COVER SHEET

2 1 1 3 4

S.E.C. Registration Number

VITARICH CORPORATION

(Company's Full Name)

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

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

Atty. Mary Christine Dabu-Pepito

Contact Person

843-30-33 connecting all dept.

Company Telephone Number

12-31

Month *Day*

Fiscal Year

17-A

Form Type

Last Friday of June

06

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

STAMPS

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, 2019**

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. **(+632) 8843-3033**
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 684,565,514.32 as of April 30, 2020.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [✓]

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders
- -

(b) Any information statement filed pursuant to SRC Rule 20
- -

(c) Any prospectus filed pursuant to SRC Rule 8.1
- -

VITARICH CORPORATION

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

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

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

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, it 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. At present, the Corporation's registered principal place of business is 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 Corporation's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

The Corporation went through corporate rehabilitation where its aggregate debt of P3.2 billion was restructured to allow the Corporation to avail of longer payment term and lower interest rate.

Meanwhile, on March 30, 2012, the SEC approved the extension of the Corporation's corporate life to another fifty years starting on July 31, 2012.

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

On November 23, 2017, the Corporation, through the approval of its Board of Directors, issued its authorized and existing but unissued capital stock of P267,836,113.00 divided into 267,836,113 common shares with a par value of Php1.00 per share. The Board of Directors likewise approved the conversion of the Corporation's debt of P407,110,891.00 to Kormasinc, Inc. into equity of the Corporation at a 1:1.52 ratio or 1 common share for every P1.52 debt. The Board of Directors also approved the application of Vitarich's debt of P407,110,891.00 to Kormasinc, Inc. as payment in full to the 267,836,113 common shares issued out of the authorized and existing but unissued shares. On December 22, 2017, the SEC approved the said debt to equity conversion, thereby increasing Kormasinc's ownership interest from 69.20% to 71.90%.

On July 11, 2018, the SEC approved the decrease of the capital stock of the Corporation from P3.5 billion divided into 3.5 billion shares at P1.00/share par value to P1,330,000,000.00 divided into 3.5 billion shares at P0.38/share par value. The SEC also approved the Corporation's equity restructuring to wipe out deficit as of December 31, 2017 of P2,256,037,517.00 against the Additional Paid-In Capital of P2,257,508,376.68.

The Corporation used to have several subsidiaries, namely: Breeder Master, Inc. ("BMI"), which is now known as Cobb Vantress Philippines, Inc. ("CVI"), Gromax, Inc. ("Gromax") and Philippines' Favorite Chicken, Inc. ("PFCI").

BMI was formed through the Company's joint venture agreement with Cobb-Vantress, Inc. ("CVI") in 1988. It was engaged in the production of day-old parent stocks. In 2002, however, 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, CVI was left as the sole shareholder of BMI.

PFCI had several distribution agreements with America's Favorite Chicken Company ("AFC"). 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. The franchise agreement allowed 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 was 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. On 26 July 2017, the BOD and Stockholders of PFCI approved the amendment of its Articles of Incorporation to shorten its corporate life to until March 31, 2019. The SEC also approved PFCI's amendment of Articles of Incorporation. Thus, PFCI was placed under the liquidation process beginning April 1, 2019. The Company deconsolidated PFCI and recognized a gain of P28.2 million on deconsolidation.

On the other hand, Gromax was a wholly owned subsidiary of the Company, which started commercial operation in January 1996. Previously, it was a division of the Company, which was spun off to a separate entity. Gromax was registered with SEC on 10 November 1995.

Effective 01 April 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. The SEC approved on 31 May 2018 Gromax's Amended Articles of Incorporation which shortened its corporate life to until 10 November 2019.

With the disposition of the Company's shares in BMI and the cessation of corporate lives of PFCI and Gromax, the Company no longer has subsidiaries.

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, Cargill, New Hope, CJ Feeds, CP Feeds, Philmico, Uno Feeds and Inoza Feeds for the feed business. Key players in chicken business are San Miguel Corporation (Magnolia), Bounty, Foster, Danway, CP, Sustamina and Leong hup.

Given its vision to continue be the pioneer, agri-business partner, and innovator in the feeds industry, and backbone of every Filipino farmer's success, 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 Company 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 sales. The Corporation has existing sales contracts with business partners and customers in the normal and regular business transactions.

Trademarks, Royalty and Patents

As of 2019, the Company continued to use the following devices and logos, which were previously registered with the Intellectual Property Office on the dates opposite to its names:

	Date Registered
• Vitarich and Devices	November 11, 2010
• Aqua V-Tech and Logo	January 20, 2011
• Gromax Incorporated and design	November 23, 2017
• Cook's Golden Dory all fresh all natural and device	December 22, 2011

The Company is taking steps to renew its registration of its trademarks and it does not hold any other patent, trademark, franchise, concession or royalty agreement.

Certification
The Company's Quality Management Systems ("QMS") enabled the Company 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 Company's commitment toward consistent product quality and safety was further strengthened when the International Organization for Standardization (ISO) certified the Company-owned feed mill facilities in Visayas and Mindanao with ISO 22000:2005 Food Safety and Management Systems (FSMS) for quality and feed safety management systems. The Company 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. The Company continuously complies and maintains the requirements of the standards for Iloilo and Davao Feed Mill plants.

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

Aside from compliance with the environmental laws, the Company, in order to ensure that only safe and wholesome products reach the consumers, also needs government approval for its principal products and services and for the registration of its feedmill, accreditation of chemical laboratory, accreditation of meat plant, and cold storage, from the Bureau of Animal Industry (BAI) and the National Meat Inspection Services (NMIS), respectively. 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 and rendering plant.

The Company had obtained all necessary permits, licenses and government approvals to manufacture and sell their products.

The Company has no knowledge of recent or impending legislation, which, when implemented, can result in a material adverse effect on its 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 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

The inauguration of the Company's renovated Research Center in 2001 upgraded the chemical laboratory capability and further improved the analysis procedure. The acquisition of modern laboratory equipment shortened the duration for analyzing products.

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, it continuously upgrades its equipment, i.e. the LECO protein analyzer, Atomic Absorption Analyzer for Macro and trace minerals including heavy metals. The acquisition of the ICP (Inductively Coupled Plasma) allowed the Company to analyze complex minerals and heavy metals simultaneously. The Gas Chromatograph is capable of accurately determining fatty acid as well as Volatile Fatty Acids and Hormones. The NIR (Near InfraRed System) is capable of determining proximate analysis including amino acids in a very short amount of time. The Company also upgraded its Fat Extractor, Kjel Dahl Protein Analyzer and the Ankom Fiber Analyzer Unit. Active Water and Moisture Analyzer units are used for the stability testing of the finished product as well as maintenance of quality for raw materials. UV Vis Equipment is used for mineral and enzyme analysis. Additional serological tests, including Avian Influenza virus as well as Eliza based Swine serological, were instituted to serve the growing demand of the consumers.

For research and development activities, the Corporation spent P6.1M in 2019, P10.57M in 2018, and P4.4M in 2017.

Cost and Effects of Compliance with Environmental Laws

The Company complies with all environmental laws and regulations implemented by the EMB-DENR and invests appropriately to ensure compliance.

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

1. 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. The cost that was incurred is Php 145,000 for the emission test of Genset and boilers of Plant 1 and Plant2, conducted last May 2019. The Company passed all parameters. The Company will be processing for another set of test for this year before end of May. Processing started last March but is still pending due to COVID-19 , will resume upon availability of EMB and 3rd party emission tester. For Iloilo, Permit to Operate (PTO) for Boiler was acquired Feb 1, 2018 and to expire by March 30, 2022.
2. 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 Wastewater Discharge Permit from EMB-DENR last Dec 26,2019 which will expire on March 26,2021. Total Processing Fee estimated at Php 6,000.00.
3. 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. Davao Plants have been issued with an ECC for Expansion (incorporating the 2 existing ECCs of Davao Feedmill Plant and the acquired DSFC Feedmill Plant). The New ECC (#ECC-OL-R11-2020-0069) was issued last January 20,2020 amending ECC#ECC-R11-1805-0014 and superseding ECC#ECC-R11-1705-0011. Issuance of ECC includes compliance to Clean Air Act, Clean Water Act, Waste Management Act and all other regulatory compliance. Processing cost incurred was around P10,000.00.
4. 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.
5. Continuous improvement of pollution control devices and/or equipment to meet regulatory Standards.

6. 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, 2019, headcount is a total 0f 926 employees, with 588 regular employees and 338 contractual. The Corporation's Collective Bargaining Agreement expires July 31, 2020 and there is no labor unrest.

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.

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, 2019.

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.

<u>Foreign Currency Risk</u>

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.

<u>Interest Rate Risk</u>

As at December 31, 2019 and 2018, 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.

<u>Credit Risk</u>

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.

<u>Liquidity Risk</u>
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.

<u>Price Risk</u>
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, 2019, 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 a project which is critical to its continued operations and will likewise generate substantial cost savings and higher return of investment.

Item 3. LEGAL PROCEEDINGS

On 20 June 2018, the Supreme Court denied the Motion for Reconsideration of Charter Ping An Insurance Corporation (Charter Ping An) of the Supreme Court's denial of the insurance company's Petition for Review on Certiorari under Rule 45, which questioned the Court of Appeals' decision remanding the case to the Regional Trial Court of Malolos, Bulacan for further proceedings insofar as the remaining claim of the Company is concerned. On 10 September 2019, the Supreme Court issued an Entry of Judgment certifying that its resolution on 20 June 2018 has become final and executory on 06 June 2019. Hence, the case shall be remanded to the Regional Trial Court of Malolos, Bulacan for further proceedings on the Company's remaining claim against Charter Ping An.

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 other than those made during the Annual General Meeting of the Stockholders held on 28 June 2019. The results of the said meeting had been disclosed to the Philippine Stock Exchange via the PSE Edge on 28 June 2019 and posted on the Company's website. A copy of the draft of the Minutes of the said meeting is also posted on the Company's website.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

The Company'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:

	2018		2019	
	High	Low	High	Low
1st Quarter	2.02	1.91	1.72	1.66
2nd Quarter	2.64	2.55	1.28	1.26
3rd Quarter	2.08	2.04	1.14	1.10
4th Quarter	1.99	1.90	1.20	1.14

The closing price of the Corporation's common shares as of the last trading date – December 27, 2019 was P 1.20 per share.

As of March 31, 2020, the latest trading date prior to the completion of this annual report, sales price of the common stock was at P0.87/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, 2019 is 4,132 and the total number of shares outstanding on that date was 3,054,334,014.

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	Dec 2019	Dec 2018
Number of Issued & Outstanding Shares	3,054,334,014	3,054,334,014
Number of Stockholders	4,132	4,155
Number of Shares owning at least one board lot each	3,128	3,149

The Company's foreign equity ownership as of December 31, 2019 is as follows:

	No. of Shares	% Ownership
Shares owned by Filipino	2,922,370,572	96%
Shares owned by Foreigners	131,963,442	4%
Total	**3,054,334,014**	**100%**

Dividends

In 1995, the Company declared a cash dividend of P0.10 per share. For the years 1996 up to 2019, the Company did not declare any dividend as it has no unrestricted retained earnings**.**

Sales of Unregistered Securities

On November 23, 2017, Vitarich Corporation agreed to issue 267,836,113 unissued but existing common shares to Kormasinc, Inc. 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, 2019:

	Name of Stockholders	Number of Shares	Percent to Total Outanding Shares
1	PCD NOMINEE CORPORATION (FILIPINO)	2,902,935,407	95.04%
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	131,126,942	4.29%
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	GEORGE CHUA	111,000	0.00%
	Others	11,366,913	0.37%
Total Shares Issued and Outstanding		**3,054,334,014**	**100.00%**

Description of Shares

Securities of the Company 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 2019 compared to Fiscal Year 2018

Consolidated sale of goods increased by 2% only, from 8.3 billion registered in 2018 to 8.4 billion registered in 2019, mainly because of favorable chicken prices in the market during the second half of the year.

Sale of goods per business segment is as follows:

- Food Segment:
  Sale of goods of food segment increased by 5%, from P3.8 billion registered in 2018 to P4.0 billion in 2019 due to favorable selling price of chicken towards the second half of the year.

- Feeds Segment:
  Sale of goods of feeds segment amounted to P3.9 billion in 2019 and 2018. Several hog farm customers were also affected by African Swine fever during the last quarter of the year, nevertheless, the Company still able to sustain its sales during the year.

- Farms Segment:
  Sale of goods of farms segment decreased by 18%, from P570 million registered in 2018 to P466 million in 2019 as poultry industry was badly affected by the unfavorable chicken prices in the market during the first half of the year.

Cost of goods sold increased by 1%, from P7.6 billion in 2018 to P7.7 billion in 2019 due to higher cost of raw materials and high day-old-chick cost.

Gross profit for 2019 amounted to P717 million, higher by 17% or P106 million from P612 million in 2018. Increased gross profit was mainly due to improved efficiency of poultry and feed operations and favorable chicken prices in the market during the second half of the year.

Operating expenses increased by 1% from P585 million in 2018 to P588 million in 2019 due to higher administrative, selling and distribution expenses. Other operating income of P29 million in 2019 was decreased by 4% as compared to 2018 primarily due to lower rental income.

Other charges increased by 190%, from P76 million in 2018 to P220 million in 2019 due to higher tax settlement, interest expense, provision for impairment losses on receivables and one-time consultancy expense. Other income recognized was higher by 130%, from P89 million in 2018 to P204 million in 2019 because of higher gain on fair value changes of investment properties, gain on reversal of long-outstanding payables and recovery of accounts written-off.

Tax expense increased by 158% from P5.4 million in 2018 to P13.9 million in 2019.

For the year, the Company posted a Net Income of P128.8 million in 2019, P63.7 million or 98% higher than 2018 of P65.2 million.

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.

Financial Condition

Total current assets as of December 31, 2019 of P2.3 billion was 17% lower than 2018 of P2.7 billion. Decrease in current assets were due to lower cash, receivables, inventories and other current assets.

Noncurrent assets increased by 20% from P1.6 billion as of December 31, 2018 to P1.9 billion as of December 31, 2019, which are mainly due to gain on fair value changes, net additions to property, plant and equipment and investment properties, and recognition of right of use assets.

Current liabilities decreased by 14% from P2.4 billion as of December 31, 2018 to P2.1 billion as of December 31, 2019 mainly due to decrease in trade and other payables, and short-term loans payable.

Noncurrent liabilities increased by 9% from P429 million as of December 31, 2018 to P469 million as of December 31, 2019 due to higher cash bond deposits, finance lease liabilities and net deferred tax liabilities.

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

	2019	**2018**
Revenue (Php Million):		
Sale of goods	8,439	8,256
Fair value adjustment on biological assets	480	203
Cost Contribution (Php Million):		
Cost of goods sold	7,730	7,645
Fair value adjustment on biological assets	471	203
Gross Profit Rate (%)	8%	7%
Operating Margin (Php Million)	159	57

1) Sales Volume, Price, and Revenue Growth
Consolidated revenue, composed of food, feed, and farm sales including fair value adjustment on biological assets, amounted to P8.9 billion, 5% higher than last year of P8.5 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. This also includes fair value adjustments on biological assets. 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, 2019 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 2019, 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.

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 2019. 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 2019, 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 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 auditors 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 Company on any matter of accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

The directors of the Company are elected at the annual meeting of the stockholders 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 organizational meeting held right after the annual meeting of the stockholders. The Board also elects during its organizational meeting the chairman and members of the Audit, Risk Oversight and Related Party Transactions as well as the chairman and members of the Nominations, Remuneration, and Corporate Governance Committees. There are two (2) independent directors, one of whom is the Chairman of the Audit, Risk Oversight and Related Party Transactions Committee and the other heads the Nominations, Remuneration, and Corporate Governance Committee. The officers 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 vacncy shall be filled by the Board of Directors.

Jose Vicente C. Bengzon III, Filipino, 62 years old
Director/Chairman of the Board
Mr. Bengzon is an Independent Director of Bermaz Auto Phil's Inc. since 2017 and Inception Technology Philippines Corp. since 2020, Director & Chairman of Audit Committee of Century Peak Mining Corp from 2016 to 2018; 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; and Senior Adviser to the Board,

Malayan Bank, since 2018. Prior to this, he was 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, 43 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 and Rotary Club of Manila. Mr. Sarmiento joined Vitarich in July 2005.

Stephanie Nicole M. Sarmiento-Garcia, Filipino, 40 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. In February 2020, Ms. Garcia was elected President of Philippine Association of Feed Millers, Inc. (PAFMI).

Rogelio M. Sarmiento, Filipino, 71 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, 45 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, 69 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 Vice-Chairman of the Board of Trustees of Southridge PAREF School for Boys. He served as Presidentof the EduChild Foundation (November 2004 to August 2019) and was 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, 62 years old
Director
Mr. Diestro is an International Human Resources Manager and currently the President and CEO of HRK Management Consultancy, and Board Member of HRK Consulting Corporation. He was the Founder and Vice President Human Resources and Administrative Department of Quick Reliable Courier Services Inc. a logistics company. At present, he is a member of the PMAP – Industrial Relations Committee , 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., (An Ayala Subsidiary) , 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, 39 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, 67 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, 64 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.

Eugenio B. Bayta Jr., Filipino, 56 years old
Vice President and National Poultry Processing Manager
Engr. Eugene Bayta joined Vitarich Corporation in November of 2018 as the Vice President, National Poultry Processing Manager. He earned his Bachelor’s degree in Agricultural Engineering at the University of the Philippines at Los Banos in 1985 and passed the Board in 1987, placing 4th among the passers. He has 31 years of experience in the poultry industry having worked for RFM Corporation, Swift Foods, Inc. and Poultrymax Omnis, Inc. . He has extensive experience in the whole Broiler Integration Operation from Broiler Breeding all the way down to Poultry Processing Operations.

Alicia G. Danque, Filipino, 47 years old
Vice President & Supply Chain Director, Alternate Corporate Information Officer
Mrs. Alicia Gregorio - Danque was appointed as Vice President & Supply Chain Director effective January 1, 2020, to provide over-all directions in feed operations and supply chain. Hired in 1995, Ms. Danque was Corporate Planning Manager for 16 years. She was born in Bulacan, where she currently resides. She

is a graduate of BS Industrial Engineering at Mapua University and took up postgraduate courses in Philippine Women's University and University of Asia and the Pacific.

Emmanuel S. Manalang, Filipino, 56 years old
Vice President & Nutrition and Research & Development Manager
Dr. Emmanuel S. Manalang was appointed as Vice President & Nutrition and Research & Development Manager on August 1, 2019. He is a graduate of Veterinary Medicine from the University of the Philippines in 1985. He started his career in Animal Nutrition working for ER Squibb and Sons Philippines as a Vitamin Mineral Specialist. He has developed his skills by enriching his experience working with Ciba Geigy Philippines, Ajinomoto, Amino Acid Department as a Technical Manager. He has been an Animal Nutritionist/Nutrition consultant for many commercial feed mills and farm operations nationwide since 1989. Dr. Manalang has a vast experience in the field of Swine and Poultry Nutrition, Aqua Nutrition and Pet Nutrition. He is also engaged in exotic bird breeding and management.

Glenmark R. Seducon, Filipino, 29 years old
Chief Audit Executive
Mr. Glenmark Seducon was appointed as Chief Audit Executive on August 23, 2019. Prior to joining the Company, he was a former Audit Associate Manager in Reyes Tacandong & Co. (a member firm of RSM International) with over 5 years of experience in handling audit of both private and publicly-listed companies in the field of manufacturing, hotel and restaurants, real estate, foundations, port operations, retails, not-for-profit corporations, service organizations and BPO. A Certified Public Accountant, Mr. Seducon graduated from Far Eastern University – Manila and received his Bachelor of Science in Accountancy as Magna Cum Laude.

Rhuel S. Diego, Filipino, 50 years old
Vice President, Commercial Feeds Business Manager
Mr. Rhuel S. Diego was appointed as Vice President, Commercial Feeds Business Manager last January 9, 2019 and serve as such until his resignation last April 3, 2020. He is a graduate of University of Santo Tomas with a degree of Bachelor of Science in Medical Technology. He worked in Wyeth Phils. Inc. as Distribution Development Manager from 1995-2004. He was the District Manager at Wrigley Philippines Incorporated from 2004-2007 and District Manager in 2008. He has extensive professional training in the areas of Sales, Marketing, and Distributor Management, Distribution Trends and Development, Key Accounts Management, Category Management, Public Speaking and Presentation, Systematic Selling Procedures, Business Analysis, Leadership and Coaching, and People Development.

Atty. Aison Benedict C. Velasco, Filipino, 42years old
Corporate Secretary
Atty. Velasco was appointed as Corporate Secretary of the Corporation last 26 April 2019. He is presently a Partner of the Angara Abello Concepcion Regala & Cruz Law Office (ACCRALAW), the firm he joined in 2003. He obtained his bachelor's degree from the Ateneo de Manila University in 1999 and his Juris Doctor law degree from the same university in 2003 graduating with Second Honors. Presently, he acts as corporate secretary of several companies, including AB Mauri Philippines, Inc., ELC Beauty, Inc., Smartmatic Philippines, Inc., UBS Securities Philippines, Inc., UBS Investments Philippines, Inc., Campaigns & Grey, Inc., Plastic Container Packaging Corporation and Consolidated Copolypack Corporation. He assisted clients in establishing mutual funds and exchange traded-funds, conducting public offerings of shares and bonds and undertaking backdoor-listings.

