816**	₱–	₱–
MCIT at 2%	**–**	13,566,878	10,907,953
Deferred income tax expense (benefit) relating to origination and reversal of temporary differences	**6,274,302**	(5,094,879)	(17,441,531)
	₱29,064,118	₱8,471,999	(₱6,533,578)
Reported in Consolidated Other Comprehensive Income			
Deferred income tax related to additional revaluation reserve on property, plant and equipment and reversal of temporary differences	**₱–**	₱37,916,522	₱–
Deferred income tax expense related to accumulated unrealized actuarial gain	**–**	–	606,752
	₱–	₱37,916,522	₱606,752

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

	2017	2016	2015
Income tax expense at statutory tax rate	**₱45,425,486**	₱7,794,278	₱192,670
Change in unrecognized deferred tax assets	**(102,665,495)**	(92,199,053)	(30,654,380)
Effect of deconsolidation	**78,248,415**	–	–
Tax effects of:			
Nondeductible expenses	**13,909,988**	61,389,314	32,894,594
Expiry of unrecognized deferred tax asset on:			
NOLCO	**1,140,411**	24,338,850	549,121
MCIT	**520,497**	7,427,250	7,412,103
Other deductible expenses	**(166,970)**	–	(16,896,704)
Reversal of deferred tax asset	**1,225,260**	–	–
Nontaxable income	**(8,458,908)**	–	–
Interest income already subjected to final tax	**(114,566)**	(278,640)	(30,982)
	₱29,064,118	₱8,471,999	(₱6,533,578)

The components of the recognized net deferred tax assets and liabilities as at December 31, 2017 and 2016 are as follows:

	Consolidated Statements of Financial Position		Consolidated Statements of Comprehensive Income (Profit or Loss)		
	2017	2016	**2017*** **	2016	2015
Deferred tax assets:					
Allowance for impairment losses on:					
Trade and other receivables	**₱75,064,846**	₱107,116,900	**₱32,052,054**	(₱3,685,811)	(₱1,378,281)
Property, plant and equipment	**5,392,850**	5,392,850	**–**	(146,560)	452,140
Product development costs	**9,410,519**	9,410,519	**–**	–	–
Applied MCIT	–	–	**(22,789,816)**	–	–
Retirement liability	**24,161,800**	23,448,766	**(713,034)**	(2,119,387)	1,056,631*
	114,030,015	145,369,035	**8,549,204**	(5,951,758)	130,490
Deferred tax liabilities:					
Revaluation reserve on property, plant and equipment	**(112,631,811)**	(114,906,713)	**(2,274,902)**	(1,257,552**)	(1,506,574)
Changes in fair value of investment properties	**(38,603,681)**	(38,603,681)	**–**	2,114,431	(16,065,447)
	(151,235,492)	(153,510,394)	**(2,274,902)**	856,879	(17,572,021)
Deferred tax benefit (expense)			**₱6,274,302**	(₱5,094,879)	(₱17,441,531)
Net deferred tax liabilities	**(₱37,205,477)**	(₱8,141,359)			

**Excludes income tax effect on actuarial gain of ₱0.6 million in 2015.*
***Excludes income tax effect on revaluation increase of ₱37.9 million in 2016.*
****Excludes income tax effect on application of MCIT amounting to ₱22.8 million in 2017.*

The details of NOLCO and MCIT, which can be claimed as deduction from future taxable income and from RCIT due, respectively, within three years from the year the NOLCO and MCIT was incurred, is shown below.

NOLCO

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Valid Until
2017	₱–	₱112,148	₱–	₱112,148	2020
2016	99,391	–	–	99,391	2019
2015	8,331,507	–	–	8,331,507	2018
2014	3,801,370	–	3,801,370	–	2017
	₱12,232,268	₱112,148	₱3,801,370	₱8,543,046	

MCIT Year Incurred	Beginning Balance	Applied	Expired	Ending Balance	Valid Until
2016	₱13,566,878	₱1,935,793	₱–	₱11,631,085	2019
2015	10,907,953	10,885,562	–	22,391	2018
2014	10,488,958	9,968,461	520,497	–	2017
	₱34,963,789	₱22,789,816	₱520,497	₱11,653,476	

The amount of NOLCO, MCIT and other deductible temporary differences as at the end of 2017 and 2016 for which the related deferred tax assets have not been recognized are shown below.

