COVER SHEET

2 1 1 3 4

S.E.C. Registration Number

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

(Company's Full Name)

M A R I L A O - S A N   J O S E   R O A D ,   S T A .
R O S A   I ,   M A R I L A O ,   B U L A C A N

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

Atty. Mary Christine Dabu-Pepito

Contact Person

843-30-33 connecting all dept.

Company Telephone Number

1 2 - 3 1

Month *Day*

Fiscal Year

1 7 - A

Form Type

Last Friday of June

0 6

Month Day

Secondary License Type. If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

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, 2018**

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	**3,054,334,014**

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 1,356,955,848.04 as of February 28, 2019.

VITARICH CORPORATION

TABLE OF CONTENTS

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. The new acquisition of the ICP (Inductively Coupled Plasma) which can analyse complex minerals and heavy metals simultaneously. The Gas Chromatograph capable of accurately determining fatty acid as well as Volatile Fatty Acids and Hormones. The NIR (Near InfraRed System) capable of determining proximate analysis including amino acids in a very short amount of time. Upgrading of the Fat Extractor, Kjel Dahl Protein Analyzer and the Ankom Fiber Analyzer Unit. Active Water and Moisture Analyzer units for the stability testing of the finished product as well as maintenance of quality for raw materials. UV Vis Equipment for Mineral and Enyme analysis. Additional Serological tests including Avian Influenza virus as well as Eliza based Swine serological was instituted to serve the growing demand of the consumers.

For research and development activities, the Corporation spent P10.57M in 2018, 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. For Davao plant, a 3rd party tester has been tapped for ambient air testing and emission testing for Plant 1 boiler and Plant 2 boiler and power generator. Total cost is estimated at PhP 145,600.

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. Iloilo Plant has received its waste water discharge permit from DENR last January 2019 with August 2019 expiration. We also sent water samples for analysis at the cost of PhP 4,800.00 and awaiting results.

4. In view of the warehouse expansion projects, Iloilo warehouse has been issued with the Environmental Compliance Certificate (ECC -EPRMP) by the Environmental Management Bureau of the Department of Environment and Natural Resources Region 6 last August 15, 2018. Processing cost is PHP10,000.

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, 2018, the Corporation and its subsidiaries have a total number of 1,040 employees composed of supervisors, managers, executives and rank and file, with 563 regulars and 477 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, 2018.

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 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 since purchases denominated in foreign currency are kept at a minimum.

Interest Rate Risk
As at December 31, 2018 and 2017, 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, 2018, 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-Atty. Pepito
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. Charter Ping An Insurance Corporation subsequently elevated the case by way of Petition for Review on Certiorari under Rule 45 to the Supreme Court, which denied the same outright. Charter Ping An filed a Motion for Reconsideration which is currently pending.

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:

	2017		2018	
	High	Low	High	Low
1st Quarter	0.70	0.71	2.02	1.91
2nd Quarter	0.79	0.75	2.64	2.55
3rd Quarter	0.68	0.65	2.08	2.04
4th Quarter	1.99	1.87	1.99	1.90

The closing price of the Corporation's common shares as of the last trading date – December 28, 2018 was P 1.99 per share.

As of March 31, 2019, the latest trading date prior to the completion of this annual report, sales price of the common stock was at P1.70/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, 2018 is 4,155 and the total number of shares outstanding on that date was 3,054,334,014.

	Dec 2018	Dec 2017
Number of Issued & Outstanding Shares	3,054,334,014	2,786,497,901
Number of Stockholders	4,155	4,186
Number of Shares owning at least one board lot each	3,149	3,180

The Company's foreign equity ownership as of December 31, 2018 is as follows:

	No. of Shares	% Ownership
Shares owned by Filipino	2,824,278,572	92%
Shares owned by Foreigners	230,055,442	8%
Total	**3,054,334,014**	**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, 2018:

	Name of Stockholders	Number of Shares	Percent to Total Outanding Shares
1	PCD NOMINEE CORPORATION (FILIPINO)	2,804,651,574	91.83%
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	229,218,942	7.50%
3	YAZAR CORPORATION	1,402,520	0.05%
4	JOSE M. SARMIENTO	1,305,320	0.04%
5	MA. LUZ S. ROXAS	1,305,320	0.04%
6	MA. VICTORIA M. SARMIENTO	1,305,320	0.04%
7	GLICERIA M. SARMIENTO	690,000	0.02%
8	NELIA CRUZ	527,850	0.02%
9	ROGELIO M. SARMIENTO	290,000	0.01%
10	ANTONIO S. RAAGAS	270,000	0.01%
11	BETINA ANGELINA I. SARMIENTO	228,510	0.01%
12	NORBERTO T. HOFELENA	220,778	0.01%
13	GLADY Y. LAO	215,000	0.01%
14	BERNAD SECURITIES, INC.	203,000	0.01%
15	DANIEL J. ADVINCULA	200,000	0.01%
16	ORLANDO P. CARVAJAL	185,000	0.01%
17	TERESITA Y. SARMIENTO	164,000	0.01%
18	LORENZO S. SARMIENTO	141,134	0.00%
19	BIENVENIDO LIM	140,000	0.00%
20	SOPHIA DY	121,000	0.00%
	Others	11,548,746	0.38%
Total Shares Issued and Outstanding		**3,054,334,014**	**100.00%**

Description of Vitarich Shares
Securities of the Corporation consist entirely of common stock with par value of P0.38 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 2018 compared to Fiscal Year 2017

Consolidated sale of goods increased by 27%, from 6.5 billion registered in 2017 to 8.3 billion registered in 2018, 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 39%, from P2.8 billion registered in 2017 to P3.8 billion in 2018 due to higher sales volume and better selling prices of chicken, except in the last quarter of the year.

- Feeds Segment:
  Sale of goods of feeds segment increased by 16%, from P3.3 billion registered in 2017 to P3.9 billion in 2018 due to expansion of several farm customers.

- Farms Segment:
  Sale of goods of farms segment increased by 38%, from P412 million registered in 2017 to P570 million in 2018 due to successful recruitment of additional farm breeding and broiler partners.

Cost of goods sold increased by 32%, from P5.8 billion in 2017 to P7.6 billion in 2018 due to higher cost raw materials and high DOC cost. Better efficiency versus last year, however, during the last quarter of the year, the industry experience oversupply of chicken, resulting to gross profit of P612 million, lower by 15% or P110 million.

Operating expenses increased by 6% from P551 million in 2017 to P585 million in 2018 due to higher administrative, selling and distribution expenses. Other operating income of P35 million in 2018 was decreased by 3% as compared to 2017 primarily due to lower rental income.

Other charges decreased by 84%, from P55million in 2017 to P9.1 million in 2018 because no tax compromise settlement and liquidated damages were recognized this year and due to gain on fair value changes of investment properties.

Tax expense decreased by 82% from P29.1 million in 2017 to P5.4 million in 2018.

With the above, the Company posted a Net Income of P65.2 million in 2018, P122.4 million in 2017 which is lower by 47% or P57.2 million.

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.

<u>Financial Condition</u>

Total current assets as of December 31, 2018 of P2.7 billion was 35% higher than 2017 of P2.0 billion. Increase in current assets were due to higher receivables, inventories and other current assets.

Noncurrent assets increased from P1.1 billion as of December 31, 2017 to P1.6 billion as of December 31, 2018, which are mainly due to gain on fair value changes and net additions to property, plant and equipment and investment properties.

Current liabilities increased by 52% from P1.6 billion as of December 31, 2017 to P2.4 billion as of December 31, 2018 mainly due to increase in trade and other payables, and short-term loans payable.

Noncurrent liabilities increased by 141% from P178 million as of December 31, 2017 to P429 million as of December 31, 2018 due to higher loans payable, 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:

	2018	2017
Revenue (Php billion)	8.26	6.50
Cost Contribution (Php billion)	7.64	5.77
Gross Profit Rate (%)	7%	11%
Operating Margin (Php billion)	61	207

1) Sales Volume, Price, and Revenue Growth
Consolidated revenue, composed of food, feed, and farm sales, amounted to P8.3 billion, 27% higher than the same period last year of P6.5 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, 2018 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 2018, the Company's independent public accountant is the accounting firm of SyCip Gorres Velayo & Co. The audit of the financial statements of the Company was handled and certified by the engagement partner, Mr. Roel E. Lucas. 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 SyCip Gorres Velayo & Co. for the examination of the Company's financial statements effective calendar year 2018. The engagement of SyCip Gorres Velayo & 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 SyCip Gorres Velayo & 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, SyCip Gorres Velayo & 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 year 2018, audit and audit-related fees amounted to 3.5 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, 61 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, 42 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, 39 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, 70 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, 50 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, 44 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, 68 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, 61 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, 38 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, 66 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.

Jose M. Sarmiento, Filipino, 63 years old
Director
Mr. Jose Sarmiento is a graduate of Araneta University with a degree of Bachelor of Science in Agriculture. He served as a Board of Director of the Sarmiento Management Corporation, Luz Farms, Inc., Metro Manila Retreaders Inc. and Vitarich Corporation. He was re-elected as director of the Corporation in November 2016 until present.

Other Executive Officers

Reynaldo D. Ortega, Filipino, 49 years old
Senior 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 Senior Vice President and General Manager-Poultry and Foods Division in March 2018. 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.

Rufino S. Fermin II, Filipino, 42 years old
Vice President and Chief Strategy Officer
Mr. Fermin was appointed as Vice President and Chief Strategy Officer of the Corporation on February 01, 2018. He worked as Vice-President for Marketing of Personal Collection (Jul 2015 to Jul 2016), Marketing Director, Consumer Solutions of Concepcion-Carrier Air Conditioning Company (Jul 2014 to Dec 2014), Vice-President, Head of Marketing of Philippine Airlines - SMC (Jul 2013 to Jun 2014), and Marketing Manager of Air Asia, Inc. - Philippines (Jul 2011 to Jun 2012). He also worked at SMART Communications, Inc., United Laboratories, Inc. and Bidshot Wireless Services / Chikka Asia, Inc. He is a graduate of Ateneo de Manila University with a degree on Bachelor of Science in Management Information System in 1999.

Josefino A. Tapia Jr., Filipino, 50 years old
Vice President, Supply Chain Director
Mr. Tapia is the Vice President for Supply Chain of the Company. He graduated from the University of San Carlos with a degree in BS Chemical Engineering (Magna cum laude). He joined the company on 2017 bringing with him 22 years of end to end supply chain management experience working both country and regional operations. Prior to joining Vitarich, he worked with Procter & Gamble Phils. Holding various leadership positions in Manufacturing, Engineering and Customer Logistics Operations. He was also based in Singapore and worked in Procter & Gamble's International Operations as the Category Supply and Initiatives Planning Leader for its Fabric & Home Care business in the ASEAN, Australia/ New Zealand and India region. After P&G, he became Vice President for Supply Chain of Personal Collection Direct Selling Co, overseeing Purchasing, Planning, Manufacturing, Warehousing & Logistics Operations.