Atty. Mary Christine C. Dabu-Pepito, Filipino, 34 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 21 March 2016. 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 and was admitted to the Bar on 28 March 2012. She joined Dulay, Pagunsan & Ty Law Offices as one of its Associate Lawyers 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.

Family Relationships
Director Rogelio M. Sarmiento is the father of Directors Ricardo Manuel M. Sarmiento and Stephanie Nicole S. Garcia.

Directors Benjamin I. Sarmiento Jr. and Lorenzo Vito M. Sarmiento III are the cousins of Directors Ricardo Manuel M. Sarmiento and Stephanie Nicole S. Garcia.

Director Jose M. Sarmiento is the brother of Director Rogelio M. Sarmiento and the uncle of Directors Ricardo Manuel M. Sarmiento, Stephanie Nicole S. Garcia, Benjamin I. Sarmiento Jr. and Lorenzo Vito M. Sarmiento III.

Significant Employees
No other persons aside from the Directors and Executive Officers are expected to make a significant contribution to the business of the Corporation.

Involvement in Certain Legal Proceedings
The Company has no knowledge of any event during the past five (5) years up to the latest filing date which any of its directors or executive officers had been or are currently 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/her involvement in business, securities, commodities or banking activities.

Item 10. EXECUTIVE COMPENSATION

Standard Arrangement
The members of the Board of Directors are entitled to a per diem of P10,000 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 P5,000 for every meeting participation.

Arrangements with Directors & Officers
The Company does not extend or grant warrants or options to its executive officers and directors. Thus, it 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:

	2019	2018	2017
Short-term employee benefits	**29,166,000**	30,615,276	21,436,701
Retirement benefits	**3,909,370**	1,736,520	1,196,965
Compensation paid in share of stock/equivalent value in cash	**0**	0	–
Others	**11,651,464**	12,759,026	5,952,556
	44,726,834	45,110,822	28,586,222

	2019	2018	2017
Short-term employee benefits	**29,166,000**	30,615,276	21,436,701
Retirement benefits	**3,909,370**	1,736,520	1,196,965
Compensation paid in share of stock/equivalent value in cash	**0**	0	–
Others	**11,651,464**	12,759,026	5,952,556
	44,726,834	45,110,822	28,586,222

	2019	2018	2017
Short-term employee benefits	**29,166,000**	30,615,276	21,436,701
Retirement benefits	**3,909,370**	1,736,520	1,196,965
Compensation paid in share of stock/equivalent value in cash	**0**	0	–
Others	**11,651,464**	12,759,026	5,952,556
	44,726,834	45,110,822	28,586,222

The aggregate compensation including other remunerations 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	2019		
2. STEPHANIE NICOLE S. GARCIA- EVP, Corporate Management Services Director/Treasurer	2019		
3. REYNALDO D. ORTEGA – SVP, Poultry and Livestock	2019		
4. EUGENE B. BAYTA JR. -VP, National Poultry Processing Head	2019		
5. EMMANUEL S. MANALANG – VP, Nutrition/R&D Head	2019		
TO T A L (Estimated)	2020	21.54	-
	2019	13.96	-
	2018	10.62	-
ALL OTHER OFFICERS & DIRECTORS AS A COMPANY UNNAMED (Estimated)	2020	2.31	-
	2019	1.65	-
	2018	2.23	-

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. **Eugene B. Bayta Jr.** – VP, National Poultry Processing Head
5. **Emmanuel S. Manalang** – VP, Nutrition/R&D 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 2019 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	2,902,935,407	95.04%
	KORMASINC, INC. 7th Floor, LTA Bldg., 118 Perea St. Legazpi Village, Makati City	Various Beneficial Owners	Filipino	2,178,799,604	71.33%

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

The number of common shares beneficially owned by directors and executive officers as of 31 December 2019 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	57,784,990	Filipino	1.89%
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	8,476,034	Filipino	0.28%
Common	Eugenio B. Bayta Jr.	0	Filipino	0.00%
Common	Emmanuel S. Manalang	0	Filipino	0.00%
Common	Reynaldo D. Ortega	769,974	Filipino	0.03%
Common	Rhuel S. Diego*	0	Filipino	0.00%
Common	Mary Christine Dabu-Pepito	0	Filipino	0.00%
Common	Glenmark R. Seducon	0	Filipino	0.00%
Common	Alicia G. Danque	0	Filipino	0.00%

* Mr. Rhuel S. Diego resigned as Vice President & Distributor Sales Director on April 3, 2020.

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.

<u>Payable to a Stockholder</u>

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)

Due to and from related parties

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

Trade Payable. The Company buys raw materials, hogs, and breeder flocks from related parties and sells animal feeds, raw materials, feed supplements and dressed chicken to related parties (see Note 12).

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

		2019		2018	
Related Parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	**₱843,138,904**		₱32,062,295	
	Collections	**(640,264,819)**	**₱228,610,377**	(6,326,003)	₱25,736,292
Trade and other payables					
Entities under common control	Purchases	**₱1,591,869,921**		₱9,626883	
	Payments	**(1,501,864,550)**	**₱93,848,569**	(5,783,685)	₱3,843,198

The Company also avails of interest-bearing advances from a shareholder which are payable within a year.

		2019		2018	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Stockholder	Advances for working capital	**(₱85,726,435)**	**₱–**	₱5,000,000	₱85,726,435
	Interest	**13,378,992**	**–**	15,888,383	–
			₱–		₱85,726,435

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.

		2019		2018	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances

	Nature of Transactions	**2019** Amount of Transactions	**2019** Outstanding Balances	2018 Amount of Transactions	2018 Outstanding Balances
Advances to officers and employees	Net transactions	**₱126,867**	**₱12,276,664**	₱25,438,80	₱12,149,797

Compensation of Key Management Personnel

The compensation includes the following:

	2019	2018	2017
Short-term employee benefits	**₱38,616,323**	₱40,928,845	₱25,982,444
Retirement benefits	**3,909,370**	1,736,520	1,196,965
Others	**2,201,141**	2,445,458	1,406,813
	₱44,726,834	₱45,110,823	₱28,586,222

Voting Trust Holders of 5% or more

The Company is not aware of any person holding more than 5% of its common shares under a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the Company 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

The Company complies and adheres to its Amended Manual on Corporate Governance. The Board of Directors and the management, from time to time, makes the necessary amendments to its policies and strategies to ensure business continuity while employing the best practices in corporate governance. The members of the Board of Directors disclose any potential or actual conflict of interest they may have in a transaction presented for approval of the Board. They likewise inhibit from the discussions and voting of the said transaction. The Company continues to improve its corporate governance practices.

On 23 August 2019, the Company appointed Mr. Glenmark R. Seducon as its Chief Audit Executive. It likewise approved the Internal Audit Charter of the Company. In addition, the Company approved during the said meeting its Material Related Party Transactions Policy.

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 neither applicable to the Company nor require an answer.

(b) Reports on SEC Form 17-C

The following are the items reported under SEC Form 17-C for the year 2019:

Date of Report	REMARKS
January 9, 2019	Appointment of Mr. Rhuel S. Diego and Mr. Eugenio B. Bayta Jr.
January 31, 2019	Clarification of News Reports
February 26, 2019	Resignation of Mr. Josefino A. Tapia Jr. as VP & Supply Chain Director
March 8, 2019	Resignation of Mr. Rufino S. Fermin II as VP & Chief Strategy Officer
April 8, 2019	Approval of 2018 Audited Financial Statement
April 26, 2019	Notice of Annual General Meeting 2019
April 26, 2019	Resignation of Atty. Hilado and Appointment of Atty. Velasco as Corporate Secretary
May 20, 2019	Advisement letter to send DIS thru CD
May 30, 2019	List of Stockholders entitled to vote 2019
June 11, 2019	Certificate of Finality
June 28, 2019	Results of Annual General Meeting and Organizational Meeting 2019
July 31, 2019	Appointment of Mr. Emmanuel S. Manalang as Vice President & Nutrition and R&D
August 23, 2019	Approval of Internal Audit Charter and Appointment of Mr. Glenmark R. Seducon
August 23, 2019	Approval of Material Related Party Transactions Policy
September 27, 2019	Charter Ping An Insurance
December 27, 2019	Related Party 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 ______________ on ________, 20__.

By:

Ricardo Manuel M. Sarmiento CEO & President (Principal Executive Officer)	**Marian A. Dionisio** Comptroller (Principal Financial Officer)
Stephanie Nicole S. Garcia Treasurer (Principal Operating Officer)	**Atty. Aison Benedict C. Velasco** Corporate Secretary

SUBSCRIBED AND SWORN to before me this 10 JUN 2020 ____ day of ________ 20__ affiant(s) exhibiting to me his/their Valid Identification numbers, as follows:

NAMES	VALID ID NO.	DATE OF EXPIRATION
Ricardo Manuel M. Sarmiento	Driver's License No. N03-94-158946	January 20, 2022
Stephanie Nicole S. Garcia	Philippine Passport No. P3674375A	July 12, 2022
Marian A. Dionisio	SSS No. 33-7232268-8	
Atty. Aison Benedict C. Velasco	Driver's License No. C10-95-114434	March 13, 2024

NENITA DELA CRUZ TUAZON
NOTARY PUBLIC
PNC-58-MB-2018 UNTIL DEC. 31, 2020
SANDICO ST., POBLACION I, MARILAO, BULACAN
IBP ~~LIFE NO. 59 1042~~/BULACAN/5/12/2003
Notary Public
PTR NO. 0881183/MARILAO, BULACAN/1/7/2020
TIN 170-907-664-000
ATTORNEYS ROLL NO. 47194
MCLE COMPLIANCE NO. VI-001862 UNTIL APRIL 14, 2022

DOC. NO. 360
PAGE NO. 61
BOOK NO. 5
SERIES OF 2020

REPUBLIC OF THE PHILIPPINES
NENITA DC. TUAZON
ROLL NO. 47194
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, 2019 and 2018** 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 10 day of JUN 2020 2020

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

PERSONALLY APPEARED BEFORE, a Notary Public for in the Province of Marilao, Bulacan, today June 10, 2020 affiants who subscribe and sworn to the foregoing documents and who vows under the PENALTY OF LAW to the truth of the contents of the foregoing documents.

I hereby certify that the affiants have been identified by undersigned Notary Public through the competent of Evidence of Identity as follows:

JOSE VICENTE C. BENGSON III	OSCA ID No. 57016
RICARDO MANUEL M. SARMIENTO	DLR ID No. N03-94-158946
STEPHANIE NICOLE S. GARCIA	PASSPORT No. P3674375A

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Book No. 5
Series of 2020

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

NENITA DELA CRUZ TUAZON
NOTARY PUBLIC
PHC-58-MS-2016 UNTIL DEC 31, 2020
SANDICO ST., POBLACION I, MARILAO, BULACAN
IBP LIFE NO. 571542/BULACAN/5/19/2003
PTR NO. 0881125/MARILAO, BULACAN/1/2/20
TIN 170-907-664-000
ATTORNEYS ROLL NO. 47194
MCLE COMPLIANCE NO. VI-0011862 UNTIL APRIL 14, 2022

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	2	1	1	3	4

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
agd@vitarich.com	(044) 843-3033	(0918) 848 2200
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
4,132	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.

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

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 statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019 and 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *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.

Impairment Testing of Insurance Claims Receivable

As at December 31, 2019, the carrying value of the Company's insurance claims receivables amounted to ₱115.4 million which is assessed for impairment. The Company is currently involved in legal proceedings to pursue the collection of the remaining balance of insurance claims receivable. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether the amount is impaired.

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 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, 8 and 15 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 involved our internal specialist in evaluating the valuation technique and assumptions used. 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

The Company accounts for its investment properties using the fair value model. These properties represent 19% of the consolidated total assets as at December 31, 2019. 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 as a key audit matter.

The disclosures relating to investment properties are included in Note 11 of the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of the external appraiser by considering their qualifications, experience and reporting responsibilities. 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.

Adoption of PFRS 16, *Leases*

Effective January 1, 2019, the Company adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Company's accounting policy for leases. The Company's adoption of PFRS 16 is significant to our audit because the recorded amounts are material to the consolidated financial statements. This resulted in the recognition of right of use assets and lease liability amounting to ₱65.9 million and ₱68.8 million, respectively, as of January 1, 2019, and the recognition of depreciation expense and interest expense of ₱64.4 million and ₱7.8 million, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Company's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients.

On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments.

We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Other Matter

The consolidated financial statements of Vitarich Corporation and subsidiaries as at and for the year ended December 31, 2017 were audited by other auditors whose report dated April 6, 2018 expressed an unqualified opinion on those consolidated statements. As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments described in Note 2 that were applied to amend the 2017 statement of comprehensive income. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2017 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 consolidated financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019 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, 2019, 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.

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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-3 (Group A),
October 17, 2019, valid until October 16, 2022
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-095-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8121298, January 6, 2020, Makati City

June 8, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 6)	**₱179,645,390**	₱217,712,840
Trade and other receivables (Note 7)	**1,451,787,414**	1,467,699,472
Inventories and livestock (Note 8)	**566,738,049**	936,527,822
Other current assets (Note 9)	**72,169,035**	111,048,088
Total Current Assets	**2,270,339,888**	2,732,988,222
Noncurrent Assets		
Property, plant and equipment (Note 10)	**924,873,846**	966,942,452
Investment properties (Note 11)	**802,266,589**	629,884,644
Right-of-use assets (Note 9)	**187,664,899**	–
Other noncurrent assets (Note 9)	**18,100,256**	13,266,414
Total Noncurrent Assets	**1,932,905,590**	1,610,093,510
	₱4,203,245,478	₱4,343,081,732
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱1,600,955,492**	₱1,735,186,367
Loans payable (Note 13)	**384,132,265**	649,999,929
Current portion of lease liabilities (Note 25)	**86,981,626**	–
Current portion of finance lease liabilities (Note 25)	–	13,920,213
Total Current Liabilities	**2,072,069,383**	2,399,106,509
Noncurrent Liabilities		
Cash bond deposits (Note 14)	**40,954,787**	40,343,557
Net retirement liability (Note 20)	**91,516,839**	101,580,458
Loans payable - net of current portion (Note 13)	**148,202,912**	172,480,055
Lease liabilities - net of current portion (Note 25)	**106,953,936**	–
Finance lease liabilities - net of current portion (Note 25)	–	42,813,390
Net deferred tax liabilities (Note 21)	**81,075,807**	72,329,574
Total Noncurrent Liabilities	**468,704,281**	429,547,034
Total Liabilities	**2,540,773,664**	2,828,653,543
Equity		
Capital stock (Note 23)	**1,160,646,925**	1,160,646,925
Additional paid-in capital (Note 1)	**1,470,859**	1,470,859
Retained earnings	**173,183,434**	39,162,470
Other comprehensive income (Note 23)	**327,170,596**	313,147,935
Total Equity	**1,662,471,814**	1,514,428,189
	₱4,203,245,478	₱4,343,081,732

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		
	2019	2018	2017
REVENUE			
Sale of goods, net of discount (Notes 5 and 15)	**₱8,438,897,411**	₱8,256,341,639	₱6,493,532,984
Fair value adjustment on biological assets (Notes 2 and 15)	**479,569,099**	202,726,256	167,505,187
	8,918,466,510	8,459,067,895	6,661,038,171
COST OF GOODS SOLD (Note 16)			
Cost of goods sold	**(7,729,616,389)**	(7,644,570,074)	(5,772,014,096)
Fair value adjustment on biological assets (Notes 2 and 15)	**(471,362,481)**	(202,726,256)	(167,505,187)
	(8,200,978,870)	(7,847,296,330)	(5,939,519,283)
GROSS PROFIT	**717,487,640**	611,771,565	721,518,888
Operating expenses (Note 17)	**(588,305,146)**	(584,950,961)	(550,684,190)
Other operating income (Note 18)	**29,398,993**	30,718,718	35,757,918
	(558,906,153)	(554,232,243)	(514,926,272)
OPERATING PROFIT	**158,581,487**	57,539,322	206,592,616
OTHER INCOME (CHARGES) – Net (Note 19)	**(15,894,366)**	12,985,819	(55,174,330)
INCOME BEFORE INCOME TAX	**142,687,121**	70,525,141	151,418,286
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)			
Current	**28,333,100**	12,927,844	22,789,816
Deferred	**(14,469,008)**	(7,557,874)	6,274,302
	13,864,092	5,369,970	29,064,118
NET INCOME	**128,823,029**	65,155,171	122,354,168
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss:			
Actuarial gain (loss) - net of deferred income tax (Note 20)	**19,220,596**	(12,970,939)	–
Revaluation increase on property, plant and equipment - net of deferred income tax (Note 10)	**–**	63,521,507	–
	19,220,596	50,550,568	–
TOTAL COMPREHENSIVE INCOME	**₱148,043,625**	₱115,705,739	₱122,354,168
EARNINGS PER SHARE - BASIC AND DILUTED (Note 24)	**₱0.04**	₱0.02	₱0.04

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		
	2019	2018	2017
CAPITAL STOCK			
Balance at beginning of year	**₱1,160,646,925**	₱3,054,334,014	₱2,786,497,901
Quasi-reorganization (Note 1)	**–**	(1,893,687,089)	–
Issuances	**–**	–	267,836,113
Balance at end of year (Note 23)	**1,160,646,925**	1,160,646,925	3,054,334,014
ADDITIONAL PAID - IN CAPITAL			
Balance at beginning of year	**1,470,859**	363,821,288	224,546,510
Quasi-reorganization (Note 1)	**–**	(2,256,037,518)	–
Reduction in par value (Note 1)	**–**	1,893,687,089	–
Issuances	**–**	–	139,274,778
Balance at end of year	**1,470,859**	1,470,859	363,821,288
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year	**39,162,470**	(2,289,382,822)	(2,417,045,094)
PFRS 9 transition adjustment	**–**	(754,361)	–
Balance at beginning of the year, restated	**39,162,470**	(2,290,137,183)	(2,417,045,094)
Net income	**128,823,029**	65,155,171	122,354,168
Transfer to retained earnings (deficit) of revaluation reserve realized through depreciation, net of deferred income tax (Note 10)	**5,197,935**	8,106,964	5,308,104
Quasi-reorganization (Note 1)	**–**	2,256,037,518	–
Balance at end of year	**173,183,434**	39,162,470	(2,289,382,822)
OTHER COMPREHENSIVE INCOME			
Balance at beginning of year	**313,147,935**	270,704,331	276,012,435
Actuarial gain (loss), net of deferred income tax (Note 20)	**19,220,596**	(12,970,939)	–
Transfer to retained earnings (deficit) of revaluation reserve realized through depreciation, net of deferred income tax (Note 10)	**(5,197,935)**	(8,106,964)	(5,308,104)
Revaluation increase on property, plant and equipment, net of deferred income tax (Note 10)	**–**	63,521,507	–
Balance at end of year	**327,170,596**	313,147,935	270,704,331
	₱1,662,471,814	₱1,514,428,189	₱1,399,476,811

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		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱142,687,121**	₱70,525,141	₱151,418,286
Adjustments for:			
Gain on fair value changes of investment properties (Note 11)	**(158,346,757)**	(83,369,324)	–
Depreciation and amortization (Notes 9 and 10)	**160,937,330**	73,355,993	43,589,177
Interest expense	**81,909,050**	43,038,475	23,840,890
Retirement benefit expense (Note 20)	**19,571,098**	15,552,680	–
Gain on fair value of biological assets (Note 15)	**(8,206,618)**	–	–
Provision for doubtful accounts (Note 7)	**23,124,961**	22,975,638	–
Provision for (reversal of) allowance for inventory obsolescence (Note 8)	**(2,382,824)**	2,386,863	–
Interest income	**(2,341,144)**	(1,563,922)	(1,754,128)
Gain on disposal of property, plant and equipment	**(410,176)**	–	–
Impairment loss (Note 1)	–	7,448,386	–
Loss on disposal of investment properties	–	4,871,427	–
Amortization of debt issue cost	–	33,180	–
Loss on deconsolidation of a subsidiary	–	–	(28,196,360)
Operating income before working capital changes	**256,542,041**	155,254,537	188,897,865
Decrease (increase) in:			
Trade and other receivables	**(5,099,672)**	(362,768,199)	48,039,314
Inventories and livestock	**380,379,215**	(431,240,558)	(26,089,557)
Other current assets	**38,879,053**	(34,221,527)	(11,053,361)
Other noncurrent assets related to operations	**(23,377,800)**	2,052,018	(3,007,572)
Increase (decrease) in:			
Trade and other payables	**(133,320,002)**	344,344,369	(81,325,037)
Cash bond deposits	**611,230**	8,840,989	8,142,040
Retirement liability	–	–	2,376,780
Net cash generated from (used for) operations	**514,614,065**	(317,738,371)	125,980,472
Income tax paid	**(13,355,257)**	(12,927,844)	–
Retirement benefits paid (Note 20)	**(2,176,724)**	(17,033,671)	–
Interest received	**227,913**	1,563,922	1,754,128
Net cash provided by (used in) operating activities	**499,309,997**	(346,135,964)	127,734,600
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment	**(94,213,429)**	(374,946,853)	(67,363,178)
Investment properties	**(14,035,188)**	(11,211,338)	(434,000)
Proceeds from sale of property, plant and equipment	**4,942,934**	3,692,058	–
Net cash used in investing activities	**(103,305,683)**	(382,466,133)	(67,797,178)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans	**1,069,496,769**	1,290,791,104	–
Payments of loans	**(1,359,641,576)**	(627,679,859)	170,369,800
Interest paid	**(74,965,307)**	(39,802,426)	(23,840,890)
Payments of lease liabilities	**(68,961,650)**	–	–
Net cash provided by (used in) financing activities	**(434,071,764)**	623,308,819	146,528,910
NET INCREASE (DECREASE) IN CASH	**(38,067,450)**	(105,293,278)	206,466,332
CASH AT BEGINNING OF YEAR	**217,712,840**	323,006,118	116,539,786
CASH AT END OF YEAR	**₱179,645,390**	₱217,712,840	₱323,006,118

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Vitarich Corporation (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	**2019**	2018
Gromax, Inc. (Gromax)*	Manufacturing	**100%**	100%
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 23).