	2017		2016	
	Amount	**Tax Effect**	Amount	Tax Effect
NOLCO	**₱8,543,046**	**₱2,562,914**	₱12,232,268	₱3,669,680
MCIT	**11,653,476**	**11,653,476**	34,963,789	34,963,789
Allowance for impairment losses on:				
Trade and other receivables	**13,506,484**	**4,051,945**	144,400,537	43,320,161
Other assets	**67,336**	**20,201**	54,746,376	16,423,913
Property, plant and equipment	**1,507,133**	**452,140**	50,949,449	15,284,835
Provisions	**–**	**–**	25,812,642	7,743,793
Retirement liability	**7,597,172**	**2,279,152**	7,597,172	2,279,152
Loss on fair value changes of investment properties	**1,084,906**	**325,472**	1,084,906	325,472
	₱43,959,553	**₱21,345,300**	₱331,787,139	₱124,010,795

Deferred tax assets that have not been recognized pertaining to PFCI's operations amounting to ₱78.2 million were reversed in 2017 as a result of deconsolidation.

22. Related Party Transactions

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

Payable to a Stockholder

Settlement of Restructured Debt. The remaining balance of payable to a stockholder resulted mainly from the acquisition by Kormasinc of the Company's restructured debt from creditors. Of the restructured debt of ₱3.2 billion acquired by Kormasinc (including interest of ₱200.0 million), ₱2.4 billion was converted to equity in 2013.

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share. Consequently, Kormasinc's ownership interest increased from 69.20% to 71.90% (see Notes 1 and 23).

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

	Relationship	Nature of Transactions	2017 Amount of Transactions	2017 Outstanding Balances	2016 Amount of Transactions	2016 Outstanding Balances
Kormasinc	Parent Company	Restructured debt acquired	**–**	**₱175,027,457**	–	₱175,027,457
		Trade payables acquired	**–**	**32,097,944**	–	32,097,944
		Interest on restructured debt	**–**	**199,985,490**	–	199,985,490
				407,110,891		407,110,891
		Debt to equity conversion	**(407,110,891)**	**(407,110,891)**	–	–
				₱–		₱407,110,891

Due to and from Related Parties

Advances to and from Related Parties. The Company also grants unsecured, noninterest-bearing advances to its related parties for working capital requirements. These are payable on demand, hence, are classified under current assets in the consolidated statements of financial position.

Summarized below are the outstanding accounts arising from these transactions (see Notes 7 and 12).

Related parties	Nature of Transactions	**2017 Amount of Transactions**	**2017 Outstanding Balances**	2016 Amount of Transactions	2016 Outstanding Balances
Due from related parties					
Entities under common control	Working capital advances	**(₱146,173,847)**	**₱–**	₱147,178,802	₱146,173,847

Trade Payable. The Company buys raw materials, hogs, and breeder flocks from related parties (see Note 12).

Related Party	Nature of Transactions	**2017 Amount of Transactions**	**2017 Outstanding Balances**	2016 Amount of Transactions	2016 Outstanding Balances
Stockholder	Purchases (settlement)	**₱37,256,155**	**₱–**	₱–	₱37,256,155

Advances to Officers and Employees

The Company grants unsecured, noninterest-bearing advances to its officers which are normally collected within one year through salary deduction (see Note 7). Certain officers also pay operating expenses on behalf of the Company which are payable upon demand (see Note 12). Shown below are the movements in the accounts.

	Note	Amount of Transactions **2017**	Amount of Transactions 2016	Outstanding Balances **2017**	Outstanding Balances 2016
Advances to officers and employees	7	**₱3,471,841**	₱1,860,529	**₱9,505,515**	₱6,033,674

Compensation of Key Management Personnel
The compensation includes the following:

	Note	**2017**	2016	2015
Short-term employee benefits		**₱21,436,701**	₱17,596,944	₱10,377,449
Retirement benefits		**1,196,965**	1,047,455	496,538
Compensation paid in share of stock/equivalent value in cash	20	**–**	–	1,883,840
Others		**5,952,556**	4,777,000	3,987,930
		₱28,586,222	₱23,421,399	₱16,745,757

23. **Equity**

Capital Stock
The Company has authorized capital stock of 3.5 billion shares at ₱1 par value equivalent to ₱3.5 billion. Movements of the shares are as follows:

	2017	2016
Authorized	**3,500,000,000**	3,500,000,000
Issued and outstanding	**3,054,334,014**	2,786,497,901

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

Date of SEC Approval	Authorized Shares	No. of Shares Issued
Dec. 22, 2017	3,000,000,000	267,836,113
Oct. 16, 2013	3,000,000,000	2,286,497,901
Feb. 9, 1989	200,000,000	200,000,000
Aug 11, 1986	200,000,000	200,000,000
Dec. 5, 1982	33,000,000	33,000,000
Dec. 5, 1977	45,000,000	45,000,000
Oct. 31, 1974	7,000,000	7,000,000
May 2, 1973	10,000,000	10,000,000
Oct. 2, 1972	5,000,000	5,000,000

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share. Consequently, Kormasinc's ownership interest increased from 69.20% to 71.90% (see Note 1). Excess over par value of ₱139.3 million was recognized as APIC.

The following summarizes the information on the Company's issued and outstanding shares as at December 31, 2017:

	Number of shares issued and outstanding	Percentage of shares
Issued and outstanding	3,054,334,014	100.00%
Listed shares:		
Owned by related parties	1,928,339,491	69.20%
Owned by public	788,940,412	28.31%
Owned by directors and officers	69,217,998	2.49%
Total	2,786,497,901	

Of the total shares owned by the public, 247.6 million shares are foreign-owned.

The total number of shareholders of the Company is 4,186 and 4,255 as at December 31, 2017 and 2016, respectively.

As at December 31, 2017, the Company is still in the process of applying the 267,836,113 shares issued in December 22, 2017 for listing with the PSE.

Other Comprehensive Income

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

	Revaluation Reserve (see Note 10)	Accumulated Actuarial Gains (see Note 19)	Total
Balance at January 1, 2017	**₱268,115,664**	**₱7,896,771**	**₱276,012,435**
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	**(5,308,104)**	**–**	**(5,308,104)**
Balance at December 31, 2017	**₱262,807,560**	**₱7,896,771**	**₱270,704,331**
Balance at January 1, 2016	₱182,578,065	₱7,896,771	₱190,474,836
Revaluation increase on property, plant and equipment	88,471,885	–	88,471,885
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	(2,934,286)	–	(2,934,286)
Balance at December 31, 2016	₱268,115,664	₱7,896,771	₱276,012,435

24. **Earnings Per Share**

Basic and diluted earnings per share were computed as follows:

	2017	2016	2015
Net income for the year	**₱122,354,168**	₱17,508,928	₱7,175,811
Divided by the weighted average number of outstanding shares	**2,793,835,877**	2,786,497,901	2,786,497,901
Earnings per share - basic and diluted	**₱0.04**	₱0.006	₱0.003

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

25. Significant Agreements

Operating Lease Agreement - Company as Lessor

The Company is a party under cancellable leases covering certain hatcheries and plants (i.e., dressing and rendering), which have remaining lease terms of between three to ten years. All leases include a clause to enable upward revision of rental charges on an annual basis based on prevailing market conditions.

Total rent income from these operating leases amounted to ₱29.3 million, ₱27.6 million and ₱26.5 million in 2017, 2016 and 2015, respectively, and are shown as part of "Other operating income" account in the consolidated statements of comprehensive income (see Note 17).

In 2017, the Company paid liquidating damages to its lessee amounting to ₱22.0 million in relation to breach of certain provisions in the lease agreement (see Note 18).

Operating Lease Agreement - Company as Lessee

The Company leases its warehouses under operating lease agreements. The terms of the lease is one to two years and renewable upon mutual agreement by the parties. Security deposits amounted to ₱12.0 million and ₱13.5 million in 2017 and 2016, respectively. Rent expense amounted to ₱3.5 million, ₱12.0 million and ₱9.4 million in 2017, 2016 and 2015, respectively (see Note 16).

Future minimum lease payments under the lease agreements follow:

	2017	2016
Within one year	**₱10,593,965**	₱10,285,403
More than one year but not more than five years	**21,187,929**	20,570,805
	₱31,781,894	₱30,856,208

Finance Lease Agreement - Company as Lessee

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

As at December 31, 2017, details of the account follow:

	2017	2016
Current portion	**₱20,666,402**	₱2,814,057
Noncurrent portion	**25,032,960**	13,828,652
	₱45,699,362	16,642,709

Interest expense charged to operations follows:

	Note	2017	2016
Loans payable	13	**₱22,622,104**	₱12,356,276
Finance lease liabilities		**1,218,786**	285,883
	18	**₱23,840,890**	₱12,642,159

The carrying value of the transportation equipment as at December 31, 2017 and 2016 acquired through finance lease agreements amounted to ₱19.8 million and ₱39.6 million, respectively (see Note 10).