Atty. Tadeo F. Hilado, Filipino, 65 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, 33 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 brother 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-RPM

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:

	2018	2017	2016
Short-term employee benefits	**30,615,276**	21,436,701	17,596,944
Retirement benefits	**1,736,520**	1,196,965	1,047,455
Compensation paid in share of stock/equivalent value in cash	**0**	–	-
Others	**12,759,026**	5,952,556	4,777,000
	45,110,822	28,586,222	23,421,399

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**
1. RICARDO MANUEL M. SARMIENTO – CEO/President	2018		
2. STEPHANIE NICOLE S. GARCIA- EVP, Corporate Management Services Director/Treasurer	2018		
3. REYNALDO D. ORTEGA – SVP, Poultry and Livestock	2018		
4. RUFINO S. FERMIN II – VP, Chief Strategy Officer	2018		
5. RAUL N. RIVERA – AVP & FINANCE HEAD	2018		
TO T A L (Estimated)	2019	12.25	-
	2018	10.62	-
	2017	10.97	-
ALL OTHER OFFICERS & DIRECTORS AS A COMPANY UNNAMED (Estimated)	2019	2.31	-
	2018	2.23	-
	2017	1.33	-

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. **Reynaldo D. Ortega** – SVP, Poultry and Livestock
4. **Rufino S. Fermin II** – VP, Chief Strategy Officer
5. **Raul N. Rivera** – AVP & Finance Head

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 2018 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	2,804,651,574	91.83%
	KORMASINC, INC. 7th Floor, LTA Bldg., 118 Perea St. Legazpi Village, Makati City	Various Beneficial Owners	Filipino	2,174,560,604	71.20%
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	229,218,942	7.50%

<u>Security of Ownership of Management</u>
The number of common shares beneficially owned by directors and executive officers as of 31 December 2018 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	6,386,320	Filipino	0.21%
Common	Benjamin I. Sarmiento Jr.	199	Filipino	0.00%
Common	Ricardo Manuel M. Sarmiento	56,784,990	Filipino	1.86%
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	0.04%
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	4,108,034	Filipino	0.13%
Common	Josefino A. Tapia Jr.	0	Filipino	0.00%
Common	Rufino S. Fermin II	0	Filipino	0.00%
Common	Reynaldo D. Ortega	275,974	Filipino	0.00%
Common	Mary Christine Dabu-Pepito	0	Filipino	0.00%
Common	Alicia G. Danque	0	Filipino	0.00%

* Mr. Josefino A. Tapia Jr. resigned as Vice President, Supply Chain Director on February 25, 2019
* Mr. Rufino S. Fermin II resigned as Vice President, Chief Strategy Officer on March 11, 2019

Item 12. 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 P407.1 million to Kormasinc at P1.52 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:

			2018		2017	
	Relationship	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Kormasinc	Parent Company	Restructured debt acquired	**₱–**	**₱–**	₱–	₱175,027,457
		Trade payables acquired	–	–	–	32,097,944
		Interest on restructured debt	–	–	–	199,985,490
						407,110,891
		Debt to equity conversion	–	–	(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).

		2018		2017	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Due from related parties					
Entities under common control	Working capital advances	**₱22,435,412**	**₱21,893,094**	(₱146,173,847)	₱–

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. (see Note 12).

		2018		2017	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Stockholder	Purchases (settlement)	**₱–**	**₱85,726,435**	₱59,256,155	₱96,327,925

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.

	Amount of Transactions		Outstanding Balances	
	2018	2017	**2018**	2017
Advances to officers and employees (see Note 7)	**₱12,149,797**	₱3,471,841		₱9,505,515

Compensation of Key Management Personnel

The compensation includes the following:

	2018	2017	2016
Short-term employee benefits	**₱30,615,276**	₱21,436,701	₱17,596,944
Retirement benefits	**1,736,520**	1,196,965	1,047,455
Others	**12,759,027**	5,952,556	4,777,000
	₱32,351,796	₱28,586,222	₱23,421,399

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. On May 28, 2018, the Corporation filed its Integrated Annual Corporate Governance Report in compliance with SEC Memorandum No. 15, Series of 2017.

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 22, 2018	Certificate of Approval of Valuation
January 31, 2018	Resignation and Appointment of Officers (JPD, GBM, RSF and MGGR)
March 6, 2018	Appointment of Reynaldo D. Ortega as SVP & GM and Poultry and Foods Division
March 16, 2018	Appointment of Mr. Josefino A. Tapia Jr. as VP & Supply Chain Director
April 6, 2018	Approval of 2017 Audited Financial Statement
May 21, 2018	Advisement Letter to send Definitive Information Statement thru CD
May 23, 2018	Resignation of Mary Geraldine G. Relativo
May 31, 2018	List of Stockholders entitled to vote 2018
June 29, 2018	Results of Annual General Meeting and Organizational Meeting 2018
July 17, 2018	PSE Notice of Approval Debt-to-Equity Conversion Transaction

SIGNATURES

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 APR 0 8 2019.

By:

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

Raul N. Rivera Jr.
AVP & Finance Head
(Principal Financial Officer)

Stephanie Nicole S. Garcia
Treasurer
(Principal Operating Officer)

Marian A. Dionisio
Accounting Manager
(Principal Accounting Officer)

Atty. Tadeo F. Hilado
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of APR 0 8 2019 20__ affiant(s) exhibiting to me his/their Valid Identification numbers, as follows:

NAMES	VALID ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Ricardo Manuel M. Sarmiento	Philippine Passport No. P5222213A	December 2, 2017	DFA NCR North East
Stephanie Nicole S. Garcia	Philippine Passport No. P3674375A	July 13, 2017	DFA NCR East
Raul N. Rivera Jr.	Philippine Passport No. P5697261A	January 20, 2018	DFA NCR South
Marian A. Dionisio	SSS No. 33-7232268-8		
Atty. Tadeo F. Hilado	SSS No. 03-4842643-0		

NENITA DELACRUZ TUAZON
Notary Public
PNC-58-MB-2018 UNTIL DEC. 31, 2020
SANDICO ST. POBLACION 1, MARILAO, BULACAN
IBP LIFE NO. 591042/ BULACAN/5/19/2003
PTR NO. 0304589/MARILAO, BULACAN/1/4/19
TIN NO. 170-907-664-000
ATTORNEYS ROLL NO. 47194
MCLE COMPLIANCE NO. V-001622 UNTIL APRIL 14, 2019

DOC. NO. 51
PAGE NO. 12
BOOK NO. 6
SERIES OF 2019

REPUBLIC OF THE PHILIPPINES
NENITA DC TUAZON
ROLL NO. 47194
NOTARY PUBLIC
NOTARY PUBLIC

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, 2018 and 2017** 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.

Sycip Gorres Velayo and 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 _____ 2019

Main Office: Marilao- San Jose Road, Sta. Rosa I, Marilao, Bulacan 3019 Philippines
Tel. Nos.: (632) 843-3033 / (6344) 711-2829

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY APR 0 8 2019
OF ________ BULACAN AFFIANTS
EXHIBITED HIS ________
ISSUED ON ________ AT ________

DOC. NO. 32
PAGE NO. 12
BOOK NO. 6
SERIES OF 2019

REPUBLIC OF THE PHILIPPINES
NENITA DC TUAZON
ROLL NO. 47194
NOTARY PUBLIC

NENITA DELA CRUZ TUAZON
NOTARY PUBLIC
NC-58-M9-2019 UNTIL DEC. 31, 2020
SINDICO ST. POBLACION 1, MARILAO, BULACAN
IBP LIFE NO. 591042/ BULACAN/5/19/2003
PTR NO. 8806589/ MARILAO, BULACAN/1/4/19
TIN NO. 170-107-654-000
ATTORNEYS ROLL NO. 47194
MCLE COMPLIANCE NO. V-001622 UNTIL APRIL 14, 2019

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 2 1 1 3 4

C O M P A N Y   N A M E

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

C O M P A N Y   I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,155	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	nsg@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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S 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 statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2018, 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, 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Realizability of Insurance Claims Receivable

The Company is involved in legal proceedings to pursue the collection of the remaining balance of insurance claims receivable. This matter is significant to our audit because the determination of whether the insurance claims receivable is realizable requires significant judgment by management.

The disclosures on the insurance claims receivable are included in Note 7 to the consolidated financial statements.

Audit Response

We involved our internal specialist in the evaluation of management's assessment on the realizability of the insurance claims receivable, and the estimation of such amount. We discussed with management the status of the legal proceedings and obtained correspondences and opinions of the external legal counsel. We have reviewed management's legal bases in pursuing the insurance claim and management's assessment. We have also reviewed management's estimate of the amount and timing of the future cash inflows from this receivable and the related effective interest rate used to discount the cashflows.

Fair Value of Biological Assets

The valuation of biological assets is significant to our audit because the estimation process involves significant management estimate and is based on assumptions that can be affected by natural phenomena. The key assumptions for the fair value of the biological assets include future selling prices of the livestock, gross margin, estimated volume of production and future growing costs.

The disclosures on the fair value of biological assets are included in Notes 3 and 8 to the consolidated financial statements.

Audit Response

We obtained an understanding of management's fair value measurement methodology and their process in valuing the biological assets. We assessed the methodology used in estimating the fair value. We tested the key assumptions used in the valuation, which include future selling prices of the livestock, gross margin, estimated volume of production and future growing costs, by comparing them to external data such as selling prices in the principal market and historical information.

We also assessed the adequacy of the related disclosures on the assumptions underlying the measurement of these biological assets.

Valuation of Investment Properties at Fair Value and Property, Plant and Equipment at Revalued Amount

The Company accounts for its investment properties using the fair value model and property, plant and equipment (except transportation equipment) at revalued amount. These properties represent 37% of the consolidated assets as at December 31, 2018. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Other assumptions used in the valuation include the current replacement cost of an asset and the related deductions for physical deterioration and other relevant forms of obsolescence. Thus, we considered the valuation of investment properties and property, plant and equipment (except transportation equipment) as a key audit matter.

The disclosures relating to property, plant and equipment and investment properties are included in Notes 10 and 11 of the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the properties. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties by checking the market prices of properties within the vicinity and the reproduction cost against current market prices on a sample basis. We also inquired from the external appraiser the basis of adjustments made to the sales price.