On June 30, 2017, the Company's stockholders approved the Company's plan to undergo a Quasi-reorganization. The Company reduced the par value of the Company share and the existing additional paid-in capital and outstanding revaluation surplus was 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 par value of ₱0.38 each. The reduction in par value resulted to recognition of additional paid in capital of ₱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 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 ceased operations since 2015. In 2018, 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 were authorized for issue by the BOD on June 8, 2020.

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

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. 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 reportingperiod
  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 financial instruments, biological assets, property, plant and equipment and investment properties.

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 Livestock*
- Note 10, *Property, Plant and Equipment*
- Note 11, *Investment Properties*
- Note 28, *Fair Value Information*

Changes in Accounting Policies, Disclosures and Presentation
The Company applied PFRS 16 and IFRIC 23 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 16, *Leases*
PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statements of financial position.

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. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted PFRS 16 using 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. 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 has lease contracts for transportation equipment, warehouses and office buildings. Before the adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

Leases previously accounted for as operating leases
The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized on an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statements of financial position immediately before the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Leases previously classified as finance leases
The Company recognized right-of-use assets and lease liabilities for those leases previously classified as finance leases. The carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

The effect of adoption PFRS 16 as at January 1, 2019 is as follows:

	Increase (decrease)
Assets	
Right-of-use asset - Transportation equipment, net	₱53,813,202
Right-of-use asset - Building	12,065,911
Property, plant and equipment, net	(53,813,202)
Liabilities	
Lease liabilities	68,799,514
Finance lease liabilities	(56,733,603)

The lease liability at as January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱29,736,825
Weighted average incremental borrowing rate at January 1, 2019	7.10%
Discounted operating lease commitments at January 1, 2019	29,508,132
Less: Commitments relating to short term leases	17,442,221
	12,065,911
Add: Reclassification of finance lease liabilities	56,733,603
Lease liabilities recognized at January 1, 2019	₱68,799,514

Due to adoption of PFRS 16, the Company's operating profit in 2019 has improved, while its interest expense has increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17. The Company's cash flows from operating activities have increased and cash flows from financing cash flows decreased as repayment of the lease liabilities were classified as cash flows from financing activities. In addition, the Company's total assets and total liabilities have increased due to the recognition of right-of-use asset and lease liabilities.

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*. It does not apply to taxes or levies outside the scope of PAS 12, *Income Taxes,* 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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessment that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Company.

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.

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, *Revenue from Contracts with Customers*.

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 'solely payments of principal and interest' (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 rate (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 in banks, trade and other receivables (excluding advances to suppliers and officers and employees) 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, 2019.

Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Note 3, *Significant Judgment, Accounting Estimates and Assumptions*
- Note 7, *Trade and Other Receivables*

The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECL is 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, Insurance Claims Receivable and Security Deposits
ECL is recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit loss 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 loss expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in banks, the Company assessed that placements are with reputable counterparty banks that possess good credit ratings.

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 ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL 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.

Impairment of Financial Assets (Prior to January 1, 2018)
The Company assesses at each financial reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them 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 there is objective evidence that an impairment loss 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 (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial asset together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Other Financial Liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

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. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

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 in accordance with PAS 41, Agriculture. Starting January 1, 2019, the Company recognized the amount of fair value adjustment on agricultural produce that are sold during the year. 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 unobservable 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.

The fair value adjustments of livestock that are sold during the year is presented as part of revenues and cost of sales. Accordingly, the Company restated its 2018 and 2017 statements of income to present the amount of fair value adjustments as part of revenue with corresponding adjustments on cost of sales amounting to ₱202.7 million and ₱167.5 million in 2018 and 2017, respectively.

The adjustments did not have any impact on the net income, earnings per share, statement of financial position and statement of cash flows for the years ended December 31, 2018 and 2017.

Other Assets

Other current assets consist of creditable withholding tax (CWT), prepayments, 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 right-of-use asset, project development costs, security deposits (disclosed under financial instruments), and computer software.

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.

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 valueas 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, right-of-use asset, 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.

OCI. OCI comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. OCI 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 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 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 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 considerationthat 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, 2019, 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, 2019, the Company's estimated right of return assets and refund liabilities is not material.

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

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

Other Income. Other income is recognized when earned. 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.

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

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

Starting January 1, 2019, the Company adopted PFRS 16.

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee. The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, amortization is calculated using the estimated useful life of the assets.

The amortization periods for the right-of-use asset, based on the above policies, are as follows:

Asset Type	Number of Years
Right-of-use asset - transportation equipment	5
Right-of-use asset - buildings	2 to 5
Right-of-use asset – machineries	2 to 3

Lease liabilities. At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases (Prior to January 1, 2019)

Prior to adoption of PFRS 16, the determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Company as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When the Company enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset and is dependent on the use of a specific asset or assets, the Company assesses whether the arrangement is, or contains, a lease. The Company does not have such arrangements.

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 interim 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.

Impairment testing 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 significant 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.

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, 2019 and 2018 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 interim 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 ECL is a significant estimate. The amount of ECL 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 ECL 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 ₱23.1 million, ₱23.0 million and nil in 2019, 2018 and 2017, respectively, (see Note 7).

The carrying value of trade and other receivables amounted to ₱1,451.8 million and ₱1,467.7 million as at December 31, 2019 and 2018, respectively. Allowance for impairment losses on trade and other receivables as at December 31, 2019 and 2018 amounted to ₱310.9 million and ₱287.8 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

Description	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
			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, 2019 and 2018 amounted to ₱483.1 million and ₱671.8 million, respectively. Allowance for inventory obsolescence as at December 31, 2019 and 2018 amounted ₱4,039 and ₱2.4 million, 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 machinery and equipment, buildings, land improvements, office furniture, fixtures and equipment and leasehold improvements, 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 and 2019, respectively. 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 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.

In 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).

In December 2019 and 2018, the Company's investment properties were re-appraised by an independent firm of appraisers resulting to an additional fair value gain of ₱158.3 million and ₱83.4 million, respectively (see Note 11).

The carrying value of property, plant and equipment amounted to ₱924.9 million and ₱966.9 million as at December 31, 2019 and 2018, respectively (see Note 10). The carrying value of investment properties amounted to ₱802.3 million and ₱629.9 million as at December 31, 2019 and 2018 respectively (see Note 11).

Estimation of Useful Lives of Property, Plant and Equipment (Except Land and Construction in Progress), Right-of-Use Asset and Computer Software. The Company reviews annually the estimated useful lives of property, plant and equipment (except land), right-of-use asset 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, right-of-use asset and computer software.

The carrying amount of property, plant and equipment, right-of-use asset and computer software as at December 31, follows:

	December 2019	December 2018
Property, plant and equipment* (see Note 10)	**₱523,318,623**	₱507,608,431
Right-of-use asset	**187,664,899**	–
Computer software (see Note 9)	**7,540,538**	9,808,272
	₱718,524,060	₱517,416,703

**Excluding the carrying amount of land amounting to ₱386.8 million and ₱385.3 million as at December 31, 2019 and 2018, respectively and construction in progress amounting to ₱14.8 million and ₱74.0 million as at December 31, 2019 and 2018*

Leases - Estimating the incremental borrowing rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Company's lease liabilities amounted to ₱193.9 million as of December 31, 2019.

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 include 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 include 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, right-of-use asset and computer software as at December 31, 2019 and 2018 amounted to ₱1,120.1 million and ₱976.8 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 20.

The estimated present value of defined benefit obligation amounted to ₱95.3 million and ₱105.1 million as at December 31, 2019 and 2018, respectively, while fair value of plan assets amounted to ₱3.8 million and ₱3.6 million as at December 31, 2019 and 2018, respectively (see Note 20).

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 MCIT with income tax effect amounting to ₱1.2 million, and ₱16.2 million as at December 31, 2019 and 2018, respectively (see Note 21). Management has assessed that it may not be probable that future taxable profit will be available in the near future against which these deferred tax assets can be utilized.

Deferred tax assets recognized by the Company amounted to ₱126.2 million and ₱126.8 million as at December 31, 2019 and 2018, respectively (see Note 21).

4. Deconsolidation of a Subsidiary

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

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 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):

	December 31, 2019					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	₱4,031,723	₱3,941,107	₱466,067	₱–	₱–	₱8,438,897
Fair value adjustment on biological Assets	266,646	–	212,923	–	–	479,569
	₱4,298,369	₱3,941,107	₱678,990	₱–	₱–	₱8,918,466
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	3,605,643	3,538,406	933,972	–	–	8,078,021
Operating expenses excluding depreciation	94,671	146,615	–	309,040	–	550,326
Depreciation and amortization	4,279	69,417	358	86,883	–	160,937
Other operating income	–	(18,162)	–	(11,237)	–	(29,399)
	3,704,593	3,736,276	934,330	384,686	–	8,759,885
SEGMENT OPERATING PROFIT (LOSS)	₱593,776	₱204,831	(₱255,340)	(₱384,686)	₱–	₱158,581
Other charges -net						(15,894)
Income before income tax						142,687
Tax expense						(13,864)
Net income						₱128,823
ASSETS AND LIABILITIES						
Segment assets	₱864,001	₱1,945,413	₱243,007	₱1,150,824	₱–	₱4,203,245
Segment liabilities	₱107,465	₱1,241,241	₱41,052	₱1,151,016	₱–	₱2,540,774
OTHER INFORMATION						
Capital expenditures	₱16,373	₱53,726	₱1,930	₱36,220	₱–	₱108,249
Non-cash expenses other than depreciation and impairment losses	₱8,063	₱9,756	₱893	₱859	₱–	₱19,571

	December 31, 2018					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	₱3,827,839	₱3,858,401	₱570,102	₱–	₱–	₱8,256,342
Fair value adjustment on biological assets	183,223	–	19,503	–	–	202,726
	₱4,011,062	₱3,858,401	₱589,605	₱–	₱–	₱8,459,068
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	3,632,323	3,594,558	583,270	–	–	7,810,151
Operating expenses excluding depreciation	107,582	179,563	–	261,596	–	548,741
Depreciation and amortization	5,350	45,957	326	21,723	–	73,356
Other operating income	–	(15,029)	–	(15,690)	–	(30,719)
	3,745,255	3,805,049	583,596	267,629	–	8,401,529
SEGMENT OPERATING PROFIT (LOSS)	₱265,807	₱53,352	₱6,009	(₱267,629)	–	₱57,539
Other income -net						12,986
Income before tax						70,525
Tax expense						(5,370)
Net income						₱65,155
ASSETS AND LIABILITIES						
Segment assets	₱547,761	₱1,560,075	₱358,786	₱1,876,460	₱–	₱4,343,082
Segment liabilities	₱399,185	₱151,242	₱951	₱2,277,276	₱–	₱2,828,654
OTHER INFORMATION						
Capital expenditures	₱7,389	₱310,756	₱6,334	₱61,679	₱–	₱386,158
Non-cash expenses other than depreciation and impairment losses	₱8,682	₱2,017	₱91	₱7,854	₱–	₱18,644

	December 31, 2017					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	₱2,761,884	₱3,319,155	₱412,494	₱–	₱–	₱6,493,533
Fair value adjustment on biological assets	186,178		(18,673)	–	–	167,505
	₱2,948,062	₱3,319,155	₱393,821	₱–	₱–	₱6,661,038
COST AND OTHER OPERATING EXPENSES						
Cost of goods sold excluding depreciation	2,583,644	2,921,815	412,693	–	–	5,918,152
Operating expenses excluding depreciation	73,818	155,132	–	299,513	–	528,463
Depreciation and amortization	3,008	34,286	–	6,295	–	43,589
Other operating income	–	(6,854)	–	(28,904)	–	(35,758)
	2,660,470	3,104,379	412,693	276,904	–	6,454,446
SEGMENT OPERATING PROFIT (LOSS)	₱287,592	₱214,776	(₱18,872)	(₱276,904)	–	₱206,592
Other charges -net						(55,174)
Income before tax						151,418
Tax expense						(29,064)
Net income						₱122,354
ASSETS AND LIABILITIES						
Segment assets	₱356,728	₱999,943	₱343,898	₱1,455,823	₱–	₱3,156,392
Segment liabilities	₱359,285	₱66,294	₱–	₱1,331,336	₱–	₱1,756,915
OTHER INFORMATION						
Capital expenditures	₱2,624	₱12,913	₱8,332	₱43,928	₱–	₱67,797
Non-cash expenses other than depreciation and impairment losses	₱10,689	₱21,955	₱425	₱–	₱–	₱33,069

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:

	2019	2018
Cash on hand	**₱2,861,645**	₱1,814,535
Cash in banks	**176,783,745**	215,898,305
	₱179,645,390	₱217,712,840

Cash in banks earn interest at prevailing bank deposit interest rates of 0.1% to 0.5% in 2019, 2018 and 2017. Interest income on cash in banks amounted to ₱0.2 million, ₱0.4 million and ₱0.3 million in 2019, 2018 and 2017, respectively (see Note 19).

7. Trade and Other Receivables

This account consists of:

	2019	2018
Trade (Note 22)	**₱1,168,380,954**	₱1,029,946,116
Advances to:		
Suppliers	**214,063,243**	324,918,311
Officers and employees (Note 22)	**12,276,664**	12,149,797
Nontrade (Note 22)	**197,102,414**	208,113,323
Insurance claims receivable	**155,171,065**	155,171,065
Others	**15,693,972**	25,176,797
	1,762,688,312	1,755,475,409
Allowance for impairment losses	**(310,900,898)**	(287,775,937)
	₱1,451,787,414	₱1,467,699,472

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

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

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

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, 2019. 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.

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 at December 31 are shown below:

	Trade	Others	Total
Balance as at January 1, 2019	**₱148,603,623**	**₱139,172,314**	**₱287,775,937**
Provision (Note 19)	**1,481,853**	**21,643,109**	**23,124,961**
Balance as at December 31, 2019	**₱150,085,476**	**₱160,815,423**	**₱310,900,898**

	Trade	Others	Total
Balance as at January 1, 2018	₱142,468,483	₱122,331,816	₱264,800,299
Provision (Note 19)	6,135,140	16,840,498	22,975,638
Balance as at December 31, 2018	₱148,603,623	₱139,172,314	₱287,775,937

8. Inventories and Livestock

Inventories

This account consists of:

	2019	2018
Inventories:		
Finished goods at NRV	**₱167,731,381**	₱212,477,473
Raw materials and feeds supplement	**267,896,005**	375,087,029
Supplies and animal health products	**47,470,598**	84,244,316
	483,097,984	671,808,818
Livestock:		
Day-old chicks	**48,994,621**	66,559,169
Raw materials	**25,469,649**	32,997,382
Finished goods	**6,869,835**	161,757,394
Broilers	**2,305,960**	3,405,059
	83,640,065	264,719,004
	₱566,738,049	₱936,527,822

Inventories are valued at lower of cost and NRV as at December 31, 2019 and 2018. The cost of finished goods carried at NRV, amounted to ₱167.7 million and ₱214.9 million as of December 31, 2019 and 2018, respectively. Inventories charged to cost of goods sold amounted to ₱6,650.6 million, ₱6,645.7 million and ₱5,279.9 million in 2019, 2018 and 2017, respectively (see Note 16).

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. They are carried at cost since their respective NRV is higher than cost.

Livestock

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

Day-old Chicks	2019	2018
Opening balance	**₱66,559,169**	₱40,527,839
Increase due to production	**926,188,243**	1,195,439,030
Fair value adjustment due to production	**212,922,640**	19,503,538
Decrease due to sales, harvest and mortality	**(949,707,276)**	(1,169,407,700)
Fair value adjustment due to sales, harvest and mortality	**(206,968,155)**	(19,503,538)
	₱48,994,621	₱66,559,169

Broilers	2019	2018
Opening balance	**₱3,405,059**	₱481,002
Increase due to production	**2,948,648,335**	2,559,432,513
Fair value adjustment due to production	**266,646,459**	183,222,718
Decrease due to sales, harvest and mortality	**(2,951,999,567)**	(2,556,508,456)
Fair value adjustment due to sales, harvest and mortality	**(264,394,326)**	(183,222,718)
	₱2,305,960	₱3,405,059

Movements in the allowance for inventory obsolescence account as at December 31 are shown below:

	2019	2018
Balance at beginning of year	**₱2,386,863**	₱–
Reversal	**(2,382,824)**	–
Provision (Note 16)	**–**	2,386,863
	₱4,039	₱2,386,863

9. Right-of-use Assets and Other Assets

Right-of-use Assets

As at December 31, 2019, movements of right-of-use asset are as follows:

	Right-of-use asset Building	Right-of-use asset Transportation equipment	Right-of-use asset Machineries	Total
Cost				
Balance at beginning of year	₱12,065,911	₱–	₱–	₱12,065,911
Reclassification	–	72,399,412	–	72,399,412
Additions	11,337,309	1,447,847	174,905,773	187,690,929
Disposals	(1,948,000)			(1,948,000)
Balance at end of year	21,455,220	73,847,259	174,905,773	270,208,252
Accumulated Amortization				
Balance at beginning of year	–	18,586,210	–	18,586,210
Depreciation	6,426,192	14,226,574	43,726,443	64,379,209
Disposal		(422,066)		(422,066)
Balance at end of year	6,426,192	32,390,718	43,726,443	82,543,353
Net carrying amount	₱15,029,028	₱41,456,541	₱131,179,330	₱187,664,899

Other Current Assets

This account consists of:

	2019	2018
CWT	**₱59,694,733**	₱61,023,050
Prepayments	**12,237,781**	49,694,474
Input VAT	**3,328,053**	3,422,096
	75,260,567	114,139,620
Allowance for impairment losses	**(3,091,532)**	(3,091,532)
	₱72,169,035	₱111,048,088

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

Other Noncurrent Assets

This account consists of:

	2019	2018
Project development costs	**₱31,368,396**	₱31,368,396
Security deposits	**10,559,718**	3,458,142
Computer software	**7,540,538**	9,808,272
	49,468,652	44,634,810
Allowance for impairment losses	**(31,368,396)**	(31,368,396)
	₱18,100,256	₱13,266,414

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, 2019 and 2018.