Future minimum lease payments under the lease agreements follow:

	2017	2016
Within one year	**₱20,666,402**	₱2,814,057
More than one year but not more than five years	**25,032,960**	13,828,651
	₱45,699,362	₱16,642,708

26. Contingencies

There are outstanding warranty and legal claims against the Company. The Company has accrued liability on those items where the Court has definitely ruled against the Company and where the amount can be reliably estimated. The Company and its legal counsel believe that the other pending claims will be settled favorably and will not result to a material loss or impairment, if any. None of these contingencies are discussed in the consolidated financial statements in detail so as not to seriously prejudice the Company's position in the related disputes.

27. Fair Value Information

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

	2017		2016	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash in banks	**₱321,490,948**	**₱321,490,948**	₱116,259,597	₱116,259,597
Trade and other receivables*	**1,000,824,749**	**1,000,824,749**	1,060,883,344	1,060,883,344
Security deposits	**12,036,892**	**12,036,892**	13,536,894	13,536,894
	₱1,334,352,589	**₱1,334,352,589**	₱1,190,679,835	₱1,190,679,835
Financial Liabilities				
Trade and other payables**	**₱1,367,607,646**	**₱1,367,607,646**	₱1,458,854,294	₱1,458,854,294
Loans payable	**170,369,800**	**170,369,800**	–	–
Finance lease liabilities	**45,699,362**	**42,244,407**	16,642,709	14,898,993
Cash bond deposits	**31,502,568**	**31,502,568**	23,360,528	23,360,528
Payable to a stockholder	**–**	**–**	407,110,891	407,110,891
	₱1,615,179,376	**₱1,611,724,421**	₱1,905,968,422	₱1,904,224,706

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱107.9 million, ₱18.2 million and ₱9.5 million, respectively, in 2017 and ₱102.4 million, ₱15.2 million and ₱6.0 million, respectively, in 2016.*
***Excluding statutory liabilities amounting to ₱20. million and ₱5.2 million in 2017 and 2016, respectively.*

Loans and Receivables and Financial Liabilities. Due to the short-term nature of the transactions, the fair value of loans and receivables and financial liabilities at amortized cost approximate the carrying values as at the reporting date.

Finance Lease Liabilities. Finance lease liabilities are valued at amortized cost using the effective interest method which approximates their fair value as at the reporting date.

Cash Bond Deposits. Cash Bond Deposits are presented at nominal values because the timing of the refund or settlement of the deposits could not be reasonably estimated.

28. Financial Risk Management Objectives and Policies

The Company is exposed to a variety of financial risks which result from its operating, financing and investing activities. The Company's overall risk management program focuses on the unpredictability of the markets and seeks to minimize potential adverse effects on the Company's performance.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks, which the Company is exposed to, are described below and in the succeeding pages.

Foreign Currency Risk

To a certain extent, the Company has an exposure to foreign currency risks as some of its raw materials purchases are sourced outside the Philippines and are therefore denominated in foreign currencies. However, the Company has not yet experienced significant losses due to the effect of foreign currency fluctuations because purchases denominated in foreign currency are kept at a minimum.

Interest Rate Risk

As at December 31, 2017 and 2016, the Company has no significant floating rate financial assets or liabilities. The Company's operating cash flows are substantially independent of changes in market interest rates.

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

Credit Risk

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

	2017	2016
Cash in banks	**₱321,490,948**	₱116,259,597
Trade and other receivables*	**1,000,824,749**	1,060,883,344
Security deposits	**12,036,892**	13,536,894
	₱1,334,352,589	₱1,190,679,835

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱107.9 million, ₱18.2 million and 9.5 million, respectively, in 2017 and ₱102.4 million, ₱15.2 million and ₱6.0 million, respectively, in 2016.*

The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. When available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's trade and other receivables are not exposed to a concentration of credit risk as the Company deals with a number of customers. The trade and other receivables are actively monitored and assessed, and when necessary an adequate level of provision is maintained. In addition, to minimize credit risk, the Company requires collateral, generally land and real estate, from its customers.