Other Matter

The consolidated financial statements of Vitarich Corporation and subsidiaries as at and for the years ended December 31, 2017 and 2016 were audited by other auditors whose report dated April 6, 2018 expressed an unqualified opinion on those consolidated statements.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2018 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018, which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 auditor's 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 auditor's report is Roel E. Lucas.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-2 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2016,
January 3, 2017, valid until January 2, 2020
PTR No. 7332567, January 3, 2019, Makati City

April 8, 2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Note 6)	**₱217,712,840**	₱323,006,118
Trade and other receivables (Note 7)	**1,467,699,472**	1,136,432,957
Inventories and livestock (Note 8)	**936,527,822**	507,674,127
Other current assets (Note 9)	**111,048,088**	55,485,820
Total Current Assets	**2,732,988,222**	2,022,599,022
Noncurrent Assets		
Property, plant and equipment (Note 10)	**966,942,452**	573,262,979
Investment properties (Note 11)	**629,884,644**	540,175,409
Other noncurrent assets (Note 9)	**13,266,414**	20,354,093
Total Noncurrent Assets	**1,610,093,510**	1,133,792,481
	₱4,343,081,732	₱3,156,391,503
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱1,735,186,367**	₱1,387,605,949
Loans payable (Note 13)	**649,999,929**	170,369,800
Current portion of finance lease liabilities (Note 24)	**13,920,213**	20,666,402
Total Current Liabilities	**2,399,106,509**	1,578,642,151
Noncurrent Liabilities		
Cash bond deposits (Note 14)	**40,343,557**	31,502,568
Net retirement liability (Note 19)	**101,580,458**	84,531,536
Loans payable - net of current portion (Note 13)	**172,480,055**	–
Finance lease liabilities - net of current portion (Note 24)	**42,813,390**	25,032,960
Net deferred tax liabilities (Note 20)	**72,329,574**	37,205,477
Total Noncurrent Liabilities	**429,547,034**	178,272,541
Total Liabilities	**2,828,653,543**	1,756,914,692
Equity		
Capital stock (Note 22)	**1,160,646,925**	3,054,334,014
Additional paid-in capital (Note 1)	**1,470,859**	363,821,288
Retained earnings (deficit)	**39,162,470**	(2,289,382,822)
Other comprehensive income (Note 22)	**313,147,935**	270,704,331
Total Equity	**1,514,428,189**	1,399,476,811
	₱4,343,081,732	₱3,156,391,503

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		
	2018	2017	2016
SALE OF GOODS (Note 5)	**₱8,256,341,639**	₱6,493,532,984	₱5,100,905,369
COST OF GOODS SOLD (Note 15)	**(7,644,570,074)**	(5,772,014,096)	(4,468,110,351)
GROSS PROFIT	**611,771,565**	721,518,888	632,795,018
Operating expenses (Note 16)	**(584,950,961)**	(550,684,190)	(473,510,631)
Other operating income (Note 17)	**34,620,653**	35,757,918	45,548,884
	(550,330,308)	(514,926,272)	(427,961,747)
OPERATING PROFIT	**61,441,257**	206,592,616	204,833,271
OTHER INCOME (CHARGES) – Net (Note 18)	**9,083,884**	(55,174,330)	(178,852,344)
INCOME BEFORE INCOME TAX	**70,525,141**	151,418,286	25,980,927
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)			
Current	**12,927,844**	22,789,816	13,566,878
Deferred	**(7,557,874)**	6,274,302	(5,094,879)
	5,369,970	29,064,118	8,471,999
NET INCOME	**65,155,171**	122,354,168	17,508,928
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss:			
Revaluation increase on property, plant and equipment - net of deferred income tax (Note 10)	**63,521,507**	–	88,471,885
Actuarial loss - net of deferred income tax (Note 19)	**(12,970,939)**	–	–
	50,550,568	–	88,471,885
TOTAL COMPREHENSIVE INCOME	**₱115,705,739**	₱122,354,168	₱105,980,813
EARNINGS PER SHARE - BASIC AND DILUTED (Note 23)	**₱0.01**	₱0.04	₱0.006

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		
	2018	2017	2016
CAPITAL STOCK - ₱1 par value			
Balance at beginning of year	**₱3,054,334,014**	₱2,786,497,901	₱2,786,497,901
Quasi-reorganizations (Note 1)	**(1,893,687,089)**	–	–
Issuances	**–**	267,836,113	–
Balance at end of year (Note 22)	**1,160,646,925**	3,054,334,014	2,786,497,901
ADDITIONAL PAID –IN CAPITAL (Note 22)			
Balance at beginning of year	**363,821,288**	224,546,510	224,546,510
Reduction of par value (Note 1)	**1,893,687,089**	–	–
Quasi-reorganizations (Note 1)	**(2,256,037,518)**	–	–
Issuances	**–**	139,274,778	–
Balance at end of year (Note 22)	**1,470,859**	363,821,288	224,546,510
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year	**(2,289,382,822)**	(2,417,045,094)	(2,437,488,308)
PFRS 9 transition adjustment (Note 2)	**(754,361)**	–	–
Balance at beginning of year, restated	**(2,290,137,183)**	(2,417,045,094)	(2,437,488,308)
Net income	**65,155,171**	122,354,168	17,508,928
Quasi-reorganizations (Note 1)	**2,256,037,518**	–	–
Transfer to retained earnings (deficit) of revaluation reserve realized through depreciation, net of deferred income tax (Note 10)	**8,106,964**	5,308,104	2,934,286
Balance at end of year	**39,162,470**	(2,289,382,822)	(2,417,045,094)
OTHER COMPREHENSIVE INCOME			
Balance at beginning of year	**270,704,331**	276,012,435	190,474,836
Transfer to retained earnings (deficit) of revaluation reserve realized through depreciation, net of deferred income tax (Note 10)	**(8,106,964)**	(5,308,104)	(2,934,286)
Revaluation increase on property, plant and equipment, net of deferred income tax (Note 10)	**63,521,507**	–	88,471,885
Actuarial loss, net of deferred income tax (Note 19)	**(12,970,939)**	–	–
Balance at end of year	**313,147,935**	270,704,331	276,012,435
	₱1,514,428,189	₱1,399,476,811	₱870,011,752

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		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱70,525,141**	₱151,418,286	₱25,980,927
Adjustments for:			
Gain on fair value changes of investment properties (Note 11)	**(83,369,324)**	–	(7,048,102)
Depreciation and amortization (Note 10)	**73,355,993**	43,589,177	33,580,370
Interest expense (Note 13)	**43,038,475**	23,840,890	12,642,159
Provision for doubtful accounts (Note 7)	**22,975,638**	–	–
Retirement expense	**15,552,680**	–	–
Impairment loss (Note 1)	**7,448,386**	–	–
Loss on disposal of investment property	**4,871,427**	–	–
Provision for inventory obsolescence	**2,386,863**	–	–
Interest income (Note 6)	**(1,563,922)**	(1,754,128)	(928,803)
Amortization of debt issue cost	**33,180**	–	–
Loss in deconsolidation	**–**	(28,196,360)	–
Impairment loss on property and equipment	**–**	–	488,533
Operating income before working capital changes	**155,254,537**	188,897,865	64,715,084
Decrease (increase) in:			
Trade and other receivables	**(362,768,199)**	48,039,314	(307,523,480)
Inventories	**(431,240,558)**	(26,089,557)	(148,333,186)
Other current assets	**(34,221,527)**	(11,053,361)	30,341,525
Other noncurrent assets	**2,052,018**	(3,007,572)	1,166,940
Increase (decrease) in:			
Trade and other payables	**344,344,369**	(81,325,037)	345,572,634
Cash bond deposits	**8,840,989**	8,142,040	3,352,244
Retirement liability	**–**	2,376,780	7,064,624
Net cash generated from (used for) operations	**(317,738,371)**	125,980,472	(3,643,615)
Retirement benefits paid	**(17,033,671)**	–	–
Income tax paid	**(12,927,844)**	–	(13,566,878)
Interest received	**1,563,922**	1,754,128	928,803
Net cash provided by (used in) operating activities	**(346,135,964)**	127,734,600	(16,281,690)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 10)	**(374,946,853)**	(67,363,178)	(30,414,867)
Investment properties (Note 11)	**(11,211,338)**	(434,000)	(11,274,229)
Proceeds from sale of property, plant and equipment	**3,692,058**	–	1,701,600
Net cash used in investing activities	**(382,466,133)**	(67,797,178)	(39,987,496)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net availment of loans (Note 13)	**1,290,791,104**	170,369,800	–
Payment of loans	**(627,679,859)**	–	–
Interest paid	**(39,802,426)**	(23,840,890)	(12,642,159)
Net cash provided by financing activities	**623,308,819**	146,528,910	(12,642,159)
NET INCREASE (DECREASE) IN CASH	**(105,293,278)**	206,466,332	(68,911,345)
CASH AT BEGINNING OF YEAR	**323,006,118**	116,539,786	185,451,131
CASH AT END OF YEAR (Note 6)	**₱217,712,840**	₱323,006,118	₱116,539,786

See accompanying Notes to Consolidated Financial Statements.

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	**2018**	2017
Gromax, Inc. (Gromax)*	Manufacturing	–	100.00
Philippines Favorite Chicken, Inc. (PFCI)**	Distributor	–	–

**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 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 22).

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.

On July 11, 2018, the SEC approved the change in par value which resulted to a decrease in the capital stock of the Company from ₱3.5 billion divided into 3.5 billion shares with par value of ₱1.00 each to ₱1.33 billion divided into 3.5 billion shares with the par value of ₱0.38 each. The reduction in par value resulted to recognition of additional paid in capital amounting to ₱1.9 billion. On July 18, 2018, the Company received the Certificate of Approval of Equity Restructuring to wipe out the deficit as of December 31, 2017 in the amount of ₱2.3 billion against the additional paid in capital of ₱2.3 billion.

On July 26, 2017, the Board of Directors (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 May 31, 2018, the SEC approved the shortening of the corporate life of Gromax until November 10, 2019. Gromax Inc. has ceased operations since 2015. The Company recognized an impairment loss of ₱7.4 million which pertains to assets that are no longer recoverable.

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, 2018 and 2017 and for the years ended December 31, 2018 and 2017, were approved and authorized for issue by the BOD on April 8, 2019.

2. Summary of Significant Accounting Policies

Statement of Compliance

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 provisions.

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), investment properties and biological assets which are stated at fair value. Historical cost is generally based on fair value of the consideration given in exchange for an asset.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Parent company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent company gains control until the date it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Parent company and its subsidiaries are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Summary of Significant Accounting Policies

Business Combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Parent company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Parent company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the consolidated statements of comprehensive income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Current versus Non-Current Classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Fair Value Measurement

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.

The Company determines the policies and procedures for fair value measurements on biological assets, property, plant and equipment, investment properties and financial instruments.

External valuers are involved for valuation of significant assets, such as property, plant and equipment and investment properties. The involvement of external valuers is determined annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyzes the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company, in conjunction with the external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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 8, Inventories and Livestocks
- Note 10, Property, Plant and Equipment
- Note 11, Investment Properties
- Note 26, Fair Value Information

Changes in Accounting Policies, Disclosures and Presentation
The Company applied PFRS 15 and PFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The Company's contract with customers for the sale of animal and aqua feeds provides an option for the customers to return the product after a certain number of days from sale.