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

Movements of computer software are as follows:

	2019	2018
Cost		
Balance at beginning of year	**₱22,457,587**	₱15,930,855
Additions	**1,410,368**	6,526,732
Balance at end of year	**23,867,955**	22,457,587
Accumulated Depreciation and Amortization		
Balance at beginning of year	**12,649,315**	7,613,654
Depreciation and amortization	**3,678,102**	5,035,661
Balance at end of year	**16,327,417**	12,649,315
Net carrying amount	**₱7,540,538**	₱9,808,272

10. Property, Plant and Equipment

The composition and movements of this account are presented below:

	December 31, 2019							
	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	₱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
Additions	1,930,000	44,436,137	24,691,301	4,401,454	9,453,340	8,652,567	648,630	94,213,429
Reclassification	(456,808)	6,527,231	43,798,388	10,327,749	(572,559)	(72,426,329)	(59,900,620)	(72,702,948)
Disposals	–	–	–	–	–	(6,667,888)	–	(6,667,888)
Balance at end of year	₱386,767,894	₱521,415,893	₱210,211,827	₱32,189,597	₱64,486,178	₱57,894,027	₱14,787,329	₱1,287,752,745
Accumulated Depreciation, and Amortization								
Balance at beginning of year	₱–	₱157,083,556	₱45,494,244	₱12,328,581	₱36,585,415	₱54,475,904	₱–	₱305,967,700
Depreciation and amortization (Notes 16 and 17)	–	45,237,337	12,024,117	1,395,759	11,699,810	22,522,996	–	92,880,019
Reclassification	–	5,243,412	(2,652,835)	(202,704)	(453,123)	(35,768,440)	–	(33,833,690)
Disposals	–	–	–	–	–	(2,135,130)	–	(2,135,130)
Balance at end of year	–	207,564,305	54,865,526	13,521,636	47,832,102	39,095,330	–	362,878,899
Net carrying amount	₱386,767,894	₱313,851,588	₱155,346,301	₱18,667,961	₱16,654,076	₱18,798,697	₱14,787,329	₱924,873,846

	December 31, 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, and Amortization								
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 16 and 17)	–	22,613,422	9,306,213	1,281,805	10,181,705	24,937,188	–	68,320,333
Reclassifications	–	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

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

	December 31, 2019							
	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	₱21,902,549	₱450,917,464	₱180,318,786	₱28,032,757	₱59,127,265	₱130,320,356	₱14,787,329	₱885,406,506
Accumulated depreciation and impairment	2,200,059	196,381,685	44,077,444	10,435,847	43,093,348	39,095,330	–	335,283,713
Reclassification	–	–	–	–	–	72,426,329	–	72,426,329
Net carrying amount	₱19,702,490	₱254,535,779	₱136,241,342	₱17,596,910	₱16,033,917	₱18,798,697	₱14,787,329	₱477,696,464

	December 31, 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

The reconciliation of revaluation reserve is as follows:

	Revaluation Reserve	Deferred Tax Liability (see Note 21)	Net (see Note 23)
Balance as at January 1, 2019	**₱454,603,004**	**(₱136,380,901)**	**₱318,222,103**
Transfer to retained earnings of revaluation reserve on property, plant and equipment realized through depreciation	**(7,425,621)**	**2,227,686**	**(5,197,935)**
Balance as at December 31, 2019	**₱447,177,383**	**(₱134,153,215)**	**₱313,024,168**
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

In 2016, property, plant, and equipment with a net book value of ₱37.5 million that were 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).

Depreciation and amortization expense follow:

	2019	2018	2017
Property, plant and equipment	**₱92,880,019**	₱68,320,333	₱39,782,350
Computer software (Note 9)	**3,678,102**	5,035,661	3,806,827
Right-of-use asset (Note 9)	**64,379,209**	-	-
	₱160,937,330	₱73,355,994	₱43,589,177

Fair Value Measurement

The Company's property, plant and equipment (except for transportation equipment and construction in progress) were appraised by an independent firm of appraisers. The latest appraisal report is at December 31, 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 2019	Range 2018
Land	Sales Comparison Approach	Price per square meter Value adjustments	**₱1,493-₱1,857** **35%-48%**	₱1,493-₱1,857 35%-48%

Significant increases (decreased) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

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

The significant unobservable inputs to fair valuation are as follows:

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

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

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 which are either for lease or 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:

	December 31, 2019		
	Land	**Building**	**Total**
Balance at beginning of year	**₱390,276,582**	**₱239,608,062**	**₱629,884,644**
Gain on fair value changes (see Note 19)	**154,851,585**	**3,495,172**	**158,346,757**
Additions	–	**14,035,188**	**14,035,188**
Reclassification	–	–	–
Disposals	–	–	–
Balance at end of year	**₱545,128,167**	**₱257,138,422**	**₱802,266,589**

	December 31, 2018		
	Land	Building	Total
Balance at beginning of year	₱318,165,506	₱222,009,903	₱540,175,409
Gain on fair value changes (see Note 19)	71,982,503	11,386,821	83,369,324
Additions	5,000,000	6,211,338	11,211,338
Reclassification	–	–	–
Disposals	(4,871,427)	–	(4,871,427)
Balance at end of year	₱390,276,582	₱239,608,062	₱629,884,644

In 2018, the Company acquired additional properties pertaining to VDP dressing plant and Davao hatchery.

The composition of investment properties as at December 31 are as follows:

	2019	2018
Cost	**₱431,871,573**	₱417,836,385
Cumulative gain on fair value changes	**370,395,016**	212,048,259
	₱802,266,589	₱629,884,644

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, 2019. The Company recognized fair value gain of ₱158.3 million and ₱83.4 million in 2019 and 2018, respectively. The fair value measurement for investment properties has been categorized as Level 3 (significant unobservable inputs).

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

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

	Valuation Technique	Significant Unobservable Inputs	Range	
			2019	2018
Land	Sales Comparison Approach	Price per square meter Value adjustments	**₱130-₱6,800** **2%-330%**	₱135-₱9,000 5%-55%

	Valuation Technique	Significant Unobservable Inputs	Remaining useful life
Buildings	Cost Reproduction Approach	Replacement cost less accrued 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:

	2019	2018
Trade (see Note 22)	**₱1,228,647,069**	₱1,245,933,653
Accrued expenses	**232,304,020**	186,038,162
Nontrade	**99,433,288**	131,380,150
Customers' deposits	**28,147,121**	74,863,422
Others	**12,423,994**	96,970,980
	₱1,600,955,492	₱1,735,186,367

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.

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.

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.

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

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:

	2019	2018
Current portion	**₱384,132,265**	₱649,999,929
Noncurrent portion	**148,202,912**	172,480,055
	₱532,335,177	₱822,479,984

In 2019 and 2018, the Company obtained unsecured Peso-denominated short-term 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 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 and short-term loans are not subject to any debt covenants.

Interest expense amounted to ₱60.7 million, ₱16.9 million and ₱22.6 million in 2019, 2018 and 2017, respectively (see Note 19).

14. Cash Bond Deposits

Cash bond deposits amounting to ₱41.0 million and ₱40.3 million as at December 31, 2019 and 2018, 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. Revenue

	2019	2018	2017
Sales:			
Feeds	**₱4,027,789,349**	₱3,945,835,293	₱3,393,154,210
Foods	**4,046,782,155**	3,835,041,190	2,766,508,577
Farms	**477,343,897**	576,934,840	413,753,374
Sales discount, returns and allowances	**(113,017,990)**	(101,469,684)	(79,883,177)
	8,438,897,411	8,256,341,639	6,493,532,984
Changes in fair values of biological assets	**479,569,099**	202,726,256	167,505,187
	₱8,918,466,510	₱8,459,067,895	₱6,661,038,171

The changes in fair values of biological assets are recognized under:

	2019	2018	2017
Cost of sales	**₱471,362,481**	₱202,726,256	₱167,505,187
Livestock (see Note 8)	**8,206,618**	–	–
	₱479,569,099	₱202,726,256	₱167,505,187

16. Cost of Goods Sold

This account consists of:

	2019	2018	2017
Inventories used (see Note 8)	**₱6,650,598,455**	₱6,645,656,715	₱5,279,916,421
Outside services	**783,154,116**	773,821,543	362,870,150
Changes in fair values of biological assets	**471,362,481**	202,726,256	167,505,187

(Forward)

	2019	2018	2017
Depreciation (see Note 17)	**₱122,958,110**	₱37,145,972	₱21,368,469
Salaries and employee benefits (see Note 17)	**78,170,496**	77,238,966	36,268,521
Contractual services	**40,779,898**	57,394,532	34,737,795
Communication, light and water	**39,894,661**	39,419,250	22,587,543
Repairs and maintenance	**9,665,810**	9,550,626	11,018,431
Others	**4,394,843**	4,342,470	3,246,766
	₱8,200,978,870	₱7,847,296,330	₱5,939,519,283

17. Operating Expenses

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

	2019	2018	2017
Administrative expenses	**₱286,028,208**	₱284,397,436	₱288,114,768
Selling and distribution expenses	**302,276,938**	300,553,525	262,569,422
	₱588,305,146	₱584,950,961	₱550,684,190

The details of operating expenses by nature are shown below:

	2019	2018	2017
Salaries and employee benefits	**₱189,624,710**	₱176,894,280	₱147,581,575
Transportation, travel and freight and handling	**164,130,588**	184,138,417	217,575,591
Depreciation and amortization	**37,979,220**	36,210,022	22,220,708
Taxes and licenses	**30,794,775**	20,840,144	10,637,066
Advertising and promotions	**23,013,540**	37,092,603	23,773,620
Rentals (see Note 25)	**21,626,674**	29,736,825	3,479,363
Professional fees	**21,522,711**	20,356,210	43,167,407
Contractual services	**20,175,914**	20,802,110	13,006,906
Representation and entertainment	**16,688,758**	8,299,229	23,344,380
Commissions	**15,298,296**	14,033,838	10,933,801
Communications, light and water	**9,693,809**	7,872,890	7,288,106
Insurance	**4,483,422**	4,228,760	3,857,942
Supplies	**4,479,922**	6,057,767	8,781,413
Repairs and maintenance	**4,141,570**	5,092,226	2,220,084
Provision for impairment losses on receivables (see Note 7)	**–**	–	4,309,758
Others	**24,651,237**	13,295,640	8,506,470
	₱588,305,146	₱584,950,961	₱550,684,190

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

Employee Benefits

Breakdown of employee benefits is presented below:

	2019	2018	2017
Salaries and wages	**₱233,914,570**	₱224,876,122	₱164,498,784
Retirement benefits (see Note 20)	**19,571,098**	15,552,680	6,460,979
Other short-term benefits	**14,309,538**	13,704,444	12,890,333
	₱267,795,206	₱254,133,246	₱183,850,096

Salaries and employee benefits is allocated as follows:

	2019	2018	2017
Cost of goods sold (see Note 16)	**₱78,170,496**	₱77,238,966	₱36,268,521
Operating expenses:			
Administrative expenses	**101,155,581**	94,364,514	78,727,608
Selling and distribution expenses	**88,469,129**	82,529,766	68,853,967
	189,624,710	176,894,280	147,581,575
	₱267,795,206	₱254,133,246	₱183,850,096

Depreciation and Amortization

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

	2019	2018	2017
Cost of goods sold (see Note 16)	**₱122,958,110**	₱37,145,972	₱21,368,469
Operating expenses:			
Administrative expenses	**18,825,040**	21,723,965	13,517,738
Selling and distribution expenses	**19,154,180**	14,486,057	8,702,970
	37,979,220	36,210,022	22,220,708
	₱160,937,330	₱73,355,994	₱43,589,177

18. Other Operating Income

This account consists of:

	2019	2018	2017
Sale of scrap materials	**₱18,161,672**	₱4,854,820	₱6,487,882
Rentals (see Note 25)	**11,237,321**	19,591,201	29,270,036
Refund	**–**	6,000,000	–
Others	**–**	272,697	–
	₱29,398,993	₱30,718,718	₱35,757,918

19. **Other Income (Charges)**

	2019	2018	2017
Gain on fair value changes of investment properties (see Note 11)	**₱158,346,757**	₱83,369,324	₱–
Interest expense (see Notes 13, 22 and 25)	**(81,909,050)**	(43,038,475)	(23,840,890)
Professional fees	**(57,720,854)**	–	–
Tax settlement	**(56,517,505)**	–	(39,283,928)
Gain on reversal of long-outstanding payables	**34,264,507**	–	–
Impairment losses on:			–
Receivables	**(23,124,961)**	(22,975,638)	–
Inventory	**–**	(2,386,863)	–
Recovery of accounts written-off	**5,295,695**	–	–
Gain on reversal of allowance for inventory losses	**2,382,824**	–	–
Interest income (see Note 6)	**2,341,144**	1,563,922	1,754,128
Foreign exchange gain	**1,516,061**	3,901,935	–
Loss on deconsolidation of a subsidiary	**–**	–	28,196,360
Liquidated damages	**–**	–	(22,000,000)
Others	**(768,984)**	(7,448,386)	–
	(₱15,894,366)	₱12,985,819	(₱55,174,330)

Tax settlement pertains to the Company's payments to Bureau of Internal Revenue to settle tax assessments.

Professional expense pertains to one-time consultancy made during the year.

20. **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, 2019.

Breakdown of retirement expense recognized in the consolidated statements of comprehensive income is as follows:

	2019	2018	2017
Current service costs	**₱11,749,402**	₱10,647,028	₱2,262,871
Interest expense	**8,096,322**	4,506,028	4,375,509
Settlement loss	**–**	586,090	–
Interest income	**(274,626)**	(186,466)	(177,401)
	₱19,571,098	₱15,552,680	₱6,460,979

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

	2019	2018
Present value of the obligation	**₱95,342,964**	₱105,147,035
Fair value of plan assets	**(3,826,125)**	(3,566,577)
	₱91,516,839	₱101,580,458

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

	2019	2018
Balance at beginning of year	**₱105,147,035**	₱88,180,586
Remeasurement loss (gain) recognized in OCI	**(27,473,071)**	18,260,974
Current service costs	**11,749,402**	10,647,028
Interest expense	**8,096,322**	4,506,028
Benefits paid	**(2,176,724)**	(17,033,671)
Settlement loss	**–**	586,090
Balance at end of year	**₱95,342,964**	₱105,147,035

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

	2019	2018
Balance at beginning of year	**₱3,566,577**	₱3,649,050
Interest income	**274,626**	186,466
Remeasurement loss	**(15,078)**	(268,939)
	₱3,826,125	₱3,566,577

Actual returns on plan assets amounted to ₱259,548 and ₱82,473 in 2019 and 2018, respectively.

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

	2019	2018
Cash and cash equivalents	**33.24%**	31.82%
Equity instruments	**16.15%**	23.33%
Debt instruments	**51.28%**	55.01%
Others	**(0.67%)**	(10.16%)

There are no expected future contributions in the plan in 2019.

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

	2019	2018
Less than one year	**₱7,488,413**	₱6,548,981
Between one and five years	**30,426,386**	27,093,391
Over five years	**68,538,125**	62,459,869
	₱106,452,924	₱96,102,241

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

	2019	2018
Discount rate	**5.47%**	7.7%
Expected rate of salary increase	**5%**	10%
Average remaining working life of an employee retiring at the age of 60:		
Male	**39**	39
Female	**35**	35

The weighted average duration of the present value of defined benefit obligation is 9.5 and 10.8 years in 2019 and 2018, respectively.

A quantitative sensitivity analysis for changes in assumptions as at December 31, 2019 and December 31, 2018 are shown below (amounts in thousands):

		Impact on Defined Benefit Obligation	
	Change in Assumptions	2019	2018
Discount rate	+100 bps	**(₱9,699)**	(₱10,516)
	-100 bps	**9,700**	12,292
Salary rate	+100 bps	**9,648**	11,898
	-100 bps	**(8,498)**	(10,401)

21. Provision for (Benefit from) Income Tax

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

	2019	2018	2017
Reported in the Consolidated Profit or Loss			
RCIT at 30%	**₱28,333,100**	₱–	₱22,789,816
MCIT at 2%	**–**	12,927,844	–
Deferred income tax expense (benefit)	**(14,469,008)**	(7,557,874)	6,274,302
	₱13,864,092	₱5,369,970	₱29,064,118

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

	2019	2018	2017
Income tax expense at statutory tax rate	**₱42,954,040**	₱21,157,542	₱45,425,486
Change in unrecognized deferred tax assets	**(14,977,843)**	(5,169,796)	(102,665,495)
Tax effects of:			
Nondeductible expenses	**35,410,668**	4,162,244	13,909,988
Other deductible expenses	**–**	–	(166,970)
Expiry of NOLCO and MCIT	**–**	–	1,660,908
Income already subjected to final tax	**(65,596)**	(123,469)	(114,566)
Nontaxable income	**(49,966,013)**	(14,656,551)	(8,458,908)
Effect of deconsolidation	**–**	–	78,248,415
Reversal of deferred tax asset	**508,836**	–	1,225,260
	₱13,864,092	₱5,369,970	₱29,064,118

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

	2019	2018
Deferred tax assets:		
Allowance for impairment loss on:		
Trade and other receivables	**₱83,218,323**	₱81,957,537
Product development costs	**9,410,519**	9,410,519
Property, plant and equipment	**5,392,850**	5,392,850
Inventory	**1,212**	716,059
Retirement liability	**26,257,391**	29,276,477
Excess of lease liability over right-of-use asset	**1,881,199**	–
	126,161,494	126,753,442
Deferred tax liabilities:		
Revaluation reserve on property, plant and equipment	**(134,153,215)**	(136,380,901)
Changes in fair value of investment properties	**(70,622,101)**	(62,702,115)
Changes in fair value of biological assets	**(2,461,985)**	–
	(207,237,301)	(199,083,016)
Net deferred tax liabilities	**(₱81,075,807)**	(₱72,329,574)

Details of MCIT, which can be claimed as deduction from future RCIT due within three years from the year the MCIT was incurred, is shown below.

Year Incurred	Beginning Balance	Incurred	Applied/Expired	Ending Balance	Valid Until
2018	₱3,346,948	₱–	(₱3,346,948)	₱–	2021
2016	11,630,895	–	(11,630,895)	–	2019
	₱14,977,843	₱–	(₱14,977,843)	₱–	

The amount of MCIT and other deductible temporary differences as at December 31 which the related deferred tax assets have not been recognized are shown below.

	2019		2018	
	Amount	**Tax Effect**	Amount	Tax Effect
MCIT	**₱–**	**₱–**	14,977,843	14,977,843
Retirement liability	**3,992,203**	**1,197,661**	3,992,203	1,197,661
	₱3,992,203	**₱1,197,661**	₱18,970,046	₱16,175,504

As of December 31, 2019, the Company utilized its MCIT amounting to **₱**15.0 million.

22. Related Party Transactions

The Company engages, in the normal course of business, in various transactions with its related parties which include stockholders, entities under common control, key management and others, as described below. Unless otherwise indicated, settlement of related party transactions are made thru cash.

Payable to a Stockholder

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

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

Due to and from related parties

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

Trade Payable. The Company buys raw materials, hogs, and breeder flocks from related parties and sells animal feeds, raw materials, feed supplements and dressed chicken to related parties (see Note 12).

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

		2019		2018	
Related Parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	**₱843,138,904**		₱32,062,295	
	Collections	**(640,264,819)**	**₱228,610,377**	(6,326,003)	₱25,736,292
Trade and other payables					
Entities under common control	Purchases	**₱1,591,869,921**		₱9,626883	
	Payments	**(1,501,864,550)**	**₱93,848,569**	(5,783,685)	₱3,843,198

The Company also avails of interest-bearing advances from a shareholder which are payable within a year.

		2019		2018	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Stockholder	Advances for working capital	**(₱85,726,435)**	**₱–**	₱5,000,000	₱85,726,435
	Interest	**13,378,992**	**–**	15,888,383	–
			₱–		₱85,726,435

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.

		2019		2018	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Advances to officers and employees	Net transactions	**₱126,867**	**₱12,276,664**	₱25,438,80	₱12,149,797

Compensation of Key Management Personnel

The compensation includes the following:

	2019	2018	2017
Short-term employee benefits	**₱38,616,323**	₱40,928,845	₱25,982,444
Retirement benefits	**3,909,370**	1,736,520	1,196,965
Others	**2,201,141**	2,445,458	1,406,813
	₱44,726,834	₱45,110,823	₱28,586,222

23. Equity

Capital Stock

As of December 31, 2019, 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:

	2019	2018
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

Date of SEC Approval	Authorized Shares	No. of Shares Issued
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, 2019:

	Number of shares issued and outstanding	Percentage of shares
Issued and outstanding	3,054,334,014	100.00%
Listed shares:		
Owned by related parties	2,178,799,604	71.33%
Owned by public	800,696,412	26.22%
Owned by directors and officers	74,837,998	2.45%
Total	3,054,334,014	

Of the total shares owned by the public, 131.9 million shares are foreign-owned.

The total number of shareholders of the Company is 4,132 and 4,155 as at December 31, 2019 and 2018, respectively.

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 (Loss) (see Note 20)	Total
Balance as at January 1, 2019	**₱318,222,103**	**(₱5,074,168)**	**₱313,147,935**
Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax	**(5,197,935)**	**–**	**(5,197,935)**
Actuarial gain, net of tax	**–**	**19,220,596**	**19,220,596**
Balance as at December 31, 2019	**₱313,024,168**	**₱14,146,428**	**₱327,170,596**
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 retained earnings 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 as at December 31, 2018	₱318,222,103	(₱5,074,168)	₱313,147,935

As of December 31, 2019, there are no available amounts for dividend declaration based on Parent Company balances.

24. Earnings Per Share

Basic and diluted earnings per share were computed as follows:

	2019	2018	2017
Net income for the period	**₱128,823,029**	₱65,155,171	₱122,354,168
Divided by the weighted average number of outstanding shares	**3,054,334,014**	3,054,334,014	2,793,835,877
Earnings per share - basic and diluted	**₱ 0.04**	₱0.02	₱0.04

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

25. Significant Agreements

Operating Lease Agreement - Company as Lessor
The Company is a party under cancellable leases covering certain hatcheries and plants (i.e., dressing and rendering), which have remaining lease terms of between 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 ₱11.2 million, ₱19.6 million and ₱29.3 million in 2019, 2018 and 2017, respectively, and are shown as part of "Other operating income" account in the consolidated statements of comprehensive income (see Note 18).