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

The tables below show the credit quality of the Company's financial assets:

	2017					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Total**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash in banks	**₱321,490,948**	**₱–**	**₱321,490,948**	**₱–**	**₱–**	**₱321,490,948**
Trade and other receivables*	**883,005,227**	**–**	**883,005,227**	**117,819,522**	**263,722,639**	**1,264,547,388**
Security deposits	**12,036,892**	**–**	**12,036,892**	**–**	**–**	**12,036,892**
	₱1,216,533,067	**₱–**	**₱1,216,533,067**	**₱117,819,522**	**₱263,722,639**	**₱1,598,075,228**

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱107.9 million, ₱18.2 million and ₱9.5 million, respectively, in 2017.*

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

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

The Company's basis in grading its neither past due nor impaired financial assets is as follows:

High grade:	ratings given to counterparties with strong to very strong capacity to meet its obligations.
Standard grade:	ratings given to counterparties with average capacity to meet its obligations

Liquidity Risk

The Company manages its liquidity profile to be able to service debt as these fall due by maintaining sufficient cash from operations. The Company maintains cash to meet its liquidity requirements for up to 30–day periods.

As at December 31, 2017 the Company's financial liabilities have contractual maturities which are presented below:

	Current		**Noncurrent**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later than 5 Years**
Trade and other payables*	**₱719,003,609**	**₱648,604,037**	**₱–**	**₱–**
Loans payable	**170,369,800**	**–**	**–**	**–**
Finance lease liability	**–**	**20,666,402**	**25,032,960**	**–**
Cash bond deposits	**–**	**–**	**–**	**31,502,568**
Future interest on long term debt	**2,162,312**	**1,891,952**	**5,218,825**	**–**
	₱891,535,721	**₱671,162,391**	**₱30,251,785**	**₱31,502,568**

**Excluding statutory liabilities amounting to ₱20 million in 2017.*

As at December 31, 2016 the Company's financial liabilities have contractual maturities which are presented below:

	Current		Noncurrent	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Payable to stockholder	₱407,110,891	₱–	₱–	₱–
Trade and other payables*	727,919,211	730,935,083	–	–
Finance lease liability	2,814,057	–	13,828,652	–
Cash bond deposits	–	–	–	23,360,528
Future interest on long term debt	846,039	764,881	2,759,081	–
	₱1,138,690,198	₱731,699,964	₱16,587,733	₱23,360,528

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

Price Risk

The Company is exposed to commodity price risk as the raw materials of its main products are subject to price swings. The Company's management actively seeks means to minimize exposure to such risk.

29. Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and significantly improve its operations.

On December 22, 2017, the SEC approved the Company's debt to equity conversion improving debt to equity ratio from 2.29 in 2016 to 1.26 in 2017. Moreover, the Company's stockholders approved a Quasi-reorganization plan to eliminate Company deficit and generate retained earnings to provide returns to its stockholders and maximize shareholder value.

Company liabilities and equity are shown below.

	2017	2016
Total liabilities	**₱1,756,914,692**	₱1,990,012,303
Total equity	**1,399,476,811**	870,011,752

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

FINANCIAL RATIOS
DECEMBER 31, 2017

Below is a schedule showing financial soundness indicators in the years 2017, 2016 and 2015.

	2017	2016
Current/Liquidity Ratio	**1.28**	0.98
Current assets	**2,022,599,022**	1,827,029,086
Current liabilities	**1,578,642,151**	1,862,527,008
Solvency Ratio	**0.09**	0.03
Net income before depreciation and amortization	**165,943,345**	51,089,298
Total liabilities	**1,756,914,692**	1,990,012,303
Debt–to–equity Ratio	**1.26**	2.29
Total liabilities	**1,756,914,692**	1,990,012,303
Total equity	**1,399,476,811**	870,011,752
Asset–to–equity Ratio	**2.26**	3.29
Total assets	**3,156,391,503**	2,860,024,055
Total equity	**1,399,476,811**	870,011,752
Interest rate coverage Ratio	**7.35**	3.06
Pretax income before interest	**175,259,176**	38,623,086
Interest expense	**23,840,890**	12,642,159
Profitability Ratio	**0.09**	0.02
Net income	**122,354,168**	17,508,928
Total equity	**1,399,476,811**	870,011,752