When a contract provides a customer with a right to return the goods within a specified period, the Company previously records the amount when the customer eventually returns the goods.

Under PFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Company used the expected value method to estimate the goods that will not be returned anchored mainly on past sales return experience. Based on the estimation made by the Company, the impact is not material.

PFRS 9, *Financial Instruments*
PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied PFRS 9 using the modified restrospective approach, with an initial application date of January 1, 2018. The Company has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity.

Classification and measurement
Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Cash, trade and other receivables and security deposits previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as financial assets at amortized cost.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in the classification and measurement for the Company's financial liabilities.

The measurement requirements of PFRS 9 did not have a significant impact to the Company. The Company continued measuring at amortized cost all financial assets previously carried at amortized cost under PAS 39.

In summary, upon the adoption of PFRS 9, the Company had the following required reclassifications:

	January 1, 2018	
	PAS 9 Measurement	PFRS 9 Measurement
	Loans and Receivables	Amortized Cost
Cash in banks	₱321,490,948	₱321,490,948
Trade and other receivables	1,136,432,957	1,136,432,957
Security deposits	12,036,892	12,036,892

The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of PFRS 9, the Company recognized additional impairment on its trade receivables amounting to ₱1.1 million, which resulted in a decrease in retained earnings of ₱0.8 million (net of deferred tax amounting to ₱0.3 million) as at January 1, 2018.

Cash

Cash includes cash on hand and in banks. Cash in banks earn interest at prevailing bank deposit rates.

Financial Instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Starting January 1, 2018, the Company had adopted PFRS 9.

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under PFRS 15. Refer to the accounting policies related to "Revenue".

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortized Cost (Debt Instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's cash, trade and other receivables and security deposits are classified under this category.

The Company does not have financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at fair value through profit or loss as of December 31, 2018.

Impairment of Financial Assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Disclosures for significant assumptions - Note 3
- Trade and Other Receivables - Note 7

The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General Approach for Cash and Security Deposits
ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For security deposits, the Company used external benchmarking which compares the internal credit risk rating of certain debtor with the external rating agencies and use the latter's estimate of probability of default (PD) for similar credit risk rating.

Simplified Approach for Trade Receivables
The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Initial Recognition, Subsequent Measurement and Impairment of Financial Assets Prior to the Adoption of PFRS 9

Financial Assets

Date of Recognition
The Company recognizes a financial asset 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 Assets
Financial assets are recognized initially at fair value of the consideration given (in the case of an asset). Transaction costs are included in the initial measurement of all financial assets, 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.

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 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 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.

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.

Financial Liabilities

Initial Recognition and Subsequent Measurement Prior to and Upon Adoption of PFRS 9

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.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

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.

"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.

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.

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.

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.

Finished Goods and Factory Stocks and Supplies Inventories – Weighted Average Method. Include direct materials, labor and manufacturing overhead costs. 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.

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

Livestock

Livestock include day-old chicks after undergoing hatching process and chicks which are grown as chicken broilers. They are accounted for as biological assets and are measured at fair value less costs to sell in accordance with PAS 41, *Agriculture*.

The valuation takes into consideration input based on hatchability rate of eggs, mortality of chicks being grown as chicken broilers and estimated future cash flows to be incurred in hatching the eggs and growing the chicks. The market prices are derived from observable market prices. The prices are reduced for costs incurred in dressing the chicken and freight costs to market, to arrive at a net fair value at farm gate.

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, computer software and 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.

Security Deposits. These represent rental deposits paid by the Company and will be returned at the end of the lease term. These qualify as financial assets and are also disclosed under financial instruments.

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 increase on property, plant and equipment" account presented under the equity section of the consolidated statements of financial position. Any decrease in the revaluation surplus of the same asset is charged to other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset and the remaining decline, if any, is recognized in the consolidated statements of comprehensive income.

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained Earnings" 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 "Retained Earnings." 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. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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. Such reversal is recognized in the consolidated statements of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. 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.

Retained Earnings (Deficit). Retained earnings (deficit) represents the accumulated net income or losses, net of any dividend declaration.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

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

The Company is engaged in the growing, production and distribution of chicken broilers, either as live or dressed; manufacture and distribution of animal and aqua feeds, animal health and nutritional products, and feed supplements and production of day−old chicks and pullets.

Revenue from sale of live or dressed chicken, animal and aqua feeds, animal health and nutritional products, and feed supplements and day-old chicks is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery. The normal credit term is 30 to 90 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Rights of Return
For sale of animal and aqua feeds, certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in PFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Contract Balances

Contract Assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments – initial recognition and subsequent measurement.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

As of December 31, 2018, the Company does not have contract assets and contract liabilities.

Right of Return Assets
Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund Liabilities
A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

As of December 31, 2018, the Company's estimated right of return assets and refund liabilities is not material.

Prior to January 1, 2018, 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.

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

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.

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.

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.

Realizability of Insurance Claims Receivable. As discussed in Note 7, the Company has an outstanding claim for typhoon damages from an insurance company. The Company's claim is now subject of a court proceeding that is currently ongoing. The determination of whether the insurance claims receivable is realizable requires judgment by management. For purposes of ECL, the Company is also required to estimate the amount and timing of the future cash inflows from the resolution of this case as well the related effective interest rate used to discount the cashflows.

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.

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. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts 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 ₱19.6 million, ₱29.3 million and ₱27.6 million in 2018, 2017 and 2016, respectively (see Note 24).

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 ₱29.7 million, ₱3.5 million and ₱12.0 million in 2018, 2017 and 2016, respectively (see Note 24).

Finance Leases. The Company has entered into finance lease agreements covering its transportation equipment. The Company has determined that it obtains the significant risks and rewards of ownership of this transportation equipment and accordingly the lease agreements are accounted for under finance lease (see Note 24).

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, 2018 and 2017 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 uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Determination of Impairment Losses on Trade and Other Receivables. Starting January 1, 2018, the Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. To search the most relevant macroeconomic variable with a strong linear relationship on the past due behavior of the portfolio, regression analysis was applied to the following: inflation, unemployment, movement of Philippine peso against the US dollar, percentage change in gross domestic product and consumer price index. Among these factors, the forward-looking information on inflation was determined to have a strong and symmetrical relationship with the past due behavior of the Company's trade receivable portfolio. For instance, if forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's receivables is disclosed in Note 7.

Prior to January 1, 2018, 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 ₱22.0 million, ₱4.3 million and ₱12.3 million in 2018, 2017 and 2016, 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 ₱1,469.9 million and ₱1,136.4 million as at December 31, 2018 and 2017, respectively. Allowance for impairment losses on trade and other receivables as at December 31, 2018 and 2017 amounted to ₱287.8 million and ₱263.7 million, respectively (see Note 7).

Estimating Fair Value of Biological Assets. The fair values of the Company's livestock are based on the most reliable estimate of market prices at the point of harvest.

The following table provides a description of the various biological asset types, shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used. Refer to Note 2 for further detail on Level 3 fair value measurement.

Description	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Day-old chicks – these are hatched from eggs with hatching period of 21 days.	Income approach. The valuation model considers the net cash flows expected to be generated from the sale of day-old chicks. The cash flow projections include specific estimates for the hatching period. The valuation model also considers the hatchability rate. Due to the short hatching period, discounting is generally ignored.	Inclusive of: ▪ Estimated future sale price of day-old chicks. ▪ Estimated gross margin based on forecasted sales. ▪ Estimated hatchability rate. ▪ Estimated costs to be incurred in the hatching process.	The estimated fair value would increase (decrease) if: ▪ the estimated sale price was higher (lower); ▪ the estimated cash inflows based on forecasted sales were higher (lower); ▪ the estimated hatchability rate was higher (lower); or ▪ the estimated costs to be incurred in the hatching process were lower (higher).
Growing broilers – these are grown from chicks for a period of 30 days	Income approach. The valuation model considers the net cash flows expected to be generated from the sale of fully grown broilers as dressed chickens. The cash flow projections include specific estimates for the volume of harvest considering the mortality rates. Due to the short growing period of chicks into broilers, discounting is generally ignored.	Inclusive of: ▪ Estimated future sale price of dressed chicken. ▪ Estimated gross margin based on forecasted sales. ▪ Estimated mortality rate. ▪ Estimated costs to be incurred in the growing process.	The estimated fair value would increase (decrease) if: ▪ the estimated sale price was higher (lower); ▪ the estimated cash inflows based on forecasted sales were higher (lower); ▪ the estimated mortality rate was lower (higher); or ▪ the estimated costs to be incurred in the growing process were lower (higher).

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

Inventories carried at lower of costs or NRV as at December 31, 2018 and 2017 amounted to ₱866.6 million and ₱466.7 million, respectively. Allowance for inventory obsolescence as at December 31, 2018 and 2017 amounted to ₱2.4 million and nil, respectively (see Note 8).

Revaluation of Property, Plant and Equipment (Excluding Transportation Equipment) and Investment Properties. The Company carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of comprehensive income. In addition, the Company measures property, plant and equipment (excluding transportation equipment) at revalued amounts, with changes in fair value being recognized in OCI. For these assets (except for land), a valuation methodology based on cost reproduction approach was used, as there is a lack of comparable market data because of the nature of the properties.

The Company's land, which are classified as part of property, plant and equipment and investment properties, are valued by reference to transactions involving properties of a similar nature, location and condition.

In determining the appraised values of the property, plant and equipment and investment properties, the Company hired an independent firm of appraisers as at December 31, 2018. 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 fair values of the property, plant and equipment (except for land) and the building under investment properties were 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 fair values of the land classified as part of investment properties and 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.

As of December 31, 2018, 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 ₱90.7 million before tax effect (see Note 10). Also, in December 2018, the Company's investment properties were re-appraised by an independent firm of appraisers resulting to an additional fair value gain of ₱83.4 million (see Note 11).

The carrying value of property, plant and equipment carried at fair value amounted to ₱819.0 million and ₱493.4 million as at December 31, 2018 and 2017 respectively (see Note 10). The carrying value of investment properties amounted to ₱629.9 million and ₱540.2 million as at December 31, 2018 and 2017, 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, 2018 and 2017 follows:

	2018	2017
Property, plant and equipment* (see Note 10)	**₱581,647,750**	₱248,128,991
Computer software (see Note 9)	**9,808,272**	8,317,201
	₱591,456,022	₱256,446,192

**Excluding the carrying amount of land amounting to ₱385.3 million and ₱325.1 million as at December 31, 2018 and 2017.*

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.

The aggregate carrying value of property, plant and equipment, and computer software as at December 31, 2018 and 2017 amounted to ₱976.8 million and ₱581.6 million (see Notes 9 and 10).