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

	2019	2018
Within one year	**₱6,293,571**	₱18,191,151
After one year but not more than five years	**13,713,571**	59,709,577
	₱20,007,142	₱77,900,728

Operating Lease Agreement - Company as Lessee
The Company leases its warehouses under operating lease agreements. The terms of the lease range from one to two years and renewable upon mutual agreement by the parties. Security deposits amounted to ₱10.6 million and ₱3.4 million as at December 31, 2019 and 2018, respectively. Rent expense amounted to ₱21.6 million, ₱29.7 million and ₱3.5 million in 2019, 2018 and 2017, respectively (see Note 17). Future minimum lease payments under the lease agreements follow:

	2019	2018
Within one year	**₱13,825,942**	₱29,508,132
More than one year but not more than five years	**8,646,597**	5,906,352
	₱22,472,539	₱35,414,484

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, the details of the finance lease liabilities follow:

Current	₱13,920,213
Noncurrent	42,813,390
	₱56,733,603

The carrying value of the transportation equipment as at December 31, 2019 acquired through finance lease agreements amounted to ₱36.9 million (see Note 10).

Lease Liabilities

The following are the amounts recognized in the 2019 consolidated statement of comprehensive income:

Depreciation expense of right-of-use assets included in other noncurrent assets	₱64,379,210
Interest expense on lease liabilities	7,854,616
Expenses relating to short-term leases (see Note 17)	21,626,674
Total amount recognized in the 2019 consolidated statement of comprehensive income	₱93,860,500

The rollforward analysis of lease liabilities follows:

As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (see Note 2)	68,799,514
At January 1, 2019, as restated	68,799,514
Additions	186,243,082
Interest expense	7,854,616
Payments	(68,961,650)
As at December 31, 2019	₱193,935,562

As at December 31, 2019, the details of the lease liabilities follow:

Current	₱86,981,626
Noncurrent	106,953,936
	₱193,935,562

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.

Prior to January 1, 2019, 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 as 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.

In 2018, based on management's assessment, certain agreements were accounted under IFRIC-4 which were subsequently terminated in 2019.

Total payments for this type of arrangements amounted to ₱537.6 million and ₱548.6 million in 2019 and 2018, respectively, and is recorded as part of "Cost of goods sold" account under "Outside services" in the consolidated statements of comprehensive income

As a result of adoption of PFRS 16, the Company evaluated whether there are tolling agreements which qualify as lease agreements to be accounted for under the standard. Based on its evaluation, certain tolling agreements qualify as lease and resulted to the recognition of net right-of-use asset and lease liability amounting to ₱131.2 million and ₱131.9 million, respectively as of December 31, 2019.

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 Company'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 improvements amounting to approximately ₱68.0 million.

26. Note to Consolidated Statements of Cash Flows

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

	January 1, 2019	Proceeds/ Additions	Payments	Interest expense	December 31, 2019
Loans payable	₱822,479,984	₱1,069,496,769	(₱1,359,641,576)	₱–	₱532,335,177
Accrued interest payable	3,236,049	–	(74,965,307)	74,054,434	2,325,176
Lease liabilities*	68,799,514	186,243,082	(68,961,650)	7,854,616	193,935,562
Total liabilities from financing activities	₱894,515,547	₱1,255,739,851	(1,503,568,533)	₱81,909,050	₱728,595,915

*Presented in the beginning balance is the transition adjustment upon the adoption of PFRS 16. The leases previously classified as finance lease and operating lease amounting to ₱56.7 million and ₱12.6 million, respectively.

	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	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

The Company's noncash transactions consist of the addition to lease liabilities and right-of use assets amounted to ₱198.3 million for the year ended December 31, 2019.

27. 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.

28. 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:

	2019		2018	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets at Amortized Cost				
Cash in banks	**₱176,783,745**	**₱176,783,745**	₱215,898,305	₱215,898,305
Trade and other receivables*	**1,120,380,494**	**1,120,380,494**	1,033,958,076	1,033,958,076
Security deposits	**10,559,718**	**10,559,718**	3,458,142	3,458,142
	₱1,307,723,957	**₱1,307,723,957**	₱1,253,314,523	₱1,253,314,523
Financial Liabilities at Amortized Cost				
Trade and other payables**	**₱1,588,531,498**	**₱1,588,531,498**	₱1,722,406,659	₱1,722,406,659
Loans payable	**532,335,177**	**532,335,177**	822,479,984	824,920,709
Lease liabilities	**193,935,562**	**197,598,911**	–	–
Finance lease liabilities	–	–	56,733,603	61,157,132
Cash bond deposits	**40,954,787**	**40,954,787**	40,343,557	40,343,557
	₱2,355,757,024	**₱2,359,420,373**	₱2,641,963,803	₱2,648,828,057

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱214 million, ₱105.1 million and ₱12.3 million, respectively, as at December 31, 2019 and ₱324.9 million, ₱96.7 million and ₱12.1 million, respectively, as at December 31, 2018.*

***Excluding statutory liabilities amounting to ₱12.4 million and ₱12.8 million as at December 31,2019 and 2018, respectively.*

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Long-term Debt. The estimated fair value is based on the discounted value of the future cash flows using the prevailing interest rate. As at December 31, 2019, the fair value of long-term debt approximates is carrying value.

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.

The carrying values of the following financial assets and financial liabilities approximate their values as at December 31, 2019 and 2018.

Cash in banks, Trade and Other Receivables, Security deposits, and Trade and Other Payables. The carrying amounts of these financial instruments approximate their fair values due to the short-term nature of these accounts.

As at December 31, 2019 and 2018, the Company's financial assets, liabilities, biological assets, property, plant and equipment and investment properties are categorized under Level 3 in the fair value hierarchy. There has been no transfer from Level 3 to other levels in 2019 and 2018.

29. 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, 2019 and 2018, 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.

	2019	2018
Cash in banks	**₱176,783,745**	₱215,898,305
Trade and other receivables*	**1,120,380,494**	1,033,958,076
Security deposits	**10,559,718**	3,458,142
	₱1,307,723,957	₱1,253,314,523

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱214.1 million, ₱105.1 million and ₱12.3 million, respectively, as at December 31, 2019 and ₱324.9 million, ₱96.7 million and ₱12.1 million, respectively, as at December 31, 2018.*

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:

	December 31, 2019					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Total	Past Due but not Impaired	Impaired	Total
Cash in banks	₱176,783,745	₱–	₱176,783,745	₱–	₱–	₱176,783,745
Trade and other receivables*	631,335,181	–	631,335,181	489,045,313	310,900,898	1,431,281,392
Security deposits	10,559,718	–	10,559,718	–	–	10,559,718
	₱818,678,644	₱–	₱818,678,644	₱489,045,313	₱310,900,898	₱1,618,624,855

**Excluding advances to suppliers, advances to contract growers and breeders, and advances to officers and employees amounting to ₱214.1 million, ₱105.1 million and ₱12.3 million, respectively, as at December 31, 2019.*

	December 31, 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*	878,787,011	–	878,787,011	155,171,065	287,775,937	1,321,734,013
Security deposits	3,458,142	–	3,458,142	–	–	3,458,142
	₱1,098,143,458	₱–	₱1,098,143,458	₱155,171,065	₱287,775,937	₱1,541,090,460

**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, as at December 31, 2018.*

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 at December 31, 2019	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	0.00%	0.00%	0.00%	0.00%	0.00%	2.93%			
Estimated total gross carrying amount at default	₱597.3	₱188.0	₱29.4	₱14.3	₱6.3	₱47.8	₱883.1	₱285.3	₱1,168.4
Expected credit loss	₱0.02	₱0.02	₱0.02	₱0.01	₱0.01	₱1.40	₱1.48	₱285.3	₱286.8

As at 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

Cash Deposits

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 appoved 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.

Liquidity Risk

The Company manages its liquidity profile to be able to service debt as this falls 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, 2019 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*	**₱1,588,531,498**	**₱–**	**₱–**	**₱–**
Loans payable	**371,848,523**	**12,283,742**	**148,202,912**	**–**
Lease liabilities	**43,490,813**	**43,490,813**	**106,953,936**	**–**
Cash bond deposits	**–**	**–**	**40,954,787**	**–**
Future interest on long term debt	**5,699,276**	**5,286,964**	**24,731,796**	**–**
	₱2,009,570,110	**₱61,061,519**	**₱320,843,431**	**₱–**

**Excluding statutory liabilities amounting to ₱12.4 million as at December 31, 2019.*

As at December 31, 2018 the Company's financial liabilities have contractual maturities which are presented below:

	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 liabilities	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
	₱2,386,290,481	₱14,578,279	300,975,698	₱3,994,996

**Excluding statutory liabilities amounting to ₱12.8 million as at December 31, 2018.*

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.

30. 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.

	2019	2018
Total liabilities	**₱2,540,773,664**	₱2,828,653,543
Total equity	**1,662,471,814**	1,514,428,189

31. New and Amended Standards and Interpretations

Other New Pronouncements Effective for December 31, 2019 year-end

Several other amendments and interpretations apply for the first time in 2019, 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 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- 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*

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, 2020

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

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

These amendments will apply on future business combinations of the Company.

- 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.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  i. A specific adaptation for contracts with direct participation features (the variable fee approach)
  ii. A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The adoption of this accounting standard will not have an impact to the Company's financial statements.

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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

32. Subsequent Event – COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020 . On May 12, 2020, NCR was included in the selected areas to be under modified enhanced community quarantine from May 16, 2020 until May 31, 2020. Subsequently, NCR was placed on general community quarantine starting June 1, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

SGV
Building a better working world

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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 ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 financial statements of Vitarich Corporation (a subsidiary of Kormasinc, Inc.) and Subsidiaries (the Company) as at December 31, 2019 and for each of the two years in the period ended December 31, 2019 and 2018 and have issued our report thereon dated June 8, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and for each of the two years in the period ended December 31, 2019 and 2018 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas

Roel E. Lucas
Partner
CPA Certificate No. 98200
SEC Accreditation No. 1079-AR-3 (Group A),
October 17, 2019, valid until October 16, 2022
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8121298, January 6, 2020, Makati City

June 8, 2020

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

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS AT DECEMBER 31, 2019

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

RATIO	FORMULA	2019	2018
Current Ratio			
	Current assets	**2,270,339,888**	2,732,988,222
	Divided by current liabilities	**2,072,069,383**	2,399,106,509
	Current ratio	**1.10**	1.14
Debt–to–equity Ratio			
	Total liabilities	**2,540,773,664**	2,828,653,543
	Divided by total equity	**1,662,471,814**	1,514,428,189
	Debt-to-equity ratio	**1.53**	1.87
Asset–to–equity Ratio			
	Total assets	**4,203,245,478**	4,343,081,732
	Divided by total equity	**1,662,471,814**	1,514,428,189
	Asset-to-equity ratio	**2.53**	2.87
Solvency Ratio			
	Net income before depreciation and amortization	**289,760,359**	138,511,164
	Divided by total liabilities	**2,540,773,664**	2,828,653,543
	Solvency ratio	**0.11**	0.05
Interest rate coverage Ratio			
	Pretax income before interest	**224,596,171**	113,563,616
	Divided by interest expense	**81,909,050**	43,038,475
	Interest rate coverage ratio	**2.74**	2.64
Profitability Ratio			
	Net income	**128,823,029**	65,155,171
	Divided by total equity	**1,662,471,814**	1,514,428,189
	Profitability ratio	**0.08**	0.04

SGV
Building a better working world

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Philippines

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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 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 financial statements of Vitarich Corporation (a subsidiary of Kormasinc, Inc.) and Subsidiaries (the Company) as at December 31, 2019 and for each of the two years in the period ended December 31, 2019 and 2018 included in this Form 17-A and have issued our report thereon dated June 8, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedules as at December 31, 2019 are the responsibility of the Company's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, associates, wherever located or registered
- Supplementary schedules required by Annex 68-J:
  - Amounts receivable from directors, officers, employees, related parties, and principal stockholder (other than related parties)
  - Amounts of receivable from related parties which are eliminated during the consolidation of financial statements
  - Intangible Assets – Other Assets
  - Long-term debt
  - Indebtedness to related parties
  - Capital stock

These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein 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-3 (Group A),
October 17, 2019, valid until October 16, 2022
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2019,
November 7, 2019, valid until November 6, 2022
PTR No. 8121298, January 6, 2020, Makati City

June 8, 2020

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

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019

	Amount
Retained earnings as at beginning of year	₱39,162,470
Cumulative gain on fair value changes of investment properties	(212,048,259)
Deficit as adjusted to available for dividend declaration at beginning of year	(172,885,789)
Net income closed to retained earnings	128,823,029
Deficit as adjusted to available for dividend declaration at end of the year	(₱44,062,760)

VITARICH CORPORATION AND SUBSIDIARIES
(A Subsidiary of Kormasinc, Inc.)
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF SRC RULE 68 AS AMENDED
Unaudited
December 31, 2019

Table of Contents

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES and PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
December 31, 2019
(In Thousands)

Name and Designation of Debtor	Balance at beginning of Year	Additions	Deductions		Ending Balance		Balance as at December 31, 2019
			Collected	Written Off	Current	Noncurrent	
Advances to Officers and Employees:							
Mailyn Acero, Sales Manager	₱856	₱–	₱500	₱–	₱356	₱–	₱356
Rey D. Ortega, Senior Vice-President and General Manager	309	–	64	–	245	–	245
Peter Andrew Dompor, Sales Manager	–	217	10	–	207	–	207
Adriano Barrameda, Sales Manager	–	215	36	–	179	–	179
Oliver Lupiba, Sales Manager	–	460	31	–	429	–	429
Olivia Pungtilan, Manager	–	182	10	–	172	–	172
Others*	10,984	21,256	21,552	–	10,688	–	10,688
	₱12,149	₱22,330	₱22,203	₱–	₱12,276	₱–	₱12,276

*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, 2019

(In Thousands)

			Deductions			Ending Balance		
Related Party	Balance at beginning of year	Additions	Collections	Write Off	Amounts written off	Current	Noncurrent	Balance as at December 31, 2019
Amounts Due from Related Parties								
Gromax, Inc.	₱46,511	₱287	₱5,200	₱–	₱–	₱41,598	₱–	₱41,598

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS – OTHER ASSETS
December 31, 2019
(In Thousands)

Description	Begining balance	Additions	Charged to cost and expense	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Computer software	₱9,808	₱1,410	₱3,678	₱–	₱–	₱7,540

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
December 31, 2019
(In Thousands)

Title of the Issuer	Agent/Lender	Outstanding Balance	Current Portion	Noncurrent Portion	Interest Rate	Number of Periodic Installments	Interest Payment	Final Maturity
Fixed	Chinabank Savings	₱86,875	₱12,774	₱74,101	7.88%	28 quarterly payments	Monthly	October 30, 2026
Fixed	Chinabank Savings	86,875	12,773	74,102	8.13%	28 quarterly payments	Monthly	November 30, 2026
		₱173,750	₱25,547	₱148,203				

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
December 31, 2019
(In Thousands)

			Deductions			Ending Balance		
Related Parties	**Balance at beginning of year**	**Additions**	**Collections (Payments)**	**Discounting**	**Write Off**	**Current**	**Noncurrent**	**Balance as at December 31, 2019**
Trade and other receivables								
Entities under common control	₱25,736	₱843,139	(₱640,265)	₱–	₱–	₱–	₱–	₱228,610
Trade and other payables								
Entities under common control	₱3,843	₱1,591,870	(₱1,501,864)	₱–	₱–	₱–	₱–	₱93,849
Stockholders	₱85,726	₱–	(₱85,726)	₱–	₱–	₱–	₱–	₱0

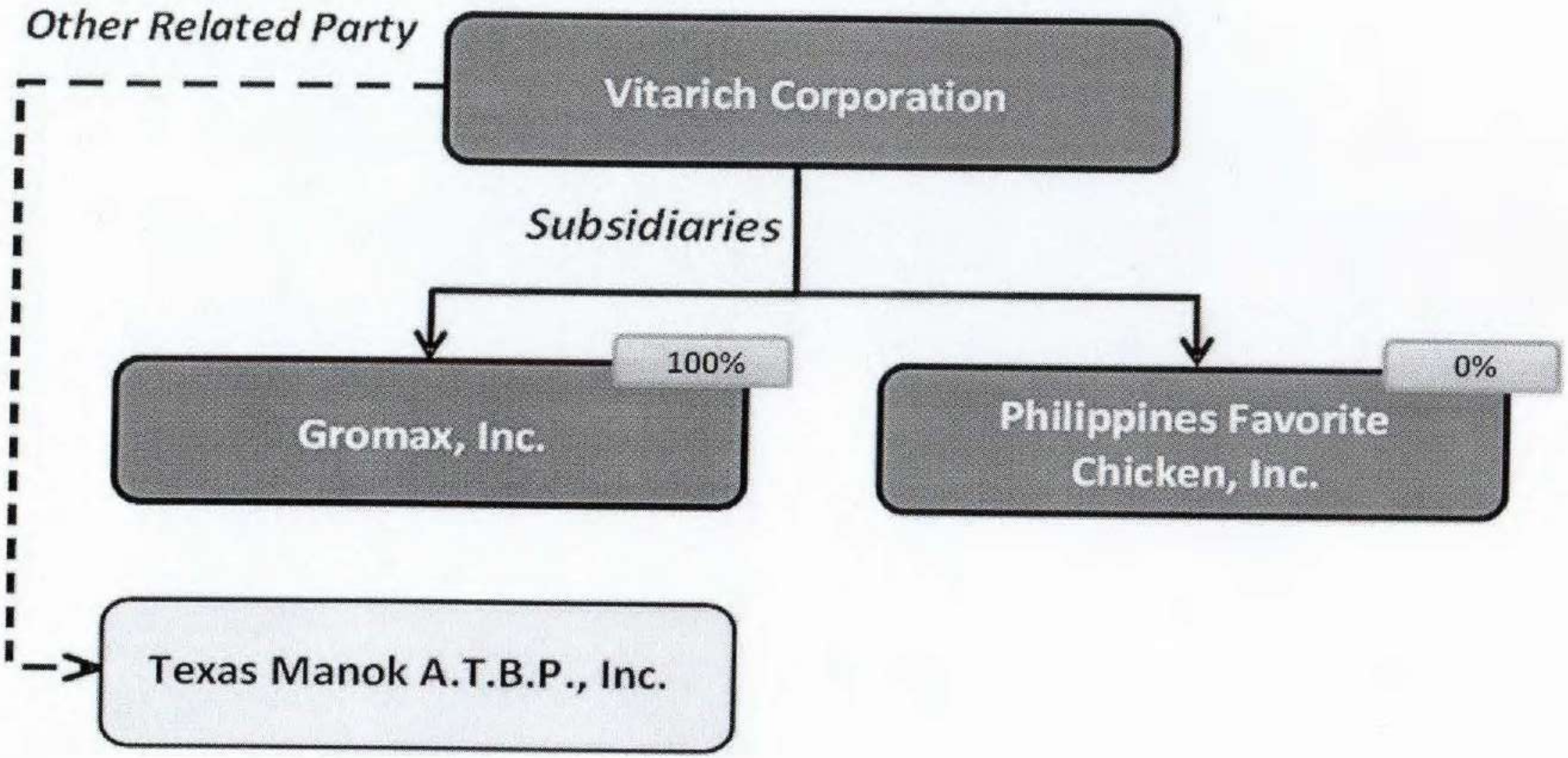
VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER
December 31, 2019
(In Thousands)

				Number of shares held by		
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the statement of financial position caption	Number of shares reserved for options, warrants, conversion & other rights	Related parties	Directors, officers and employees	Public
Common stock – ₱0.38 par value per share						
Authorized - 3,500,000,000 shares	3,500,000	3,054,334	–	2,178,800	74,838	800,696

VITARICH CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP

December 31, 2019



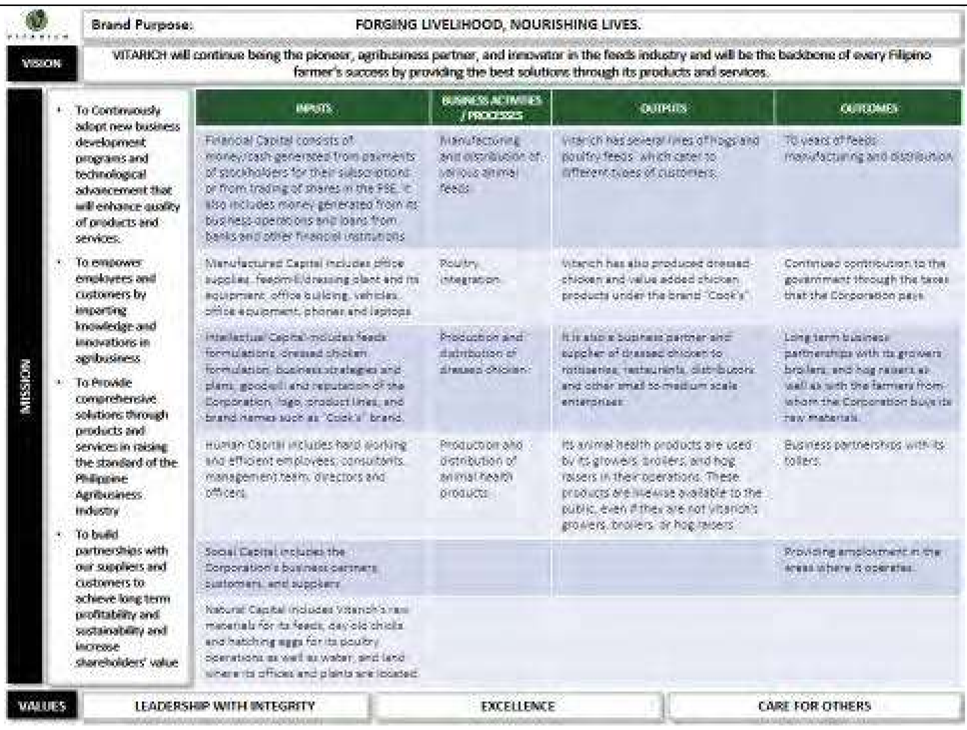
2019 SUSTAINABILITY REPORT

2019 SUSTAINABILITY REPORT
VITARICH CORPORATION

SEC Reporting Template

Contextual Information

Company Details	
Name of Organization	Vitarich Corporation ("Vitarich")
Location of Headquarters	Principal Place of Business: Marilao- San Jose Road, Sta. Rosa I, Marilao, Bulacan
Location of Operations	Aside from Marilao, Bulacan, Vitarich also operates in the following areas: a. Iloilo: Brgy. Mali-ao, Pavia, Iloilo b. Bacolod: Door M-4, Palanca Avenue, Reclamation Area, Bredco 1, Bacolod City c. Cebu: A.C.Cotez Avenue, Ibabao, Mandaue City, Cebu d. Cagayan de Oro: General Milling Corporation, Tablon, Cagayan De Oro City e. Davao: KM.14 Panacan, Davao City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report involves only the business operations of Vitarich, including the operations in the feedmill plants that it operates, which are located in Iloilo and Davao. It excludes, however, the dressing plants as these are not operated by Vitarich.