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

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2017

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members’ Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - **SIC**

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

VITARICH CORPORATION
(A Subsidiary of Kormasinc, Inc.)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2017

		Amount
Deficit as shown in the financial statements at beginning of year		(₱2,355,928,436)
Balaxnce at beginning of year of:		
Cumulative gain on fair value changes of investment properties	(128,678,935)	
Net deferred tax assets that flow through profit or loss	(101,969,747)	
Cumulative revaluation reserve transferred to deficit, net of tax	14,947,929	(215,700,753)
Deficit as adjusted to available for dividend declaration at beginning of year		(2,571,629,189)
Net income actually incurred during the year:		
Net income closed to deficit	94,582,815	
Movement of deferred tax assets recognized in profit or loss	29,064,118	
Depreciation of revaluation reserve, net of tax	5,308,104	128,955,037
Total deficit available for dividend declaration at end of year		(₱2,442,674,152)

Reconciliation:

		Amount
Deficit as shown in the financial statements at end of year		(₱2,256,037,517)
Balance at end of year of:		
Cumulative gain on fair value changes of investment properties	(128,678,935)	
Net deferred tax assets that flow through profit or loss	(70,630,727)	
Cumulative revaluation reserve transferred to deficit, net of tax	20,256,033	
Depreciation of revaluation reserve recognized in profit or loss	(7,583,006)	(186,636,635)
Total deficit available for dividend declaration at end of year		(₱2,442,674,152)

VITARICH CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF SRC RULE 68 AS AMENDED
DECEMBER 31, 2017

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VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES and PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2017
(In Thousands)

			Deductions		Ending Balance		
Name and Designation of Debtor	Balance at beginning of Year	Additions	Collected	Written Off	Current	Noncurrent	Balance at end of year
Advances to Officers and Employees:							
Mailyn Acero, Sales Manager	₱590	₱572	₱432	₱–	₱730	₱–	₱730
Roel Galang, Sales Manager	495	463	466	–	492	–	492
Guillermo B. Miralles, Vice President and General Manager	476	–	476	–	–	–	–
Rey D. Ortega, Vice President and General Manager	468	422	492	–	398	–	398
Jonemar Espiritu, Sales Manager	175	24	112	–	87	–	87
Aaron Cruz, Supervisor	117	–	117	–	–	–	0
Alfredo Espiritu Jr., District Sales Manager	111	16	45	–	82	–	82
Teddy Mendoza, Credit and Collection Officer	110	–	23	–	87	–	87
Brina Bandoja, Manager	–	152	11		141		141
Willard Endaya, Manager	–	420	185		235		235
Others*	3,492	5,613	1,851	–	7,254	–	7,254
	₱6,034	**₱7,682**	**₱4,210**	**₱–**	**₱9,506**	**₱–**	**₱9,506**

*Represent advances to officers and employees with balances less than ₱100,000.

Note: All of the above receivables are current.

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2017
(In Thousands)

			Deductions			Ending Balance		
Related Party	Balance at beginning of year	Additions	Collections	Write Off	Amounts written off	Current	Noncurrent	Balance at end of year
Amounts Due from Related Parties								
Gromax, Inc.	₱122,722	₱35,173	₱101,987	₱–	₱–	₱55,908	₱–	₱55,908

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS – OTHER ASSETS
DECEMBER 31, 2017
(In Thousands)

Description	Begining balance	Additions	Charged to cost and expense	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Computer software	₱7,616	₱4,508	₱3,807	₱–	₱–	₱8,317

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
DECEMBER 31, 2017
(In Thousands)

			Deductions			Ending Balance		
Related Party	Balance at beginning of year	Additions	Collections (Payments)	Discounting	Write Off	Current	Noncurrent	Balance at end of year
Entity under common control	₱146,174	₱–	₱146,174	₱–	₱–	₱–	₱–	₱–

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER
DECEMBER 31, 2017
(In Thousands)

				Number of shares held by		
Title of Issue	**Number of shares authorized**	**Number of shares issued and outstanding as shown under the statement of financial position caption**	**Number of shares reserved for options, warrants, conversion & other rights**	**Related parties**	**Directors, officers and employees**	**Public**
Common stock - 1 par value per share						
Authorized - 3,500,000,000 shares	3,500,000	3,054,334	–	2,196,176	69,218	788,940

VITARICH CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP

DECEMBER 31, 2017