Estimation of Retirement Benefits. The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables for the Philippines. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases consider historical rate increases as well as expected future inflation rates.

Further details about pension obligations are provided in Note 19.

The estimated present value of defined benefit obligation amounted to ₱105.1 million and ₱88.2 million as at December 31, 2018 and 2017, respectively, while fair value of plan assets amounted to ₱3.6 million as at December 31, 2018 and 2017, 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 ₱16.2 million and ₱21.3 million as at December 31, 2018 and 2017, respectively (see Note 20). 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 ₱126.8 million and ₱114.0 million as at December 31, 2018 and 2017, respectively (see Note 20).

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.

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 assets and liabilities do not include deferred tax assets and 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):

	2018					
	Food	Feeds	Farms	Total Segments	Corporate and Eliminating Accounts	Consolidated
REVENUES						
Sale of goods	**₱3,827,839**	**₱3,858,401**	**₱570,102**	**₱8,256,342**	**₱–**	**₱8,256,342**
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation and amortization	**3,449,100**	**3,594,558**	**563,766**	**7,607,424**	**–**	**7,607,424**
Operating expenses excluding depreciation and amortization	**107,582**	**179,563**	**–**	**287,145**	**261,596**	**548,741**
Depreciation and amortization	**5,350**	**45,957**	**326**	**51,633**	**21,723**	**73,356**
Other operating income	**–**	**(15,029)**	**–**	**(15,029)**	**(19,591)**	**(34,620)**
	3,562,032	**3,805,049**	**564,092**	**7,931,173**	**263,728**	**8,194,901**
SEGMENT OPERATING PROFIT	**₱265,807**	**₱53,352**	**₱6,010**	**₱325,169**	**(₱263,728)**	**₱61,441**
Other income - net						**9,084**
Income before tax						**70,525**
Tax expense						**(5,369)**
Net income for the year						**65,156**
Other comprehensive income						**50,550**
Total comprehensive income						**₱115,706**
ASSETS AND LIABILITIES						
Segment assets	**₱547,761**	**₱1,560,075**	**₱358,786**	**₱2,466,622**	**₱1,876,460**	**₱4,343,082**
Segment liabilities	**399,185**	**151,242**	**951**	**551,378**	**2,204,946**	**2,755,702**
OTHER INFORMATION						
Capital expenditures	**₱7,389**	**₱310,756**	**₱6,334**	**₱324,479**	**₱61,679**	**₱386,158**
Non-cash expenses other than depreciation and impairment losses	**₱8,682**	**₱2,017**	**₱91**	**₱10,790**	**₱7,854**	**₱18,644**

	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	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:

	2018	2017
Cash on hand	**₱1,814,535**	₱1,515,170
Cash in banks	**215,898,305**	321,490,948
	₱217,712,840	₱323,006,118

Cash in banks earn interest at prevailing bank deposit interest rates of 0.1% to 0.5% in 2018, 2017 and 2016. Interest income on cash in banks amounted to ₱0.4 million, ₱0.3 million and ₱0.9 million in 2018, 2017 and 2016, respectively (see Note 18).

7. Trade and Other Receivables

This account consists of:

	2018	2017
Trade	**₱1,029,946,116**	₱913,914,689
Advances to:		
Suppliers	**324,918,311**	107,910,325
Officers and employees (Note 21)	**12,149,797**	9,505,515
Nontrade (Note 21)	**208,113,323**	208,262,664
Insurance claims receivable	**155,171,065**	157,512,740
Others	**25,176,797**	3,049,663
	1,755,475,409	1,400,155,596
Allowance for impairment losses	**(287,775,937)**	(263,722,639)
	₱1,467,699,472	₱1,136,432,957

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 30-90 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, 2018. 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 21).

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

Movements in the allowance for impairment losses account as of December 31, 2017 are shown below:

	2018	2017
Balance at beginning of year	**₱263,722,639**	₱501,456,871
PFRS 9 transition adjustment	**1,077,660**	–
Balance at beginning of year, restated	**264,800,299**	501,456,871
Provisions (Note 18)	**22,975,638**	4,309,758
Effect of deconsolidation (Note 4)	–	(130,894,053)
Write-off	–	(111,149,937)
Balance at end of year	**₱287,775,937**	₱263,722,639

The Company's BOD approved the write-off of trade and other receivables amounting to nil and ₱111.1 million in December 31, 2018 and 2017, respectively. Recovery of accounts receivable in 2017 amounted to ₱111.1 million (see Note 17).

8. Inventories and Livestock

Inventories

This account consists of:

	2018	2017
Inventories:		
Finished goods		
At cost	**₱214,864,336**	₱140,678,155
At NRV	**212,477,473**	140,678,155
Raw materials and feeds supplement	**375,087,029**	220,082,185
Supplies and animal health products	**84,244,316**	57,429,985
Factory stocks and supplies	–	693,905
	671,808,818	418,884,230
Livestock:		
Finished goods	**161,757,394**	10,568,830
Raw materials	**32,997,382**	37,212,226
Day-old chicks	**66,559,169**	40,527,839
Broilers	**3,405,059**	481,002
	264,719,004	88,789,897
	₱936,527,822	₱507,674,127

Inventories are valued at lower of cost or NRV as at December 31, 2018 and 2017. Inventories charged to cost of goods sold amounted to ₱6,645.7 million, ₱5,279.9 million and ₱4,163.6 million in 2018, 2017 and 2016, respectively (see Note 15).

Included under livestock are finished goods and raw materials which pertain to dressed chickens and eggs for hatching which are out of scope of PAS 41.

Livestock
The Company's biological assets pertain to its livestock consisting of day-old chicks and broilers.

Day-old Chicks	**2018**	2017
Opening balance	**₱40,527,839**	₱385,372
Increase due to production	**1,195,439,030**	808,788,975
Decrease due to sales, harvest and mortality	**(1,169,407,700)**	(768,646,508)
	₱66,559,169	₱40,527,839

Broilers	**2018**	2017
Opening balance	**₱481,002**	₱1,823
Increase due to production	**2,559,432,513**	1,668,710,291
Decrease due to sales, harvest and mortality	**(2,556,508,456)**	(1,668,231,112)
	₱3,405,059	₱481,002

9. **Other Assets**

Other Current Assets

This account consists of:

	2018	2017
CWT	**₱61,023,050**	₱41,406,176
Prepayments	**49,694,474**	13,614,250
Input VAT	**3,422,096**	3,556,926
	114,139,620	58,577,352
Allowance for impairment losses	**(3,091,532)**	(3,091,532)
	₱111,048,088	₱55,485,820

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:

	2018	2017
Balance at beginning of year	**₱3,091,532**	₱4,497,634
Effect of deconsolidation (see Note 4)	–	(1,406,102)
Balance at end of year	**₱3,091,532**	₱3,091,532

Other Noncurrent Assets
This account consists of:

	2018	2017
Project development costs	**₱31,368,396**	₱31,368,396
Security deposits	**3,458,142**	12,036,892
Computer software	**9,808,272**	8,317,201
Others (see Note 4)	**–**	67,336
	₱44,634,810	₱51,789,825
Allowance for impairment losses:		
Project development costs	**₱31,368,396**	(₱31,368,396)
Others (see Note 4)	**–**	(67,336)
	31,368,396	(31,435,732)
	₱13,266,414	₱20,354,093

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, 2018 and 2017.

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:

	2018	2017
Cost		
Balance at beginning of year	**₱15,930,855**	₱11,423,281
Additions	**6,526,732**	4,507,574
Balance at end of year	**22,457,587**	₱15,930,855
Accumulated Depreciation and Amortization		
Balance at beginning of year	**7,613,654**	₱3,806,827
Depreciation and amortization	**5,035,661**	3,806,827
Balance at end of year	**12,649,315**	7,613,654
Net carrying amount	**₱9,808,272**	₱8,317,201

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

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

	2018	2017
Balance at beginning of year	**₱31,435,732**	₱84,712,670
Write-off	**(67,336)**	–
Effect of deconsolidation (see Note 4)	**–**	(53,276,938)
Balance at end of year	**₱31,368,396**	₱31,435,732

10. **Property, Plant and Equipment**

The composition and movements of this account are presented below:

	2018							
	At Appraised Values					At Cost		
	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**	**₱216,898,218**	**₱104,678,129**	**₱15,367,972**	**₱39,371,631**	**₱200,317,385**	**₱18,076,511**	**₱919,843,834**
Additions	**4,890,857**	**225,254,108**	**31,901,683**	**319,316**	**14,958,356**	**41,659,725**	**55,962,808**	**374,946,853**
Revaluation gain	**56,770,858**	**27,321,180**	**5,567,749**	**272,107**	**813,116**	**–**	**–**	**90,745,010**
Reclassifications/disposals	**(1,501,001)**	**979,019**	**(425,423)**	**1,500,999**	**462,294**	**(113,641,433)**	**–**	**(112,625,545)**
Balance at end of year	**₱385,294,702**	**₱470,452,525**	**₱141,722,138**	**₱17,460,394**	**₱55,605,397**	**₱128,335,677**	**₱74,039,319**	**1,272,910,152**
Accumulated Depreciation, Amortization and Impairment loss								
Balance at beginning of year	**₱–**	**₱134,454,479**	**₱36,188,031**	**₱11,046,775**	**₱26,364,890**	**₱138,526,680**	**₱–**	**₱346,580,855**
Depreciation and amortization (Notes 15 and 16)	**–**	**22,613,422**	**9,306,213**	**1,281,805**	**10,181,705**	**24,937,188**	**–**	**68,320,333**
Reclassifications/disposals	**–**	**15,655**	**–**	**1**	**38,820**	**(108,987,964)**	**–**	**(108,933,488)**
Balance at end of year	**–**	**157,083,556**	**45,494,244**	**12,328,581**	**36,585,415**	**54,475,904**	**–**	**305,967,700**
Net carrying amount	**₱385,294,702**	**₱313,368,969**	**₱96,227,894**	**₱5,131,813**	**₱19,019,982**	**₱73,859,773**	**₱74,039,319**	**₱966,942,452**

	2017							
	At Appraised Values					At Cost		
	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
Revaluation	–	(295,960)	–	–	(49,146,356)	–	–	(49,442,316)
Reclassifications (Note 11)	–	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 (Notes 15 and 16)	–	14,008,268	5,812,710	997,102	5,766,795	13,197,475	–	39,782,350
Impairment (Note 18)	–	(295,960)	–	–	(49,146,356)	–	–	(49,442,316)
Reclassifications (Note 11)	–	–	–	–	–	–	–	–
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