<table>
<tr><td>Business Model, including Primary Activities, Brands, Products, and Services</td><td>

For a more readable business model, kindly see Annex “A” of this Sustainability Report.</td></tr>
<tr><td>Reporting Period</td><td>January to December 2019</td></tr>
<tr><td>Highest Ranking Person responsible for this report</td><td>Atty. Mary Christine Dabu-Pepito, Assistant Corporate Secretary, Compliance Officer, Corporate Information Officer, and Legal Counsel</td></tr>
</table>

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
Since this is the first Sustainability Report of Vitarich, the Sustainability Report team collated all existing data and information needed. Based on these existing data, the team analyzed the material topics for the report using the Materiality Matrix. Per assessment, the following are the topics material to Vitarich: (a) Direct Economic Value Generated and Distributed (b) Climate-Related Risks and Opportunities (c) Proportion on Spending on Local Suppliers (d) Training on Anti-Corruption Policies and Procedures (e) Incidents of Corruption (f) Materials Used by the Organization (g) Air Emissions

[1] See *GRI 102-46* (2016) for more guidance.

(h) Air Pollutants
(i) Solid Wastes
(j) Hazardous Wastes
(k) Effluents
(l) Environmental Compliance
(m) Employee Data
(n) Employee Benefits
(o) Employee Training and Development
(p) Labor Management Relations
(q) Diversity and Equal Opportunity
(r) Occupational Health and Safety
(s) Labor Laws and Human Rights
(t) Supply Chain Management
(u) Significant Impacts on Local Communities
(v) Customer Satisfaction
(w) Health and Safety
(x) Marketing and Labelling
(y) Customer Privacy

However, while the same were assessed to be material, there are still no available data on some topics.

The topics that were not relevant were left in blank/unanswered.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	8,918,466,510.00	PhP
Direct economic value distributed:		
a. Operating costs	588,305,146.00	PhP
b. Employee wages and benefits	267,795,206.00	PhP
c. Payments to suppliers, other operating costs	7,528,487,783.00	Php
d. Dividends given to stockholders and interest payments to loan providers	Interests - 74,965,307.00 Dividends - none	PhP
e. Taxes given to government	44,150,032.00 (inclusive of licenses, income and other taxes paid)	PhP
f. Investments to community (e.g. donations, CSR)	51,500.00	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

For the year 2019, Vitarich generated a total revenue of Php8,918,466,510.00 as a result of its business operations and strategies. With this amount, it was able to fund its operating costs and pay the salaries of its employees. It was also able to contribute the amount of Php44,150,032.00 to the government in the form of taxes and license fees. In addition, the company was able to pay interests to its loan providers and still had something to share with the community in the form of donations and Corporate Social Responsibility (CSR) activities. Vitarich's generated revenue has an impact on the country's revenue through the taxes it paid for 2019. It also has an impact on the labor sector through job creation and retention as well as in food production and distribution.	Vitarich's economic value generated and distributed affected the following stakeholders: (a) government; (b) employees; (c) suppliers; (d) customers; (e) other business partners; and (f) loan providers.	Vitarich has a Lifetime Profitable Partnership (LPP) program, which has been proven to be a financially and socially efficient strategy. Thus, the company commits to continuously strengthen, update and innovate its LPP program. Vitarich also commits to continuously update capabilities and efficiencies within its organization. It will continue to pay the correct and right amount of taxes and comply with government rules and regulations.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The following are the risks identified relative to this topic: 1. Decrease in revenue due to a shift of the customers to the competitor. 2. Increase in expenses due to overspending. 3. Decrease in revenue and/or increase in expenses due to over-expansion. 4. Decrease in revenue due to pest infestation, weather disturbance, scarcity of local raw materials, animal sickness/diseases like Avian Flu and African Swine Fever. 5. Decrease in revenue, delay in the operations and/or increase in operating costs due to over-importation of dressed chicken, high market prices of raw materials, unreasonable	These risks are seen to affect the either the government, the company's suppliers, loan providers, employees, directors, or customers.	Vitarich continuously evaluates and improves its operational efficiencies (including customer service and cost reduction measures) as well as its bio-security measures and policies. It also continuously researches and develops alternative raw materials, as well as source raw materials within the locations where it operates. The company commits to continue to improve its allocation of resources to weather drastic price fluctuation of chicken. It also commits to continue to pay its obligations on time to avoid the imposition of charges and penalties. In addition, Vitarich strives to do its best to coordinate with government policy makers and comply with applicable regulations. It will continue to foster labor relations and community

government policies and regulations as well as possible labor unrest. 6. Unnecessary payment of penalties to loan providers and the government for late payment of loans and/or taxes, as the case may be. 7. Delay in operations due to relocation caused by urbanization of areas where dressing plants and/or feedmills operate. 8. Legal prosecution and/or legal liabilities (i.e. penalties) due to Bureau of Internal Revenue ("BIR") and/or Local Assessor's Office assessment for deficiency taxes. 9. Lay-off of employees due to liquidity issues of the company.		relationship. To address urbanization in areas where its plants are located, Vitarich commits to plan for transition to cope with urbanization as well as to continuously upgrade and modernize infrastructure, plants and equipment in order to minimize, if not, avoid, the relocation of dressing plants due to urbanization. It will continue to pay the right and correct amount of taxes on time and should the company be subject of an assessment, it will cooperate with BIR or the local assessor in the reconciliation of records and, if found to have deficiency taxes, to pay the deficiency taxes at once in order to avoid not only additional penalties and surcharges but also to avoid legal prosecution.
What are the Opportunity/ies Identified?		**Management Approach**
The following are the opportunities identified relative to this topic: 1. Increase in revenue due to high retention of customers because of the company's resiliency over wide-spread sickness of animals, pest infestation and over-importation of chicken. 2. Use of modern and cutting-edge technology for the chicken industry due to the company's good financial standing. 3. Improvement in operations and innovations due to the company's good economic performance. 4. Increase in net revenue due to lowering of corporate income tax should the second instalment of the TRAIN law is passed. 5. Expansion of business operations due to increase in net revenue. 6. Continuous contribution to the government due to the taxes paid by the company. 7. Increase in credit rating and in		In addition to the foregoing approach, Vitarich commits to maximize its profits by using the same to improve the company's business operations in order to be able to give or contribute more to its stakeholders. The company also commits to continuously pay its suppliers and loan providers on time to maintain good relationship with them.

credit line from loan providers due to on-time payment of obligations. 8. Continuous job creation in the areas where the company operates.		

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	**a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term**	**a) Describe the organization's processes for identifying and assessing climate-related risks**	**a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process**
The climate-related risks and opportunities are discussed during the regular and/or special meeting of the Board of Directors, as the need arises. Heads of concerned departments report and update the Board on the effects of climate-related risks and opportunities on Vitarich's business operations, if any, and the measures undertaken to prevent and/or minimize	On the short term horizon, Vitarich is exposed to the following climate-related issues: (a) lack or scarcity of local raw materials; (b) flooding; (c) power shortages; and (d) water shortages. On the medium to long term horizon, the following are the climate-related issues relevant to the company: (a) weather disturbances; (b)	While climate-related risks have not yet been included in Vitarich's existing risk management policy, the company, in practice, is already assessing climate-related risks and opportunities through the following means: (a) continuous research and development on emerging trends, alternative raw materials, and latest technology and	Since climate-related risks and opportunities have not yet been incorporated on Vitarich's risk management policy, there is no available data yet on the metrics used to assess these climate-related risks and opportunities.

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

adverse effects.	erratic climate conditions; (c) increasing temperatures during summer; (d) continuous rise of sea water level; (e) ban on use of plastics in the packaging of products; (f) shift to the use of biodegradable plastic packaging; (g) customer preference on "green" companies/companies who have been certified as eco-friendly; (h) scarcity of non-renewable resources; and (h) urbanization. Based on these risks, Vitarich sees the following opportunities, which has not only short term but also long term impacts on the company's business operations: (a) use of alternative raw materials; (b) use of renewable sources; (c) reduced consumption of water; (d) use of biodegradable plastics in packaging; (e) use of organic materials in packaging; (f) reduction of wastes; (g) use of climate proof infrastructures; and (h) use of eco-friendly, state-of-the-art equipment.	infrastructure; (b) review and audit of effects of recurring risks such as flooding and weather disturbances; (c) innovation on strategies to address recurring risks and evaluation of such strategies versus former strategies; and (d) continuous review and innovation of strategies. Moving forward, Vitarich commits to include climate-related risks and opportunities in its existing risk management policy.	

b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets
The management meets at least twice a month to discuss the results of the previous month's operations, the factors for achieving said results/non-attainment of targets, the financial and climate-related risks and opportunities as well as the possible spread of animal diseases/viruses. Any climate-related issue that affects or may potentially affect the company's business operations are likewise discussed to the Board of Directors, together with measures undertaken or to be undertaken to address the climate-related issues.	Lack or scarcity of raw materials, power and water shortages may either hamper business operations or increase costs to produce Vitarich's products. Continuous rise of sea water level, and weather disturbances may devastate infrastructure. Erratic climate conditions, flooding, and increasing temperatures during summer, on the other hand, may destroy or contaminate Vitarich's products or even limit product movement. These may also reduce demand for products. The ban on use of plastics in the packaging of products or at least the shift to the use of biodegradable plastic packaging, as well as customer preference on "green" companies/companies who have been certified as eco-friendly, and scarcity of non-renewable sources may have the following impacts: (a) increase cost to produce; (b) decrease in the	Vitarich manages its climate-related risks and opportunities in the same manner as how it assesses these risks and opportunities. These means are already provided for in disclosure (a) above.	Since climate-related risks and opportunities have not yet been incorporated on Vitarich's risk management policy, there is no available data yet on the targets used to assess these climate-related risks and opportunities other than meeting the targeted revenues for the months that weather disturbances, flooding and increase in temperature are experienced.

	demand for goods; (c) reduced revenue; (d) increase in interest rates on future and even existing loans, if any; (e) increase expenditures on research and development; and (f) increase in capital expenditures in technology development. Urbanization may result in increase in capital expenditures for relocation. On the other hand, all of the above-identified opportunities have the following potential financial impacts on Vitarich: (a) increased efficiencies thereby reducing costs; (b) increase in demand; (c) increase in revenue; (d) decrease in costs to produce; (e) increase in production capacity; (f) increased employee retention; (g) increased customer retention; (h) decrease in capital expenditures; and (i) increased goodwill of the company.		
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	**c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management**	

	Vitarich has shown resilience over short term risks and some of the long term risks (flooding, weather disturbances) it encountered in the past but this has to be further improved, strengthened, and institutionalized within the organization. While the company had started to make plans to take measures on the opportunities identified above, it has yet to develop strategies in order to maximize the potentials of the said opportunities. The aforementioned risks and opportunities have the potential to affect Vitarich financially and physically (i.e. relocation due to urbanization).	As mentioned above, while climate-related risks have not yet been included in Vitarich's existing risk management policy, the company, in practice, is already assessing climate-related risks and opportunities. Vitarich commits to include climate-related risks and opportunities in its existing risk management policy.	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	78.73	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Vitarich's procurement policies and practices generate a positive value for local suppliers as 78.73% of the procurement budget was spent on local suppliers.	Affected stakeholders are suppliers, farmers, traders, customers, community and the government.	Vitarich's Procurement Department uses the Buying Plan method based on the Material Requirement Plan ("MRP") provided by the Production Planning and Inventory Control ("PPIC") to plan buying

However, while Vitarich is committed to support local farmers, it cannot help but import some of its raw materials due to significant price differences between local and imported materials, or because of weather disturbances, extreme weather conditions or lack/scarcity of materials. In addition, these practices and policies also have an impact on the supply and cost of acquisition of raw materials that translate to the cost of feeds and/or poultry products. Raw materials, security of supply, and cost are the main concerns of the overall operation of the company both for internal and commercial sales.		strategies and timing. Aside from this, Vitarich has an existing procurement policy which is reviewed periodically.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The risks identified are: (a) lack/scarcity of supply brought about weather disturbances or climate changes; (b) over-importation; (c) government ban on importation; (d) high/increase in the cost of raw materials to produce finished feeds; (e) changing or cancelling orders due to production limitations, government policies, reduced demand for the materials; and (f) exposure risk on importation due to direct importation of some of the materials.	Weather disturbances, climate changes, increase in prices of materials and government policies may affect the financial condition of the suppliers as the company would source the materials elsewhere. Over-importation will also affect suppliers' financial condition as the prices will go down. Vitarich's customers will also be affected most of the identified risks may potentially increase the prices of the company's products due to the increase in the prices of the raw materials.	The Buying Plan mentioned above, Materials and Supplies Report and Material Canvass Evaluation Form, are used to capture price offers of different suppliers, including prices for term and COD payments, and analysis of savings between local sourcing and importation. In case of lack/scarcity of supply, Vitarich augments its requirements through importation. To reduce exposure risk on importation, Vitarich engages a third party to do importation activities for the company. Further, as stated above, Vitarich's existing procurement policy is being reviewed from time to time. Necessary amendments on the policy are also done in order to improve the company's procurement policies and processes.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Vitarich can help spur the development of local corn industry. It can be a ready taker of produce that would stabilize the risk and increase viability of planting corn. For the materials that Vitarich import, vessel loading of the materials instead of placing them in the containers.	Stakeholders include local suppliers, farmers and traders. For importation, foreign suppliers, customers, and employees under the procurement, finance, warehouse and logistics departments are affected because if these raw materials will be loaded in a vessel, it is seen to make the importation and procurement process faster and more efficient, thereby may affect the price of the product.	Vitarich is actively looking for local suppliers of raw materials and as a matter of policy, patronizes these local suppliers. Importation comes only as a secondary option or done only to augment the company's requirements. The management plans to study the costs and benefits of vessel loading of one of the major raw materials versus the existing practice/s as well as the measures that may be undertaken to reduce importation risk and exposure of Vitarich.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of directors and management that have received anti-corruption training	0	%
Percentage of employees that have received anti-corruption training	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Training on anti-corruption policies and procedures contribute to having arms-length transactions with the suppliers. It also promotes competition among the suppliers to help them improve their own businesses, which would also translate to more income and more tax payments from the suppliers and the company as well. Further,	Since Vitarich's anti-corruption policy at present is limited to prohibition on conflict of interest, the stakeholders affected so far are the employees, suppliers and customers.	Vitarich commits to establish a comprehensive anti-corruption policy and procedure and communicate the same to the employees, directors, officers, business partners, suppliers, and the public within the year 2020. Finally, it commits to conduct a series of anti-corruption trainings within 3 years starting from 2020 to 2022.

it helps parties dealing with the company to conduct their businesses in a legal, moral, and ethical manner. It also upholds laws and company policies. It also has an impact on the company's business operations, supply chain, and goodwill. However, while this is a material topic for Vitarich as integrity is one of the company's core values and it conducts its business in an honest, legal, moral and ethical manner, its anti-corruption policy at present is limited to the prohibitions and penalties for conflicts of interests as indicated in the Company Rules and Regulations. There is no comprehensive and separate anti-corruption policy yet. As such, there is no available data yet on the extent of the impact of this material topic.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Since the only anti-corruption policy in place is conflict of interest and there had been no regular trainings regarding this policy, the following are the risks identified relative to this topic: 1. Employees, particularly those involved in procurement, sales, and collection may not be able to draw the line between a mere accommodation given to a customer or a supplier or those given to Vitarich and an act amounting to a conflict of interest. 2. Failure to draw the line between a mere accommodation given to Vitarich or those given to suppliers and customers and an act that is corrupt, dishonest, or unethical.	These identified risks will affect Vitarich's employees, customers, suppliers, business partners, directors, officers, and even shareholders. Erring employees, officers, and directors may not only lose their jobs in the company but may also face criminal prosecution. If found guilty, they may even suffer the penalty of imprisonment. Should confidence in the company decline as a result of corrupt acts and practices, shareholders' investments may be	In addition to those mentioned above, Vitarich commits to strengthen its control procedures to ensure that business operations are conducted and profits are earned in a legal, moral, and ethical manner.

3. Decline of confidence of customers, suppliers and any external business partners. 4. Lack of basis for issuing fines and penalties involving corruptions within and outside the organization. 5. Possible legal suits against the company, its directors, officers, or employees. 6. Lost income opportunities or decrease in revenue. 7. Demoralization of employees. 8. Company's reputation may be tainted. 9. Decline in the company's market value. 10. Abusive transactions/contracts or those where the terms and conditions are not arms-length.	affected, especially if the market value of the company becomes too low.	
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
If anti-corruption policies and procedures are communicated to the stakeholders and trainings have been given to them, Vitarich's business operations will be more profitable as it need not spend for fines and penalties on account of corrupt practices and acts. The company also need not spend for legal actions against employees, officers, directors, and business partners who are proven to commit corrupt practices and act. Employees will be more motivated to work and they will be more efficient. There will be a very minimal employee turnover rate because fewer employees will resign and no employee will be dismissed due to corrupt practices and act. Once anti-corruption policy is promoted and implemented strictly, it will provide positive image to external business	Shareholders would have peace of mind about their investments in the company. Business partners are assured of a continuing business relations with Vitarich. Suppliers are given the opportunity to compete for every requirement. Employees are more secured in their employment and they are more motivated to work. Career growth is a high possibility for the employees. They also need not worry about legal suits against them for corrupt practices that amount to criminal acts under our laws.	Vitarich reiterates the management approach disclosures made above and, in addition, it plans to study the possibility of partnerships with the government and its agencies and to analyze the extent of the contributions it will make and benefits it may derive from such partnerships.

partners, potential investors, potential employees and others. A corrupt-free business operations will also pave the way for tie-ups and partnerships with the government, its agencies and adjunct departments. Long term partnerships with existing business partners is also seen. In addition to this, Vitarich may be able to gain new customers. In terms of financing, there is a high possibility of getting low interest rates as Vitarich's exposure to closure and legal suits are avoided or at least maintained at a very minimal level.	The government will earn the correct and right amount of taxes from Vitarich. The government's partnership with Vitarich will also help the government enrich the lives of more people.	