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

	2018							
	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	**₱20,429,357**	**₱399,954,096**	**₱111,829,097**	**₱13,303,554**	**₱50,246,484**	**₱128,335,677**	**₱74,039,319**	**₱798,137,584**
Accumulated depreciation and impairment	**2,200,059**	**152,501,867**	**35,477,203**	**9,321,562**	**31,821,541**	**54,475,904**	**–**	**285,798,136**
Net carrying amount	**₱18,229,298**	**₱247,452,229**	**₱76,351,894**	**₱3,981,992**	**₱18,424,943**	**₱73,859,773**	**₱74,039,319**	**₱512,339,448**

	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	₱13,610,548	₱161,370,667	₱79,927,414	₱8,795,327	₱35,288,128	₱190,344,103	₱18,076,511	₱507,412,698
Accumulated depreciation and impairment	–	107,248,619	29,018,642	4,473,780	22,613,668	128,553,399	–	291,908,108
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

The reconciliation of revaluation reserve is as follows:

	Revaluation Reserve	Deferred Tax Liability (see Note 21)	Net (see Note 22)
Balance as at January 1, 2018	**₱375,439,371**	**(₱112,631,811)**	**₱262,807,560**
Revaluation increase on property, plant and equipment	**90,745,010**	**(27,223,503)**	**63,521,507**
Transfer to retained earnings of revaluation reserve on property, plant and equipment realized through depreciation	**(11,581,377)**	**3,474,413**	**(8,106,964)**
Balance as at December 31, 2018	**₱454,603,004**	**(₱136,380,901)**	**₱318,222,103**
Balance as at January 1, 2017	₱383,022,377	(₱114,906,713)	₱268,115,664
Revaluation increase on property, plant and equipment	–	–	–
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

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, 2018 and 2017, fully depreciated property, plant and equipment with gross carrying value of ₱27.5 million and ₱17.5 million, respectively, are still in use.

Depreciation and amortization expense follows:

	2018	2017	2016
Property, plant and equipment	**₱68,320,333**	₱39,782,350	₱29,773,543
Computer software (Note 9)	**5,035,661**	3,806,827	3,806,827
	₱73,355,994	₱43,589,177	₱33,580,370

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 October 31, 2018. 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 2018	Range 2017
Land	Sales Comparison Approach	Price per square meter	**₱1,300-₱4,500**	₱1,493-₱1,857
		Value adjustments	**15%-40%**	35%-48%

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

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.

Market approach
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.

Replacement cost less accumulated depreciation
Replacement cost approach is a method under the cost approach that indicates the value by calculating the current replacement cost of an asset less deductions for physical deterioration and all relevant forms of obsolescence. Depreciation is estimated as evidence by the observed condition and present and prospective serviceability in comparison with new units of like kind.

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:

	2018	2017
Balance at beginning of year	**₱540,175,409**	₱495,216,122
Additions	**11,211,338**	44,959,287
Gain on fair value changes (see Note 18)	**83,369,324**	–
Disposals	**(4,871,427)**	–
Balance at end of year	**₱629,884,644**	₱540,175,409

In 2018, the Company acquired additional properties pertaining to VDP dressing plant and Davao hatchery. Additions in 2017 mainly pertain to the improvements made in the Davao dressing plant.

The composition of investment properties as at December 31, 2018 and 2017 are as follows:

	2018	2017
Cost	**₱417,836,385**	₱411,496,474
Cumulative gain on fair value changes	**212,048,259**	128,678,935
	₱629,884,644	₱540,175,409

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, 2018. The Company recognized fair value gain of ₱83.4 million, nil and ₱7.0 million in 2018, 2017 and 2016, 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	**2018**	2017
Land	Sales Comparison Approach	Price per square meter	**₱135-₱9,000**	₱875-₱1,200
		Value adjustments	**5%-55%**	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.

Market approach

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.

Replacement cost less accumulated depreciation

Replacement cost approach is a method under the cost approach that indicates the value by calculating the current replacement cost of an asset less deductions for physical deterioration and all relevant forms of obsolescence. Depreciation is estimated as evidence by the observed condition and present and prospective serviceability in comparison with new units of like kind.

12. **Trade and Other Payables**

This account consists of:

	2018	2017
Trade (see Note 21)	**₱1,245,933,653**	₱1,118,159,255
Accrued expenses	**186,038,162**	64,479,255
Nontrade	**131,380,150**	88,759,812
Customers' deposits	**74,863,422**	95,526,755
Others	**96,970,980**	20,680,872
Total	**₱1,735,186,367**	₱1,387,605,949

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.

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**

This account consists of the following:

	2018	2017
Current portion	**₱649,999,929**	₱170,369,800
Noncurrent portion	**172,480,055**	–
	₱822,479,984	₱170,369,800

In 2018, the Company obtained unsecured Peso-denominated short-term loans and long-term loans from local banks to finance working capital requirements. Long-term loans of the Company are payable within eight years. Short-term loans and long-term loans of the Company bear interest rate at 4.50% to 6.75% and 7.63% to 9.00%, respectively.

The Company's long-term loans are not subject to any debt covenants.

Interest expense amounted to ₱16.9 million and ₱22.6 million in 2018 and 2017, respectively (see Note 18).

14. Cash Bond Deposits

Cash bond deposits amounting to ₱40.3 million and ₱31.5 million as at December 31, 2018 and 2017, 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:

	2018	2017	2016
Inventories used (see Note 8)	**₱6,645,656,715**	₱5,279,916,421	₱4,163,614,921
Outside services	**773,821,543**	362,870,150	199,466,373
Salaries and employee benefits (see Note 16)	**77,238,966**	36,268,521	28,040,721
Contractual services	**57,394,532**	34,737,795	31,437,545
Communication, light and water	**39,419,250**	22,587,543	17,463,380
Depreciation (see Note 16)	**37,145,972**	21,368,469	17,101,069
Repairs and maintenance	**9,550,626**	11,018,431	8,518,813
Others	**4,342,470**	3,246,766	2,467,529
	₱7,644,570,074	₱5,772,014,096	₱4,468,110,351

16. Operating Expenses

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

	2018	2017	2016
Administrative expenses	**₱284,397,436**	₱288,114,768	₱249,144,949
Selling and distribution expenses	**300,553,525**	262,569,422	224,365,682
	₱584,950,961	₱550,684,190	₱473,510,631

The details of operating expenses by nature are shown below:

	2018	2017	2016
Transportation, travel, freight and handling	**₱184,138,417**	₱217,575,591	₱160,305,846
Salaries and employee benefits	**176,894,280**	147,581,575	84,769,115
Advertising and promotions	**37,092,603**	23,773,620	30,566,344
Depreciation and amortization	**36,210,022**	22,220,708	16,479,301
Rentals (see Note 24)	**29,736,825**	3,479,363	11,997,898
Provision for impairment loss on receivables (see Note 7)	–	4,309,758	12,286,037
Taxes and licenses	**20,840,144**	10,637,066	12,309,529
Contractual services	**20,802,110**	13,006,906	14,183,996
Professional fees	**20,356,210**	43,167,407	27,597,307
Commissions	**14,033,838**	10,933,801	11,975,275
Representation and entertainment	**8,299,229**	23,344,380	23,501,076

(Forward)

	2018	2017	2016
Communications, light and water	**₱7,872,890**	₱7,288,106	₱7,193,243
Supplies	**6,057,767**	8,781,413	8,594,416
Repairs and maintenance	**5,092,226**	2,220,084	1,426,117
Insurance	**4,228,760**	3,857,942	4,067,549
Input VAT on exempt sales	**–**	–	42,761,102
Others	**13,295,640**	8,506,470	3,496,480
	₱584,950,961	₱550,684,190	₱473,510,631

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:

	2018	2017	2016
Salaries and wages	**₱224,876,122**	₱164,498,784	₱100,375,235
Retirement benefits (see Note 19)	**15,552,680**	6,460,979	7,064,624
Other short term benefits	**13,704,444**	12,890,333	5,369,977
	₱254,133,246	₱183,850,096	₱112,809,836

Salaries and employee benefits is allocated as follows:

	2018	2017	2016
Cost of goods sold (see Note 15)	**₱77,238,966**	₱36,268,521	₱28,040,721
Operating expenses:			
Administrative expenses	**94,364,514**	78,727,608	45,220,209
Selling and distribution expenses	**82,529,766**	68,853,967	39,548,906
	176,894,280	147,581,575	84,769,115
	₱254,133,246	₱183,850,096	₱112,809,836

Depreciation and Amortization

Depreciation and amortization is allocated as follows (see Notes 9 and 10):

	2018	2017	2016
Cost of goods sold (see Note 15)	**₱37,145,972**	₱21,368,469	₱17,101,069
Operating expenses:			
Administrative expenses	**21,723,965**	13,517,738	10,821,664
Selling and distribution expenses	**14,486,057**	8,702,970	5,657,637
	36,210,022	22,220,708	16,479,301
	₱73,355,994	₱43,589,177	₱33,580,370

17. **Other Operating Income**

This account consists of:

	2018	2017	2016
Rentals (see Note 24)	**₱19,591,201**	₱29,270,036	₱27,647,585
Refund	**6,000,000**	–	–
Sale of scrap materials	**4,854,820**	6,487,882	5,213,651
Foreign currency exchange gain	**3,901,935**	–	–
Recovery of accounts written-off	**–**	–	12,648,000
Revenue from toll milling and toll hatching	**–**	–	39,648
Others	**272,697**	–	–
	₱34,620,653	₱35,757,918	₱45,548,884

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

18. **Other Income (Charges)**

This account consists of:

	2018	2017	2016
Gain on fair value changes of investment properties (see Note 11)	**₱83,369,324**	₱–	₱7,048,102
Interest expense (see Notes 13,21 and 24)	**(43,038,475)**	(23,840,890)	(12,642,159)
Impairment losses on:			
Receivables	**(22,975,638)**	–	–
Inventory	**(2,386,863)**	–	–
Property, plant and equipment (see Note 10)	**–**	–	(488,533)
Interest income (see Note 6)	**1,563,922**	1,754,128	928,803
Loss in deconsolidation of subsidiary	**–**	28,196,360	–
Tax compromise settlement	**–**	(39,283,928)	(92,245,484)
Liquidated damages (see Note 24)	**–**	(22,000,000)	–
Demurrage on cargo release	**–**	–	(56,217,312)
Provision for probable losses	**–**	–	(25,235,761)
Others	**(7,448,386)**	–	–
	₱9,083,884	(₱55,174,330)	(₱178,852,344)

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.

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 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, 2018.

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

	2018	2017	2016
Current service costs	**₱10,647,028**	₱2,262,871	₱3,227,518
Interest expense	**4,506,028**	4,375,509	4,005,883
Settlement loss	**586,090**	–	–
Interest income	**(186,466)**	(177,401)	(168,777)
	₱15,552,680	₱6,460,979	₱7,064,624

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

	2018	2017
Present value of the obligation	**₱105,147,035**	₱88,180,586
Fair value of plan assets	**(3,566,577)**	(3,649,050)
	₱101,580,458	₱84,531,536

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

	2018	2017
Balance at beginning of year	**₱88,180,586**	₱85,626,405
Interest expense	**4,506,028**	4,375,509
Current service costs	**10,647,028**	2,262,871
Remeasurement loss recognized in OCI	**18,260,974**	–
Benefits paid	**(17,033,671)**	(4,084,199)
Settlement loss	**586,090**	–
Balance at end of year	**₱105,147,035**	₱88,180,586

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

	2018	2017
Balance at beginning of year	**₱3,649,050**	₱3,471,649
Interest income	**186,466**	177,401
Remeasurement loss	**(268,939)**	–
Balance at end of year	**₱3,566,577**	₱3,649,050

Actual returns on plan assets amounted to ₱0.08 million in 2018 and 2017.

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

	2018	2017
Cash and cash equivalents	**31.82%**	46.98%
Debt instruments	**55.01%**	29.67%
Equity instruments	**23.33%**	26.74%
Others	**(10.16%)**	(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.

	2018	2017
Less than one year	**₱6,548,981**	₱507,338
Between one and five years	**27,093,391**	4,858,231
Over five years	**62,459,869**	34,727,393
	₱96,102,241	₱40,092,962

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

	2018	2017
Discount rate	**7.7%**	5.1%
Expected rate of salary increase	**10%**	8.0%
Average remaining working life of an employee retiring at the age of 60:		
Male	**39**	23
Female	**35**	26

The weighted average duration of the present value of defined benefit obligation is 10.8 years and 17 years in 2018 and 2017, respectively.

A quantitative sensitivity analysis for changes in assumptions as at December 31, 2018 is shown below (amounts in thousands):

	Change in Assumptions	Effect to retirement liability
Discount rate	+100 bps	(₱10,516)
	-100 bps	12,292
Salary rate	+100 bps	11,898
	-100 bps	(10,401)

20. **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:

	2018	2017	2016
Reported in Consolidated Profit and Loss			
Current tax expense:			
RCIT at 30%	**₱–**	₱22,789,816	₱–
MCIT at 2%	**12,927,844**	–	13,566,878
Deferred income tax expense (benefit) relating to origination and reversal of temporary differences	**(₱7,557,874)**	₱6,274,302	(₱5,094,879)
	₱5,369,970	₱29,064,118	₱8,471,999

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:

	2018	2017	2016
Income tax expense at statutory tax rate	**₱21,157,542**	₱45,425,486	₱7,794,278
Change in unrecognized deferred tax assets	**(5,169,796)**	(102,665,495)	(92,199,053)
Effect of deconsolidation	**–**	78,248,415	–
Tax effects of:			
Nondeductible expenses	**4,162,244**	13,909,988	61,389,314
Expiry of unrecognized deferred tax asset on:			
NOLCO	**–**	1,140,411	24,338,850
MCIT	**–**	520,497	7,427,250
Other deductible expenses	**–**	(166,970)	–
Reversal of deferred tax asset	**–**	1,225,260	–
Nontaxable income	**(14,656,551)**	(8,458,908)	–
Interest income already subjected to final tax	**(123,469)**	(114,566)	(278,640)
	₱5,369,970	₱29,064,118	₱8,471,999

The components of the recognized net deferred tax assets and liabilities as at December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred tax assets:		
Allowance for impairment losses on:		
Trade and other receivables	**₱81,957,537**	₱75,064,846
Product development costs	**9,410,519**	9,410,519
Property, plant and equipment	**5,392,850**	5,392,850
Inventory	**716,059**	–
Retirement liability	**29,276,477**	24,161,800
	₱126,753,442	₱114,030,015

(Forward)

	2018	2017
Deferred tax liabilities:		
Revaluation reserve on property, plant and equipment	**(₱136,380,901)**	(₱112,631,811)
Changes in fair value of investment properties	**(62,702,115)**	(38,603,681)
	(199,083,016)	(151,235,492)
Net deferred tax liabilities	**(₱72,329,574)**	(₱37,205,477)

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

MCIT

Year Incurred	Beginning Balance	Applied	Expired	Ending Balance	Valid Until
2018	₱3,346,948	₱–	₱–	₱3,346,948	2021
2017	–	–	–	–	2020
2016	13,566,688	1,935,793	–	11,630,895	2019
2015	10,885,562	10,885,562	–	–	2018
	₱27,799,198	₱12,821,355	₱–	₱14,977,843	

The amount of NOLCO, MCIT and other deductible temporary differences as at the end of 2018 and 2017 for which the related deferred tax assets have not been recognized are shown below.

	2018		2017	
	Amount	**Tax Effect**	Amount	Tax Effect
NOLCO	**₱–**	**₱–**	₱8,543,046	₱2,562,914
MCIT	**14,977,843**	**14,977,843**	11,653,476	11,653,476
Allowance for impairment losses on:	**–**	**–**		
Trade and other receivables	**–**	**–**	13,506,484	4,051,945
Other assets	**–**	**–**	67,336	20,201
Property, plant and equipment	**–**	**–**	1,507,133	452,140
Provisions	**–**	**–**	–	–
Retirement liability	**3,992,203**	**1,197,661**	7,597,172	2,279,152
Loss on fair value changes of investment properties	**–**	**–**	1,084,906	325,472
	₱18,970,046	**₱16,175,504**	₱43,959,553	₱21,345,300

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.

21. 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. Unless otherwise indicated, settlement of related party transactions are made thru cash.

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 22).

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

			2018		2017	
	Relationship	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Kormasinc	Parent Company	Restructured debt acquired	**₱–**	**₱–**	₱–	₱175,027,457
		Trade payables acquired	–	–	–	32,097,944
		Interest on restructured debt	–	–	–	199,985,490
						407,110,891
		Debt to equity conversion	–	–	(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).

		2018		2017	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Due from related parties					
Entities under common control	Working capital advances	**₱22,435,412**	**₱21,893,094**	(₱146,173,847)	₱–

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 (see Note 12). The Company also avails of advances from a shareholder which are payable within a year.

		2018		2017	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Stockholder	Purchases (settlement)	**₱20,888,383**	**₱85,726,435**	₱76,188,683	₱97,492,173

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.

	Amount of Transactions		Outstanding Balances	
	2018	2017	**2018**	2017
Advances to officers and employees (see Note 7)	**₱25,438,801**	₱3,471,841	**₱12,149,797**	₱9,505,515

Compensation of Key Management Personnel
The compensation includes the following:

	2018	2017	2016
Short-term employee benefits	**₱40,928,845**	₱25,982,444	₱21,227,630
Retirement benefits	**1,736,520**	1,196,965	1,047,455
Others	**2,445,458**	1,406,813	1,146,314
	₱45,110,823	₱28,586,222	₱23,421,399

22. Equity

Capital Stock
As of December 31, 2018, the Company has authorized capital stock of 3.5 billion shares at ₱0.38 par value equivalent to ₱3.1 billion. Details of authorized and issued and outstanding shares are as follows:

	2018	2017
Authorized	**3,500,000,000**	3,500,000,000
Issued and outstanding	**3,054,334,014**	3,054,334,014

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
December 22, 2017	3,000,000,000	267,836,113
October 16, 2013	3,000,000,000	2,286,497,901
February 9, 1989	200,000,000	200,000,000
August 11, 1986	200,000,000	200,000,000
December 5, 1982	33,000,000	33,000,000
December 5, 1977	45,000,000	45,000,000
October 31, 1974	7,000,000	7,000,000
May 2, 1973	10,000,000	10,000,000
October 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, 2018:

	Number of shares issued and outstanding	Percentage of shares
Issued and outstanding		100.00%
Listed shares:		
Owned by related parties	2,174,560,604	71%
Owned by public	810,796,412	27%
Owned by directors and officers	68,976,998	2%
Total	3,054,334,014	100%

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

The total number of shareholders of the Company is 4,155 and 4,186 as at December 31, 2018 and 2017, respectively.

As at December 31, 2018, 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, 2018	**₱262,807,560**	**₱7,896,771**	**₱270,704,331**
Revaluation increase on property, plant and equipment, net of tax	**63,521,507**	**–**	**63,521,507**
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	**(8,106,964)**	**–**	**(8,106,964)**
Actuarial loss, net of tax	**–**	**(12,970,939)**	**(12,970,939)**
Balance at December 31, 2018	**₱318,222,103**	**₱5,074,168**	**₱313,147,935**
Balance at January 1, 2017	₱268,115,664	₱7,896,771	₱276,012,435
Revaluation increase on property, plant and equipment	(5,308,104)	–	(5,308,104)
Transfer to deficit of revaluation reserve realized through depreciation, net of tax	–	–	–
Balance at December 31, 2017	₱262,807,560	₱7,896,771	₱270,704,331

As of December 31, 2018, there are no available amounts for dividend declaration based on Parent Company balances.

23. **Earnings Per Share**

Basic and diluted earnings per share were computed as follows:

	2018	2017	2016
Net income for the year	**₱65,155,171**	₱122,354,168	₱17,508,928
Divided by the weighted average number of outstanding shares	**3,054,334,014**	2,793,835,877	2,786,497,901
Earnings per share - basic and diluted	**₱0.01**	₱0.04	₱0.006

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

24. **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 five 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 ₱19.6 million, ₱29.3 million and ₱27.6 million in 2018, 2017 and 2016, respectively, and are shown as part of "Other operating income" account in the consolidated statements of comprehensive income (see Note 17).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2018	2017
Within one year	**₱18,191,151**	₱17,825,973
After one year but not more than five years	**59,709,577**	77,900,729
	₱77,900,728	₱95,726,702

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 ₱3.4 million and ₱12.0 million in 2018 and 2017, respectively. Rent expense amounted to ₱29.7 million, ₱3.5 million and ₱12.0 million in 2018, 2017 and 2016, respectively (see Note 16).

Future minimum lease payments under the lease agreements follow:

	2018	2017
Within one year	**₱29,508,132**	₱10,593,965
More than one year but not more than five years	**5,906,352**	21,187,929
	₱35,414,484	₱31,781,894

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, 2018, details of the account follow:

	2018	2017
Current portion	**₱13,920,213**	₱20,666,402
Noncurrent portion	**42,813,390**	25,032,960
	₱56,733,603	₱45,699,362

The carrying value of the transportation equipment as at December 31, 2018 and 2017 acquired through finance lease agreements amounted to ₱36.9 million and ₱19.8 million, respectively (see Note 10).

Future minimum lease payments under the lease agreements follow:

	2018	2017
Within one year	**₱13,920,213**	₱20,666,402
More than one year but not more than five years	**42,813,390**	25,032,960
	₱56,733,603	₱45,699,362

Tolling Agreements

The Company have entered into various toll arrangements, mainly for the manufacture of feeds, hatching of eggs and dressing of poultry livestock. The Company's payment is fixed per unit of output.