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	None	#
Number of incidents in which employees were dismissed or disciplined for corruption	3	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
In 2019, a number of corruption incidents involving food sales department and supply chain group were reported. There were bribery incidents to give preference to distributors when there were shortage of products. These incidents resulted in certain amount of cash and company assets being utilized for personal advantage of these employees and officer. They were dismissed.	Erring employees were affected and were eventually terminated and/or did not intentionally report to the company for work (considered as AWOL). Customers involved in the transactions were also affected. Suppliers providing services to Vitarich were	In addition to the management approach given under the heading of Anti-Corruption Policies and Procedures, Vitarich has an existing policy and process regarding these kinds of infractions/dishonesty. It has an established procedure for investigating such matters, and what kind of penalty/ies to be imposed on erring employees. Vitarich's management had also established the guidelines for food sales operations as agreed with all the

	also affected.	departments involved (dressing plant group, food sales group, accounting, credit and collection and audit group). The company has also strengthened its controls over the supply chain group transactions especially on capital expenditures.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Incidents of corruption may lead to the following: (a) use of company assets and properties for personal advantage; (b) lost sales and customers; (c) intentional mismanagement of company funds; (d) weak internal controls become futile; (e) demoralized employees; (f) reduced confidence from possible investors; (g) increase in operating costs; (h) high employee turn-over; (i) reduction in revenue due to increase in costs; and (j) taint in the company's reputation/good will.	The stakeholders that may be affected by the identified risks are the employees, customers, suppliers, stockholders, directors and officers.	In addition to those mentioned above, Vitarich shall strengthen internal controls over food sales operation and supply chain group. It also commits to strengthen its internal audit and to conduct more regular audits for each department nationwide.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
A corrupt-free workplace and company will make the following possible: (a) improvement of the process of not only the food sales operations and supply chain group but also all processes within the company; (b) employee turn-over is maintained at a minimal level; (c) reduction in costs because the company is not exposed to risk of being penalized; (d) increase in revenue due to reduction in costs; (e) increase in confidence of investors; and (f) high reputation/goodwill of the company.	A corrupt-free workplace affects the customers, suppliers, employees, stockholders, and other investors.	In addition to those already mentioned above, Vitarich shall consistently monitor the efficiency and effectiveness of all departments covering it through the internal audit department in collaboration with the legal group and Business Process Monitoring Unit ("BPMU").

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)		GJ
Energy consumption (SFO)		GJ
Energy consumption (gasoline)		GJ
Energy consumption (LPG)		GJ
Energy consumption (diesel)		GJ
Energy consumption (electricity)		kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)		GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal		Cubic meters
Water consumption		Cubic meters
Water recycled and reused		Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
What are the Opportunity/ies	**Which stakeholders are**	**Management Approach**

Identified?	affected?	

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
➢ Renewable	Luzon – 3,700,000 Visayas – 1,950,000 Mindanao – 4,200,000 Total: 9,850,000	Kilo
➢ Non-renewable	Luzon - 2,800,000 Visayas - 1,800,000 Mindanao – 4,250,000 Total: 8,850,000	Kilo
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As a feed and poultry company, Vitarich relies heavily on raw, manufactured and processed materials in order to manufacture, market and sell its products. As can be seen, however, while it uses more renewable materials than renewable materials, it does not use recycled materials in its production. Moreover, the difference between the use of renewable and non-renewable materials is only 1,000,000 kilos, thus, still contributing to waste generation and pollution.	One of the stakeholders affected are the communities in which Vitarich has business operations as they bear the company's contributions to pollution and wastes. The suppliers of non-renewable materials are affected as they may, over a period of time, suffer shortage or scarcity of materials to be supplied to the company. The customers are also affected because the prices of the products of the company depend also on the costs of production.	Being aware of the environmental problems of the world, Vitarich commits to conduct a study to shift to the use of more renewable and/or recyclable materials in the manufacturing and selling of its products in order to minimize, if not totally avoid, the use of non-renewable materials. In order to minimize wastes, it plans to look into the possibility of trading the excess non-renewable materials.
What are the Risk/s Identified?	**Which stakeholders are affected?**	
The company's continuous demand for non-renewable materials may	The suppliers of non-renewable resources will	

result in the shortage or scarcity of any of these materials. The scarcity or shortage of these materials will hamper or delay the company's operations. It also increases the company's contribution to pollution and generation of waste.	be affected by the shortage or scarcity of the non-renewable materials. The customers will also affected because the prices of the products also depend on the prices and availability of the materials. The communities where the company operate will be affected by the increase in the contribution to pollution and waste.	
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	
The use of renewable materials will decrease the company's contributions to pollution and waste. It also conserves non-renewable materials so that these may be used for a longer time. In addition, renewable materials may be more cost efficient than non-renewable ones.	The communities where Vitarich has operations will be affected because the decrease in pollution and waste would mean a healthier environment for them. The suppliers of non-renewable materials will be affected in the sense that Vitarich's orders will decrease. On the other hand, suppliers of renewable sources will benefit from the shift to the use of renewable sources, albeit gradually. Customers will be affected as the use of renewable materials may be more cost efficient on the part of the company, thus, making the company's products more affordable to the customers.	

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored		Ha

IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	(list)	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	Iloilo Feedmill - 4,100/year Davao Feedmill (CO emission only for broiler 1 and 2 respectively) - 1.4tons/yr and 0.6tons/yr, respectively	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	Iloilo Feedmill – 0 Davao Feedmill -	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
While Vitarich does not emit ozone depleting substances, its feedmill operations in Iloilo and Davao contribute to GHG emissions, albeit in a very minimal level compared to the thresholds allowed per Department of Environment and Natural Resources ("DENR") standards. While the impact to the	The communities where the Iloilo and Davao feed mills are located are affected by these emissions. In addition, the government is also affected because of regulatory measures in place.	Vitarich regularly maintains its feed mills and equipment and checks its emissions at least once a month and ensures that emissions are within the threshold allowed by law.

[4] International Union for Conservation of Nature

environment is very low, this topic is still material for the company as the company's air emissions are highly significant for the stakeholders.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The possible increase in GHG emissions, health risks of the community, and legal action and/or liability against the company and/or its directors, officers, or employees due to increase in GHG emissions are the risks associated with this topic.	The stakeholders who may be affected are the communities where the feed mills are located, the government, the company's directors, officers or employees.	Aside from those mentioned above, Vitarich does continuous research on more eco-friendly machines and equipment to maintain emissions within threshold allowed by law or better, to even reduce the emissions.
What are the Opportunity/ies Identified?		
Reduction in GHG emissions from feed mills, thereby reducing health risks of the community and reducing exposure to legal action and/or liability of the company, its directors, officers or employees.		

Air pollutants

Disclosure	Quantity	Units
NO_x	Iloilo Feedmill -349 Davao Feedmill - 142.0 (Genset), 109.4 (Boiler No. 1), 37.6 (Boiler No. 2)	ave. concentration in mg/Nm³
SO_x	Iloilo Feedmill – 605 (as SO2) Davao Feedmill – 74.8 (Boiler No. 1), 97.4 (Boiler No. 2)	ave. concentration in mg/Nm³
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	Iloilo Feedmill -56.9 Davao Feedmill – 13.1 (Boiler No. 1)	concentration in mg/Nm³

	9.3 (Boiler No. 2)	

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Vitarich’s feedmill operations in Iloilo and Davao contribute to air pollution, albeit in a very minimal level compared to the thresholds allowed per DENR standards.

While the impact to the environment is very low, this topic is still material for the company as the company’s contribution to air pollution is highly significant for the stakeholders.

Please note that data reflected for Iloilo Feedmill was based on the test result for 2017, which is still valid until 2022.</td><td>The stakeholders affected are the communities where these feedmills operate, the employees in the feedmills and the government.</td><td rowspan="3">Vitarich has pollution control devices, including dust collectors, in its feedmills in order to minimize, if not totally avoid, contribution to air pollution. These pollution control devices and all other equipment are continuously and regularly monitored and maintained. To protect its employees and even third persons, biosecurity measures are in place and the company also provides them with personal protective equipment (“PPE”). The company also conducts an annual maintenance/servicing for its boilers.</td></tr>
<tr><td>What are the Risk/s Identified?</td><td>Which stakeholders are affected?</td></tr>
<tr><td>The risks identified with respect to the air pollutants being emitted by the company’s feedmills in Iloilo and Davao are: (a) increase in contribution air pollution; (b) health risks on the part of the employees and the communities where the feedmills operate; and (c) legal action and/or liability on the company, directors, officers, or employees due to increase in air pollution contribution.</td><td rowspan="3">The stakeholders who may be affected are the communities where the feed mills are located, the government, the company’s directors, officers or employees.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td><td>Management Approach</td></tr>
<tr><td>Decrease in air pollution contribution, thereby reducing health risks of the community and reducing exposure to legal action and/or liability of the company, its directors, officers or employees.</td><td>In addition to the foregoing, Vitarich is continuously researching and finding means to further reduce its contribution to air pollution, including the possibility of converting to mechanical operation in the pouring line.</td></tr>
</table>

Solid and Hazardous Wastes

Solid Waste

Disclosure (include office)	Quantity	Units
Total solid waste generated	Iloilo Feedmill - 2,500/month Davao Feedmill - 2,500/month	kg
Reusable	Iloilo Feedmill – 500/month Davao Feedmill – 500/month	kg
Recyclable	Iloilo Feedmill – 300/month Davao Feedmill – 300/month	kg
Composted	Manure - 174,000 Iloilo Feedmill – 700/month Davao Feedmill – 700/month	kg
Incinerated	0	kg
Residuals/Landfilled	Iloilo Feedmill – 1000/month Davao Feedmill – 1000/month	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company produces residual solid waste of about 2,000 kg per month or about 24,000 kg per year from its Iloilo and Davao feedmill operations, even after its recycling, reusing and composting measures in place.	The stakeholders affected would be the employees involved in the feed mill operations, the communities where the feedmills operate as well as the communities near the landfills where the residual wastes go and the government.	Vitarich collects sweepings (assorted wastes collected through the process of sweeping) to be reprocessed/included in formulation of feeds, reuses and recycles all that may be reused or recycled, as the case may be, and keeps its residual solid wastes within the allowed threshold.
What are the Risk/s Identified?		**Management Approach**

Collection of sweepings could result in health risks to employees, such as infections. Increase in residual wastes may harm the communities where the feedmills operate and those near the landfills. Legal action and legal liability on the company's part as well as its directors, officers, or employees should the solid wastes go beyond the threshold allowed by law. **What are the Opportunity/ies Identified?** Increase in volume of sweepings to be reprocessed to reduce use of raw materials. Reduction in residual wastes as well as elimination of the same may reduce health risks to communities where the feedmills operate and those near the landfills. It may also reduce exposure of the company, its directors, officers and employees to legal action and legal liability.		In addition to the foregoing, the company regularly evaluates the sweepings to make sure that it would not cause infections. It also provides the employees with PPEs and the biosecurity measures in place are strictly implemented. Vitarich also continuously looks for solutions to further reduce its solid wastes, if not totally eliminate them.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	Iloilo Feedmill: Used oil – 160/year Busted lamps – 32/year Davao Feedmill: Used oil – 20/year Busted lamps - 20/year	 liters kg liters kg
Total weight of hazardous waste transported	Iloilo Feedmill – 0	kg

	Davao Feedmill – 0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As can be seen in the table above, the company's business operations in its Iloilo and Davao Feedmills generate hazardous wastes in the form of used oil and busted lamps, which, if not disposed properly, may result in harmful effects to the environment and even to human beings. The volume of these hazardous wastes is, however, very minimal. Thus, there is no need to transport the same yet and there is also no hazardous waste transporter that would cater the very minimal volume. The same are properly kept within the vicinity.	The stakeholders who may be affected are the people living nearby, the employees of the organization, and the government.	The company has a designated Materials Recovery Facility ("MRF") to properly store used oil and busted lamps. It also makes sure that the proper waste disposals prescribed under existing laws and regulations are strictly followed.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Improper disposal of these wastes may lead to: (a) health risks of employees and people living nearby; (b) fire; (c) air and/or water pollution; and (d) legal action and liability on the company, its directors, officers, and employees.	The stakeholders who may be affected are the people living nearby, the government, and the company's directors, officers, and employees.	In addition to the foregoing measures, the company monitors consumption of oils and lamps so that the waste is kept within the threshold and that these hazardous wastes are segregated from the non-hazardous wastes. It also strictly implements its "No Smoking" policy and provides employees working in its feedmills PPEs, which they are also required to wear within the premises.
What are the Opportunity/ies Identified?		
The opportunities seen are: (a) reduction or even elimination of health risks of employees and people living nearby; (b) prevention of fire; (c) prevention of air and/or water pollution; and (d) prevention of legal action and liability on the company, its directors, officers, and employees.		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	Iloilo Feedmill - 52/month Davao Feedmill - 52/month	Cubic meters
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As can be seen above, the company's feedmill operations in Iloilo and Davao contribute to the generation of waste water, albeit minimal in volume.	The communities where feedmills operate as well as the government are the stakeholders affected by the company's effluents.	Vitarich complies with MRF and waste water requirements as well as the proper waste water disposal prescribed under the law and regulations. It also makes sure that it operates within the thresholds allowed by law.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Increase in effluents may result in scarcity of water resources in the areas where the feedmills operate as well as legal action and/or liability on the part of the company, its directors, officers, and employees. Improper waste water disposal may cause: (a) health risks to the employees and the communities where the feedmills operaete; (b) water pollution; (c) legal action and/or liability on the company, its officers, directors, and employees; or (d) closure by DENR and/or LGU.	The stakeholders who may be affected are the communities where feedmills operate, the government, as well as the company's directors, officers, and employees.	In addition to the foregoing, Vitarich commits to look for solutions to further reduce waste water.
What are the Opportunity/ies Identified?		
Decrease in effluents help in the conservation of the water resources in the areas where the feedmills operate and avoidance of legal action and/or liability on the part of the company, its directors,		

officers, and employees. Recycling of water, treatment of water, and implementation of rain water catcher system would not only reduce waste water but would also: (a) prevent or reduce health risks to the employees and the communities where the feedmills operaete; (b) prevent or reduce contribution to water pollution; (c) prevent legal action and/or liability on the company, its officers, directors, and employees; and (d) prevent closure by DENR and/or LGU.		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	15,000	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Since the fine was imposed for commencing the operations of the company's research and development (R & D) farm despite the lack/absence of Environmental Compliance Certificate ("ECC"), the impact was only on the company's compliance with regulatory requirements. However, the same did not result in any harm to any person or even animal or even to the environment.	The stakeholders affected were the employees who were assigned at the farm, as well as the business partners of the company, and the government.	The company was able to correct the oversight by securing the required ECC. It included the regulatory requirements for the continued operation of the farm in the monitoring of its compliance team in order to ensure that permits are renewed and secured annually.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The risks involved in non-compliance with environmental laws and regulations are as follows: (a) imposition of sanctions in the	The stakeholders who may be affected are the: (a) company's stockholders, directors,	Vitarich strictly monitors compliance with environmental laws and regulations, including securing all permits and licenses needed for the continued operation of its

form of fine, cease and desist order, or closure of operation; (b) civil, criminal, or administrative liability on the part of the erring employee; (c) high contribution to air, water, or land pollution; (d) shortage of resources; (e) health risks of employees, customers, and animals fed with the company's feeds; and (f) taint in the reputation/goodwill of the company. **What are the Opportunity/ies Identified?** Compliance with environmental laws and regulations not only avoids harm to the people in the communities where Vitarich has business operations, its customers and to the animals fed with its feeds, but also ensures business continuity and peaceful relationship with the communities where it operates and the government. Compliance with environmental laws and regulations also prevent liabilities on the part of the company, its directors, officers, or employees.	officers, and employees; (b) customers; (c) business partners; (d) the communities where the company has operations; (e) suppliers; and (f) government, especially the regulators.	business. As mentioned above, it operates within the thresholds allowed by law and it regularly monitors and maintains its equipment. It also continuously looks for solutions to further lessen its wastes, air emissions and air pollutants.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[5]		
a. Number of female employees	228 (national)	#
b. Number of male employees	382 (national)	#
Attrition rate[6]	7 %	rate
Ratio of lowest paid employee against minimum wage	none	ratio

Employee benefits

List of Benefits	Y/N	% of female employees	% of male employees

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

		who availed for the year	who availed for the year
SSS	Y	53	39
PhilHealth	Y	12	28
Pag-ibig	Y	42	57
Parental leaves	Y	2	5
Vacation leaves	Y	184	277
Sick leaves	Y	126	176
Medical benefits (aside from PhilHealth)	Y	34	43
Housing assistance (aside from Pag-ibig)	N	0	0
Retirement fund (aside from SSS)	Y	0	3
Further education support	N	0	0
Company stock options	N	0	0
Telecommuting	N	0	0
Flexible-working hours	N	0	0
(Others)	Y		

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
With operations in Luzon, Visayas, and Mindanao, Vitarich contributes to labor and employment not only on a nationwide scope but also on a localized scope. It helps promote local hiring in Bulacan, Iloilo, and Davao. Since it has 610 employees as of 2019, who mostly reside in the localities where the company operates, Vitarich aids in addressing congestion and overpopulation in Metro Manila. In addition, the company also gives the employees compensation and benefits that are greater than what the law provides.	Vitarich not only abides by the country's labor standards laws but also gives the employees additional benefits such as medical allowance, personal protective equipment, uniform, medical benefits, dental benefits, rice subsidy, seniority pay, personal accident assurance, transportation and meal allowances (when applicable), leave credits over and above the service incentive leave pay, hazard pay for entitled employees, and funeral assistance. It also ensures the timely processing and payments of government contributions not only to comply with laws and regulations but also to ensure timely release of benefits. Vitarich further commits to take care and empower its employees through its Employee Lifetime Profitable Partnership ("employee LPP") program to be launched in 2020.
What are the Risk/s Identified?	**Management Approach**
The following are the risks identified relative to this topic: (a) Demotivation of employees due to reduction in take home pay in order to repay SSS and Pag-Ibig loans.	In addition to the foregoing, Vitarich ensures that all employees take home at least 50% of their salary in order to avoid demotivating them. It also makes sure that the benefits are timely released to the employees, thereby preventing also unnecessary expenses. To manage the late

(b) Demotivation/demoralization of employees due to the late posting of SSS, Philhealth and Pag-Ibig contributions. (c) High turnover rate may result from resignation of demoralized employees as a result of the above-mentioned risks. (d) Higher turn-over rate due to relocation of operations caused by urbanization of the areas where the company operates. (e) Ageing workforce due to the unattractive-ness of the agriculture industry to young professionals.	posting of government contributions, Vitarich remits the government contributions on or before due dates and keeps the receipts thereof in order to help employees avail of these benefits. In order to attract and encourage young professionals to join Vitarich, the company partnered with schools, such as CLSU, UPLB College of Engineering and Agro Industrial Technology, DLS – Araneta, Central Phil. University and NGOs. The company commits also to study the feasibility of providing scholarship programs to employees and to college students.
What are the Opportunity/ies Identified?	**Management Approach**
High retention rate is being experienced and will continue to be experienced if Vitarich continues to comply with existing laws, rules, and regulations and company practices/policies. Further, since the company provides not only the compensation and benefits provided under the law but also additional medical and retirement benefits, there is an opportunity to attract and encourage young professionals to join Vitarich.	As mentioned above, the company partnered with schools and NGOs to make it more attractive to young professionals and it commits to study the feasibility of providing scholarship programs to employees and to college students.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	4,224	hours
b. Male employees	5,750	hours
Average training hours provided to employees		
a. Female employees	18.53	hours/employee
b. Male employees	15.33	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Vitarich's training and development programs, whether internal or external, for its employees contribute to employee's personal and professional growth and efficiency in the performance of their tasks.	Vitarich provides both in-house and external skills/technical, behavioral, or compliance trainings. In-house trainings are provided/facilitated either by the training team, a consultant or an expert in the field. External trainings are sponsored in full by the company. Since the Employee Training & Development program is geared toward creating relevance, work efficiency, productivity, and growth, Vitarich measures the effectiveness of the training and development program as well as the types of the trainings and/or seminars being attended through

	regular employee performance evaluations. Should a specific training be proven ineffectual, an alternative training and/or approach will be given and/or implemented.
What are the Risk/s Identified?	**Management Approach**
Failure to give trainings and/or to send employees to relevant trainings may result in career stagnancy of employees, demoralization and demotivation of employees, inefficiency of employees, and non-growth of employees due to non-upgrading of skills. There will also be an increase in employee turnover. Less skilled and demotivated employees may also result in non-attainment of targets. Another risk identified is the failure of employees to return investment on trainings due to their eventual resignation.	In addition to those provided above, Vitarich manages the risks and opportunities associated with employee training and development by making sure that most, if not all, the trainings are industry-related. Vitarich also commits to study the feasibility of institutionalizing a continuous learning program for its employees and, as mentioned above, to launch the employee LPP program in 2020.
What are the Opportunity/ies Identified?	
Investing on employees' trainings and development will result in the professional and personal growth of the employees, which, in turn, may yield to higher employee retention and better productivity results.	

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	72 (national)	%
Number of consultations conducted with employees concerning employee-related policies	9 for major employee related policies	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
With 72% of its employees covered by Collective Bargaining Agreements ("CBA"), Vitarich contributes not only to the growth of the country's employment rate but also to the empowerment of its employees. Through their union, employees are represented and their concerns are taken into consideration in the preparation and implementation of policies, wages, and benefits.	Vitarich regularly and constantly communicates with the employees and their union and upholds the terms and conditions in the CBA for as long the organization can sustain. However, for the obligations that Vitarich cannot meet or provide, the company explains the reasons and rationale for postponing/deferring compliance with the obligations. Moreover, the company practices full transparency in informing its employees and their union of the company's financial performance.
What are the Risk/s Identified?	
Labor unrest may occur should there be a delayed	

performance of company's obligations under the CBA. Economic demands of union that the company may not be able to provide due to its financial performance at the time of negotiations on the economic provisions of the CBA. Strike, whether legal or illegal, for failure of parties to agree on CBA terms.	
What are the Opportunity/ies Identified?	
Cooperation of the union in disseminating relevant information and the company's situation to the rest of the employees may result from the company's full transparency on the company's financial performance and condition.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	228	37%
% of male workers in the workforce	382	63%
Number of employees from indigenous communities and/or vulnerable sector*	None	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
As mentioned above, the company contributes to the growth of employment rate in the country and in the areas where the company operates. It also contributes to the empowerment and employment of women. It provides equal opportunity for all persons, regardless of sex and gender.	While the number of male employees are higher than the female employees, it does not mean that there is gender preference in the selection and hiring of employees. In fact, Vitarich has always upheld and commits to continue to uphold meritocracy in the selection, employment and promotion of all its employees. Vitarich does not and will never include in its list of qualifications a gender preference for each position – from the lowest rank up to the top rank. Moreover, female employees are given the opportunity not only to be employed in the company but also to handle supervisorial, managerial and even executive positions. The company's management committee is composed of both male and female officers.
What are the Risk/s Identified?	**Management Approach**
Work interruptions due to availment of maternity	Vitarich determines if there is a need to hire a

leave for women employees and solo parent leave for solo parents. Increase in costs due to the requirement in the Expanded Maternity Leave Law for shoulder part of the benefits and hiring of relievers. Work interruptions and increase in costs due to gynecological-related diseases for women.	reliever in order not to over-burden the other employees. If there is none, it distributes in the meantime the workload of the employee on leave. Otherwise, it hires a reliever in order to prevent work interruptions and overloading the work of other employees. To address the possibility of increase in costs due to availment of maternity leave and due to gynaecological-related diseases for women, Vitarich has a regular family planning and women's health seminars.
What are the Opportunity/ies Identified?	**Management Approach**
Since Vitarich has no gender preference for every position in the company, it may become more attractive to the workforce and it creates a more conducive working environment for women.	As mentioned above, Vitarich had always upheld and commits to continue to uphold meritocracy in the selection, employment, and promotion of its employees. It does not look at gender, age, or status as a qualification for hiring or promotion.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	493,664	Man-hours
No. of work-related injuries	5	#
No. of work-related fatalities	None	#
No. of work related ill-health	40	#
No. of safety drills	6	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Vitarich's occupational health and safety plays a vital role not only in its business operations but also in its customer's business and the health, safety, well-being and continued employment of its workers. In addition, by maintaining a health and safe workplace, Vitarich contributes to the growth of employment rate in the country and in the areas where it operates.	To keep its work place safe and healthy, Vitarich has an existing Safety Policy and Safety Officer in all company-owned manufacturing sites. It also promotes health and safety awareness to employees through the Company's Safety Officer. It also maintains buffer of finished goods and raw material inventories. It also conducts regular fire and earthquake drills. Further, Vitarich strictly implements all sanitary and biosecurity measures in place. In addition, the company provides safety-related trainings and personal protective equipment to all employees. Vitarich commits to evaluate and improve its risk management system and policies in order to prepare and better equip its employees during calamities and disasters.
What are the Risk/s Identified?	
Failure to maintain a health and safe workplace may hamper not only the company's business operations but also its customer's business operations due to delays in deliveries resulting from accidents and/or illnesses. Delays in deliveries may result in decrease in revenue. Accidents and illnesses may also increase the	

company's costs and result in higher turn-over rate.	
What are the Opportunity/ies Identified?	
A safe and healthy workplace will increase the company's good will and will promote low turn-over rate. It will also keep operational costs within budget or may even lessen it. It may increase revenue due to on-time delivery of products.	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	none	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **Yes but it is limited in scope.**

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	Y	This is one of the provisions in the Company Hiring Policy
Human Rights	Y	One human right being upheld in the Company Rules and Regulations is the right of employees against sexual harassment.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Vitarich contributes to the government's policy against forced and child labor and to the promotion of human rights in the work place. Thus, by upholding the laws and public policies, Vitarich contributes to peace and order in society as well as to the growth of employment rate. Since it upholds human rights in the workplace, it promotes a healthy and harmonious working relationship among the employees.	At the outset, while there is no specific provision on the Company Hiring Policy and Company Rules and Regulations prohibiting forced labor, the company, as a matter of practice, **does not** engage in forced labor. As mentioned above, all its employees were hired based on their qualifications, skills, and credentials and their all the employees voluntarily applied for their jobs. All of them are receiving the compensation packages agreed upon with the company. In addition, Vitarich also strictly adheres to the provisions of the labor laws and CBA. Furthermore, the company commits to revisit its Company Hiring Policy and Company Rules and Regulations in order to fill in gaps in its policies and rules and maintain a conducive working environment.
What are the Risk/s Identified?	
The absence of prohibition on forced labor may be misconstrued by the public and other employees that the company allows the same. Likewise, the lack of provisions regarding human rights in the company's rules and regulations may result in impunity for acts or omissions constituting violations of human rights, which, in turn, will lead to higher turn-over rate of employees.	
What are the Opportunity/ies Identified?	

Higher retention rate of employees due to explicit protection of human rights on the company's rules and regulations. Justice for victims of violations for labor laws and human rights in the workplace due to established policies and procedures.	

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
No.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	*Please see explanation in the Management Approach Column*
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Vitarich's supplier accreditation requirements contribute not only to ensuring that its business operates within the bounds of law but also ensures that its suppliers conduct their businesses within the bounds of law. It contributes to the government in terms of compliance with laws and public policies. It helps the government save money on pursuing administrative and/or criminal action/s against erring corporations.	While Vitarich has not yet institutionalized its supplier accreditation policy, it has been following the standards in the ISO Manual and in the list of requirements in its Supplier Accreditation Form. It requires suppliers to submit their Business Permit, Certification of Registration, Income Tax Return, Audited Financial Statement, among others. Environmental performance is considered through the requirement of submission of applicable environmental permits together with their business permits. It ensures also that the suppliers are not engaged in forced labor and child labor and that it upholds human rights through their certificates of registration and supporting documents thereof such as the number and profile of manpower are declared. Bribery and corruption are considered by also looking at the suppliers' income tax returns, audited financial statements and sample purchase orders. The company also makes sure that it deals with an authorized person by the supplier by requiring a Board/Partnership
What are the Risk/s Identified?	
Since Vitarich's procurement policy has not yet been institutionalized, business interruptions may happen. Conducts amounting to unethical or illegal acts may happen due to the absence of a separate procurement policy.	
What are the Opportunity/ies Identified?	
Having an established and separate procurement policy will contribute to the growth of the suppliers as they will also be able to embed sustainability in their	

businesses. Helping or contributing to suppliers' growth will, in turn, lead the company to a stronger relationship with all suppliers.	resolution/authorization letter from proprietor, as the case may be, authorizing its representative. Further, realizing the risks and opportunities on having an established and separate supplier accreditation policy, the company commits to institutionalize its supplier accreditation policy.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	**Location**	**Vulnerable groups (if applicable)***	**Does the particular operation have impacts on indigenous people (Y/N)?**	**Collective or individual rights that have been identified that or particular concern for the community**	**Mitigating measures (if negative) or enhancement measures (if positive)**
As part of its operations, Vitarich conducts a regular Veterinary Medical Mission nationwide – in and near the areas where it operates. This program contributes to raising awareness, job and livelihood creation, sharing of water resource to the community, and in generating business taxes in the locality.			N	Aside from its contributions, there is no collective or individual right that has been identified as a concern in the community.	To increase its contributions to employees, business partners, and the community, Vitarich commits to maintain and improve its communications with the community.
As part of its poultry operations, the company also conducts pocket seminars on Animal Raising & Management nationwide – in and near the areas where it operates. These seminars contribute not only to raising awareness on how to properly raise and manage poultry and livestock but also in job and livelihood creation and in the growth of poultry and hog raisers in the area.			N		
The	It conducts	Farmers	N	Apart from its	To mitigate the

company's poultry operations - Broiler Contract Growing, Broiler Breeder Contract to Buy (Hatching Eggs & Day Old Chicks), and Broiler Contract To Buy (Live Chicken) contribute positively and negatively to the communities where they operate.	these operations nationwide, particularly in Central Luzon, Bicol, Iloilo/Western Visayas, Cagayan De Oro / Iligan, Davao Del Sur/ Del Norte / City / Compostella Valley, Caraga / Surigao Del Sur, General Santos /South Cotabato	from the country side		positive impacts like job and livelihood creation, empowerment of farmers and increase in local business taxes in the community, these business operations unfortunately raise concerns on pest / fly infestation and foul odor / air pollution within the community.	concerns and at the same ensure the continued positive contributions to the community, Vitarich practices a Comprehensive & Holistic Pest Control & Pollution Management, employs Farm Best Practices / Management, as well as Chemical and Biological Approaches in the conduct of these operations.
Vitarich's feedmill operations both have positive and negative impacts on the environment.	Iloilo Davao		N	The company's feedmill operations contribute to job creation and employment. However, as disclosed under the various topics on impacts on Environment above, these operations also contribute to pollution and production of wastes, although in a very minimal level.	Vitarich ensures that all its equipment are regularly maintained and that all laws, regulations, and company policies are followed. It also operates within the allowable threshold. All wastes are properly segregated, those that may be recycled or re-used are either recycled or re-used. Those that may not be recycled or re-used are disposed of properly. As disclosed above,

					Vitarich continuously looks for solutions to further reduce its air emissions, air pollutants, and wastes.

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing		#
CP secured		#

What are the Risk/s Identified?	Management Approach
What are the Opportunity/ies Identified?	**Management Approach**

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	No data available yet	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer satisfaction contributes not only to building a lifetime partnership with the customer but also to the morale and productivity of the employees and to Vitarich's relationship with its suppliers as well. In addition to that, customer satisfaction also contributes to the financial growth of Vitarich's business partners.	For 2019, while it has in place a LPP program for its customers, customer satisfaction was based on personal relationship and attention of the account manager. At that time, its customer satisfaction assessment has not yet been institutionalized. Moving forward, Vitarich is in the process of institutionalizing its customer satisfaction assessment.
What are the Risk/s Identified?	**Management Approach**
Poor customer satisfaction may result in customer shift to competitors and bad public perception towards the company. This, in turn, may result in decrease in revenue for the company. It may also decrease revenue of customers for failure to attend	Vitarich commits to strengthen and improve the implementation of its LPP program for its customers and business partners. It also plans to institutionalize best practices in addressing customer needs and satisfaction.

to their concerns/complaints within reasonable time.	
What are the Opportunity/ies Identified?	
A good customer satisfaction leads to a carefully calculated growth focused on the company's LPP programs rather than merely increasing sales. It may also result in higher customer retention and will also contribute to customer's growth and expansion.	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For the year 2019, there was no substantiated complaint against the health and safety of Vitarich's products. Since there was no substantiated complaint, the company was not exposed to any legal and/or financial risks in 2019.	The company applies its best practices and continuously evaluates, researches ways to improve, and actually improves its products and services to ensure their health and safety. Likewise, as a matter of policy and practice, the company verifies a product complaint immediately upon receipt of such complaint. Once a complaint has been verified/substantiated to be valid, Vitarich takes the appropriate measure/s to address the complaint.
What are the Risk/s Identified?	
Failure to timely address a customer complaint may lead to the shift of customers to the competitors and bad public perception on the company's products. This, in turn, may result in decrease in revenue. Failure to keep the products safe may result in a legal liability on the part of the corporation, its officers, employees or even business partners. Death or sickness on the animals may occur if the feeds are not kept healthy and safe. Likewise, death or sickness may occur should the chickens sold by the company are not kept healthy and safe.	
What are the Opportunity/ies Identified?	
Maintaining the health and safety of the company's products and immediate actions on customer complaints may increase customer retention and generate more income. In addition, the company avoids exposure to legal liability. It also does not	

expose its business partners to any legal liability.	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	8	#
No. of complaints addressed	8	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
These complaints involved the company's change in the packaging of its feeds, which resulted in customers' disappointment and loss of income potential as they were unable to recycle the pack.	As stated above, the complaints were validated and once proven to be valid, appropriate action was taken to correct the same. Should the complaints were found to be invalid, the same are addressed by explaining the company's decisions/actions/investigation to the customer. It applies its LPP program and further commits to institutionalize its best practices in addressing customer needs and satisfaction. In addition, the company makes sure that the packaging makes it easy for the customers to access shelf-life information of products.
What are the Risk/s Identified?	
Poor labelling, marketing and packaging may cause confusion, misinformation, and even contamination of products. It may also lead to a legal liability on the company's part when expired products are mistakenly sold and consumed. It may also cause loss of customers/business opportunities when customer concerns/complaints are not attended to within reasonable time. The use of plastics in the labels and packages of the products not only contributes to plastic pollution but also may lead to loss of customers due to the latter's preference for companies who are more eco-friendly.	
What are the Opportunity/ies Identified?	
Proper labelling and packaging of the product may be used as a marketing tool by the company. Customers might shift to patronizing the customer's products due to its proper labelling and packaging.	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None reported	#
No. of complaints addressed	None reported	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For the year 2019, there was neither a substantiated complaint nor a reported violation of customer's privacy. Thus, the customer's full trust and confidence on Vitarich was maintained, thereby creating stronger partnership with the customers.	Vitarich implements the provisions of the Data Privacy Law and honors all non-disclosure agreements entered into with customers.

What are the Risk/s Identified?	Management Approach
Employees' improper gathering, processing, handling and retention of customers' information may lead to leaks about the customers' profile or trade secrets. The company, its officers, and erring employees may face civil, criminal or administrative procedures or civil, criminal, or administrative liabilities may be imposed on them due to a breach of a customer's data privacy rights. Shift of customers to competitors due to loss of trust and confidence on account of data privacy breaches.	Vitarich collects only the data that is needed for the customer. For customers applying for a credit line with the company, the customers are fully made aware of the necessity of gathering information proving their financial capacity. It also conducts trainings regarding its customer privacy policy and regularly monitors data privacy updates in compliance with laws. All employees whose functions would necessarily have access to customers' data are reminded regularly about the non-disclosure of customer's information and trade secrets. The company also conducts regular audits of its employees to ensure that customer's data are well protected. The company has an IT department in charge of maintaining the integrity and security of data stored electronically as well as the maintenance and security of all computers used by the employees. The company also has developed a safe-keeping system of all its contracts, records, and important documents to protect the data of the customers.
What are the Opportunity/ies Identified?	
Protection of customers' right to the privacy of their data has been a proven way to have stronger ties with the customers, thereby, making them more loyal to the company. In addition, the company continues to grow due to these loyal customers.	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For 2019, the company did not experience data breach, leak, theft or even loss. All data regarding the company's business operations, trade secrets, employees, suppliers, and customers are intact and secured. Since it was able to keep its data secured, the company's business operations and supply chain remained undisturbed and the company's business operations and supply chain were not exposed to risks attached to breach of data security.	As mentioned above, the company has an IT department in charge of maintaining the integrity and security of data stored electronically as well as the maintenance and security of all computers used by the employees. The company also has developed a safe-keeping system of all its contracts, records, and important documents to protect the data in the said contracts, records or documents. Only those that have a "need" to

The company was able to maintain its relationship with its business partners and customers.

What are the Risk/s Identified?

A breach in the company's data security may result in any of the following:

1. Identity of employees may be stolen and used in the commission of crimes.
2. The company's computer system may bug down should a virus be able to penetrate it.
3. The company's name and data may be used to commit crimes or propagate false information about the company.
4. The company's trade secrets and strategies may be used by competitors.
5. Suppliers' and customers' sensitive information may be used in a wrongful, illegal or immoral activity.
6. Loss of trust of suppliers and customers may cause them to terminate or no longer renew their contracts with the company.
7. Legal actions and/or liabilities against the company, its officers and/or erring employees due to violation of non-disclosure and data security provisions of contracts.
8. Theft of company's data and money.

What are the Opportunity/ies Identified?

The protection of data of the company, its operations, strategies, employees, suppliers and customers may result in:

1. Protection of employees against identity theft.
2. Security from viruses of the computers, thereby avoiding any unnecessary expenses.
3. Protection of the company against crimes or false information.
4. Protection of the company's trade secrets and strategies.
5. Protection of suppliers' and customers' sensitive information against any wrongful, illegal or immoral activity.
6. Trust of suppliers and customers will strengthen causing them to renew their contracts with the company.
7. Protection against legal actions and/or liabilities against the company, its officers

access these documents may be allowed access to the said records, contracts, or documents and the information contained in those records, contracts or documents must be used only for a legitimate purpose. The company also regularly reminds the employees about compliance with the data privacy policy of the company and the data privacy law. Employees are regularly reminded not to disclose information about the company, business operations, strategy, suppliers, customers and other information that are not public or have not been made public. As part of its contracts with employees, customers, suppliers, consultants and other persons, liabilities are imposed for breach of data privacy and/or non-disclosure provisions in contracts.

and/or erring employees due to violation of non-disclosure and data security provisions of contracts, thereby also avoiding unnecessary litigation costs. 8. Protection against theft of company's data and money, thus, keeping the company's liquidity.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Animal Feeds Animal Health Care Live and Dressed Chicken	Vitarich's products contribute to the UN Sustainable Development Goals ("SDGs") through: 1. Job creation and equal opportunity for all persons not only in terms of hiring but also with respect to promotions (SDGs 1, 2, 5, 8 and 10). 2. Compensation and benefits package higher than what the law provides (SDGs 1, 2, 5, 8 and 10). 3. Harmonious working relationship environment and promotion of labor and human rights in the workplace (SDGs 3 and 8). 4. Continuous provision of food for animals and people, thereby increasing sales volume of its feeds and dressed chicken (SDGs 2 and 8).	The potential negative impacts of the contributions to the SDGs are: 1. Shortage of natural resources. 2. Pollution. 3. Increase in water waste, solid and hazardous wastes.	As disclosed in the previous topics, Vitarich shall continue to operate within the parameters of law, regulations, its ECC and it shall continue to look for solutions to further reduce its contributions to pollution as well as to further reduce the wastes it generates/produces from its operations. It shall continue to regularly maintain its equipment. It shall also look into the possibility of using renewable materials in order to conserve natural resources.

	5. Strict compliance and implementation of biosecurity and sanitation measures (SDGs 3 and 12) 6. Regular seminars on family planning, sanitation, and health promote the over-all well-being of the employees (SDGs 3 and 8). 7. Implementation of employee LPP in 2020 (SDGs 1, 3 and 8). 8. Operations are within the parameters and thresholds of the company's ECC (SDGs 12 and 13). 9. Lifetime profitable partnerships with the company's business partners, suppliers, and customers (SDGs 1 and 8). 10. Taxes paid to the government.		

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

ANNEX A: BUSINESS MODEL

Brand Purpose: FORGING LIVELIHOOD, NOURISHING LIVES.

VISION

VITARICH will continue being the pioneer, agribusiness partner, and innovator in the feeds industry and will be the backbone of every Filipino farmer's success by providing the best solutions through its products and services.

MISSION

- To Continuously adopt new business development programs and technological advancement that will enhance quality of products and services.
- To empower employees and customers by imparting knowledge and innovations in agribusiness
- To Provide comprehensive solutions through products and services in raising the standard of the Philippine Agribusiness Industry
- To build partnerships with our suppliers and customers to achieve long term profitability and sustainability and increase shareholders' value

INPUTS	BUSINESS ACTIVITIES / PROCESSES	OUTPUTS	OUTCOMES
Financial Capital consists of money/cash generated from payments of stockholders for their subscriptions or from trading of shares in the PSE. It also includes money generated from its business operations and loans from banks and other financial institutions.	Manufacturing and distribution of various animal feeds.	Vitarich has several lines of hogs and poultry feeds, which cater to different types of customers.	70 years of feeds manufacturing and distribution
Manufactured Capital includes office supplies, feedmill/dressing plant and its equipment, office building, vehicles, office equipment, phones and laptops	Poultry integration.	Vitarich has also produced dressed chicken and value added chicken products under the brand "Cook's"	Continued contribution to the government through the taxes that the Corporation pays.
Intellectual Capital includes feeds formulations, dressed chicken formulation, business strategies and plans, goodwill and reputation of the Corporation, logo, product lines, and brand names such as "Cook's" brand.	Production and distribution of dressed chicken	It is also a business partner and supplier of dressed chicken to rotisseries, restaurants, distributors and other small to medium scale enterprises.	Long term business partnerships with its growers, broilers, and hog raisers as well as with the farmers from whom the Corporation buys its raw materials.
Human Capital includes hard working and efficient employees, consultants, management team, directors and officers.	Production and distribution of animal health products.	Its animal health products are used by its growers, broilers, and hog raisers in their operations. These products are likewise available to the public, even if they are not Vitarich's growers, broilers, or hog raisers.	Business partnerships with its tollers.
Social Capital includes the Corporation's business partners, customers, and suppliers.			Providing employment in the areas where it operates.
Natural Capital includes Vitarich's raw materials for its feeds, day old chicks and hatching eggs for its poultry operations as well as water, and land where its offices and plants are located.			

VALUES: LEADERSHIP WITH INTEGRITY | EXCELLENCE | CARE FOR OTHERS