In accordance with IFRIC 4, *Determining whether an Arrangement contains a Lease*, these agreements are evaluated whether they convey a right to use an asset in return for a payment or series of payments and will therefore be accounted for a lease. The Company considered whether the agreements contained the following elements of a lease: (a) identification of a specific asset and (b) ability to control physically the use of the underlying asset, either through operations or access, while obtaining or controlling more than an insignificant amount of the output of the asset.

Based on management's assessment, certain of these agreements should be accounted for under IFRIC 4. Total payments for this type of arrangements amounted to ₱548.6 million, ₱248.0 million, and ₱170.7 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is recorded as part of "Cost of goods sold" account under "Outside services" in the consolidated statements of comprehensive income.

Usufruct Agreement

In 2018, the Company entered into a usufruct agreement with Luzon Agri Venture, Inc. (LAVI) authorizing the latter to the right of usufruct over the Corporation's Davao and Marilao Dressing Plants for a period of five (5) years beginning January 2018 in consideration for the capital investment by LAVI for the additional dressing line and improvement amounting to approximately ₱68 million.

25. Note to Consolidated Statements of Cash Flows

The Company had no material non-cash investing nor non-cash financing activity-related transactions for the years ended December 31, 2018 and 2017.

The changes in the Company's liabilities arising from financing activities are as follows:

	January 1, 2018	Proceeds	Payments	Interest Expense	December 31, 2018
Loans payable	₱170,369,800	₱1,266,055,504	(₱613,978,500)	₱33,180	₱822,479,984
Accrued interest payable	–	–	(39,802,426)	43,038,475	3,236,049
Finance lease liability	45,699,362	24,735,600	(13,701,359)	–	56,733,603
Total liabilities from financing activities	₱216,069,162	₱1,290,791,104	(₱(667,482,285))	₱43,071,655	₱882,449,636

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.

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:

	2018		2017	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Cash in banks	**₱215,898,305**	**₱215,898,305**	₱321,490,948	₱321,490,948
Trade and other receivables*	**1,033,958,076**	**1,033,958,076**	1,000,824,749	1,000,824,749
Security deposits	**3,458,142**	**3,458,142**	12,036,892	12,036,892
	₱1,253,314,523	**₱1,253,314,523**	₱1,334,352,589	₱1,334,352,589
Financial Liabilities				
Trade and other payables**	**₱1,722,406,659**	**₱1,722,406,659**	₱1,367,607,646	₱1,367,607,646
Finance lease liabilities	**56,733,603**	**61,157,132**	45,699,362	42,244,407
Cash bond deposits	**40,343,557**	**40,343,557**	31,502,568	31,502,568
Loans payable	**822,479,984**	**824,920,709**	170,369,800	170,369,800
	₱2,641,963,803	**₱2,648,828,057**	₱1,615,179,376	₱1,611,724,421

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱324.9 million, ₱96.7 million and ₱12.1 million, respectively, in 2018 and ₱107.9 million, ₱18.2 million and ₱9.5 million, respectively, in 2017.*
***Excluding statutory liabilities amounting to ₱12.8 million and ₱20.0 million in 2018 and 2017, respectively.*

Financial Assets and Financial Liabilities (except for loans payable). 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, 2018 and 2017, 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 in the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements) as summarized below.

	2018	2017
Cash in banks	**₱215,898,305**	₱321,490,948
Trade and other receivables*	**1,033,958,076**	1,000,824,749
Security deposits	**3,458,142**	12,036,892
	₱1,253,314,523	₱1,334,352,589

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱324.9 million ₱ 96.7 million and ₱12.1 million, respectively, in 2018 and ₱107.9 million, ₱18.2 million and ₱9.5 million, respectively, in 2017.*

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:

	2018					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Total**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash in banks	**₱215,898,305**	**₱–**	**₱215,898,305**	**₱–**	**₱–**	**₱215,898,305**
Trade and other receivables*	**975,460,299**	**–**	**975,460,299**	**155,171,065**	**287,775,937**	**1,418,407,301**
Security deposits	**3,458,142**	**–**	**3,458,142**	**–**	**–**	**3,458,142**
	₱1,194,816,746	**₱–**	**₱1,194,816,746**	**₱155,171,065**	**₱287,775,937**	**₱1,637,763,748**

**Excluding advances to suppliers and advances to officers and employees amounting to ₱324.9 million and ₱12.1 million, respectively.*

	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.*

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As of December 31, 2018	Trade Receivables (in millions)								
		Days past due							
	Current	<30 days	30-60 days	61-90 days	91-120 days	More than 120 days	Total	Accounts with full provision	Total
Expected credit loss rate	0.10%	0.44%	1.93%	3.62%	5.13%	41.34%			
Estimated total gross carrying amount at default	₱534.0	₱178.6	₱23.3	₱8.0	₱5.5	₱9.1	₱758.5	₱271.4	₱1,029.9
Expected credit loss	₱0.5	₱0.8	₱0.4	₱0.3	₱0.3	₱3.8	₱6.1	₱271.4	₱277.5

<u>Cash Deposits</u>

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

<u>Liquidity Risk</u>

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, 2018 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*	**₱1,722,406,659**	**₱–**	**₱–**	**₱–**
Loans payable	**649,999,929**	**–**	**172,480,055**	**–**
Finance lease liability	**6,777,639**	**7,473,834**	**42,813,390**	**–**
Cash bond deposits	**40,343,557**	**–**	**–**	**–**
Future interest on long term debt	**7,106,254**	**7,104,445**	**45,338,696**	**3,994,996**
	₱2,426,634,038	**₱14,578,279**	**₱260,632,141**	**₱3,994,996**

**Excluding statutory liabilities amounting to ₱12.8 million in 2018.*

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 ₱20.0 million in 2017.*

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.

	2018	2017
Total liabilities	**₱2,828,653,543**	₱1,756,914,692
Total equity	**1,514,428,189**	1,399,476,811

30. New and Amended Standards and Interpretations

Other New Pronouncements Effective for December 31, 2018 year-end

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have no impact on the consolidated financial statements of the Company.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company plans to apply the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4, *Determining whether an Arrangement contains a Lease*. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The Company also elects to use the exemptions provided by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The accounting for operating leases where the Company acts as the lessee will significantly change due to the adoption of PFRS 16.

The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Company because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

The Company intends to adopt the following other pronouncements issued when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's consolidated financial statements.

Effective beginning on or after January 1, 2019
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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, 2018 and for the year ended December 31, 2018, included in this Form 17-A and have issued our report thereon dated April 8, 2019. 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, 2018 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.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-2 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2016,
January 3, 2017, valid until January 2, 2020
PTR No. 7332567, January 3, 2019, Makati City

April 8, 2019

VITARICH CORPORATION
(A Subsidiary of Kormasinc, Inc.)

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture	✓		
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments	✓		
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation 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, 2018

		Amount
Deficit as shown in the financial statements at beginning of year		(₱2,355,928,436)
Balance at beginning of year of:		
Cumulative gain on fair value changes of investment properties	(128,678,935)	
PFRS 9 transition adjustment	754,361	(127,924,574)
Deficit as adjusted to available for dividend declaration at beginning of year		(2,483,853,010)
Quasi-reorganization		2,256,037,518
Net income actually earned during the year:		
Net income closed to retained earnings	65,155,171	
Gain on fair value changes of investment properties	(83,369,324)	(18,214,153)
Deficit as adjusted to available for dividend declaration at end of the year		(₱246,029,645)

VITARICH CORPORATION AND SUBSIDIARIES

(A Subsidiary of Kormasinc, Inc.)

FINANCIAL RATIOS

DECEMBER 31, 2018

Below is a schedule showing financial soundness indicators in the years 2018 and 2017 (in Peso):

	2018	2017
Current/Liquidity Ratio	**1.14**	1.28
Current assets	**2,732,988,222**	2,022,599,022
Current liabilities	**2,399,106,509**	1,578,642,151
Solvency Ratio	**0.05**	0.09
Net income before depreciation and amortization	**138,511,165**	165,943,345
Total liabilities	**2,828,653,543**	1,756,914,692
Debt–to–equity Ratio	**1.87**	1.26
Total liabilities	**2,828,653,543**	1,756,914,692
Total equity	**1,514,428,189**	1,399,476,811
Asset–to–equity Ratio	**2.87**	2.26
Total assets	**4,343,081,732**	3,156,391,503
Total equity	**1,514,428,189**	1,399,476,811
Interest rate coverage Ratio	**2.64**	7.35
Pretax income before interest	**113,563,616**	175,259,176
Interest expense	**43,038,475**	23,840,890
Profitability Ratio	**0.04**	0.09
Net income	**65,155,171**	122,354,168
Total equity	**1,514,428,189**	1,399,476,811

VITARICH CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF SRC RULE 68 AS AMENDED
DECEMBER 31, 2018

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VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
December 31, 2018
(In Thousands)

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at January 31, 2018	Income received and accrued
Cash in banks	₱–	₱217,713	₱–	₱424
Trade and Other Receivables	–	1,467,699	–	–
Security	–	3,458	–	–
	₱–	₱1,688,870	₱–	₱424

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES and PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2018
(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	₱730	₱130	₱4	₱–	₱856	₱–	₱856
Rey D. Ortega, Vice President and General Manager	398	–	89	–	309	–	309
Jonemar Espiritu, Sales Manager	87	6	23	–	70	–	70
Alfredo Espiritu Jr., District Sales Manager	82	14	6	–	90	–	90
Teddy Mendoza, Credit and Collection Officer	87	–	24	–	63	–	63
Brina Bandoja, Manager	141	–	32	–	109	–	109
Willard Endaya, Manager	235	46	120	–	161	–	161
Others*	7,746	5,280	2,535	–	10,491	–	10,491
	₱9,506	₱5,476	₱2,833	₱–	₱12,149	₱–	₱12,149

*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, 2018
(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.	₱55,908	₱–	₱9,397	₱–	₱–	₱46,511	₱–	₱46,511

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS
DECEMBER 31, 2018
(In Thousands)

Description	Beginning balance	Additions	Charged to cost and expense	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Computer software	₱8,317	₱6,527	₱5,036	₱–	₱–	₱9,808

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
DECEMBER 31, 2018
(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	₱97,492	₱23,229	(₱34,995)	₱–	₱–	(₱85,726)	₱–	(₱85,726)
Entity under common control	₱–	₱22,435	₱596	₱–	₱–	₱21,893	₱–	₱21,893

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER
DECEMBER 31, 2018
(In Thousands)

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	Number of shares held by: Related parties	Directors, officers and employees	Public
Common stock – ₱0.38 par value per share						
Authorized - 3,500,000,000 shares	3,500,000	3,054,334	–	2,174,561	68,977	810,796

VITARICH CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP

DECEMBER 31, 2018