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

(+632) 8843-30-33

Company Telephone Number

Last Friday of June

1 2 - 3 1	1 7 - A	0 6	
Month *Day*	Form Type	Month	Day
Fiscal Year			

Secondary License Type. If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

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, 2021**

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 P651,942,977.84 as of March 31, 2021.

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

HISTORY

Vitarich Corporation ("Corporation" or "Vitarich" or "Company") 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. Aside from this, the Company also has operating office in Luzon – Bicol, two satellite office in Visayas (Cebu and Bacolod), and two in Mindanao (Gensan and Cagayan de Oro).

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. Pursuant to Section 11, paragraph 2 of the Revised Corporation Code of the Philippines, which took effect on February 23, 2019, the Corporation's corporate life is deemed to be perpetual.

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

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. At present, the Corporation's authorized capital stock is P1,330,000,000.00 divided into 3.5 billion shares at P0.38/share par value.

SUBSIDIARIES

Philippines' Favorite Chicken, Inc. ("PFCI") used to be Vitarich's subsidiary. PFCI, as distributor of America's Favorite Chicken Company ("AFC"), was granted the exclusive right to develop 50 Texas Chicken and 50 Popeye's Chicken restaurants in the Philippines. On October 1, 1998, the Board of Directors of PFCI approved the conversion into equity of the advances of Vitarich 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 2000, PFCI lost its right to develop Popeye's Chicken in the Philippines. In 2005, PFCI discontinued the operations of its Texas Chicken restaurants. Accordingly, it terminated all its employees and provided full valuation allowances on all its remaining assets. On July 26, 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 February 16, 2021, PFCI filed with the SEC a Notice of Retention of Corporate Term (until March 31, 2019).

On November 10, 1995, Gromax, Inc. ("Gromax") was incorporated as a wholly-owned subsidiary of Vitarich. It started commercial operations in January 1996 until its operations was reintegrated with Vitarich effective April 1, 2015. Pursuant to the re-integration, Gromax transferred all its employees to the Corporation and retirement benefits accruing to these employees were transferred accordingly. On May 31, 2018, the SEC approved Gromax's Amended Articles of Incorporation which shortened its corporate life to until November 10, 2019. On February 16, 2021, Gromax filed with the SEC a Notice of Retention of Corporate Term (until November 10, 2019).

On October 27, 2021, Vitarich's Board of Directors approved the terms of the Memorandum of Understanding ("MOU") between Vitarich and Luzon Agriventure Inc. ("LAVI") for the acquisition of shares owned and held by LAVI in Barbatos Ventures Corporation ("BVC"), a private domestic corporation engaged, among others, in poultry production as well as in the processing, raising and breeding of chickens and similar stocks. After the execution of the MOU on October 28, 2021, due diligence was conducted via external audit by MG Madrid & Company as of September 30, 2021, upon which BVC's valuation was based. Based on said due diligence, BVC's actual results of operations in October and November and the projections for December 2021 will result in neutral Net Asset Value. As such, LAVI agreed to absolutely, unconditionally and irrevocably assign and transfer all its rights, title, and interest in BVC for a consideration of P1.00 in favor of Vitarich. On December 16, 2021, the Corporation's Board of Directors approved the acquisition of 100% of the outstanding capital stock of BVC from LAVI for a consideration of P1.00. Beginning January 1, 2022, BVC operated as Vitarich's wholly-owned subsidiary. Issuance and transfer of BVC shares of stock were duly completed also on January 2022.

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 live or dressed. Its products are distributed to wet markets, supermarkets, hotels, and restaurants. Its dressed chicken are distributed and sold under the Cook's brand and under the Fresh and Freshly Frozen variants.

b. The Feeds segment caters to the feed requirement of the poultry growers and livestock raisers industry. The Company manufactures and distributes animal feeds, animal health and nutritional products, and feed supplements under several variants, such as Premium, Advantage Plus, Premium Plus, and Professional. Each variant has several sub-variants. In 2021, it launched the Vitarich Poultry Advantage variant, with three sub-variants under it.

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

d. The Corporate segment includes general and corporate affairs of the Company, which are not specifically identifiable to a particular segment.

The relative contribution of each principal product to consolidated revenue for the years ended December 31, 2021, December 31, 2020, and December 31, 2019 are:

PHP millions

	2021	2020	Change	2019	Change
Feeds	4,695	4,109	14%	3,941	19%
Foods	4,232	3,119	36%	4,298	-2%
Farms	778	655	19%	679	15%
	9,704	**7,882**	23%	**8,918**	9%

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 continuously improves its 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.

The Company believes that it can effectively compete with its principal competitors as it allotted resources to the research and development of production process improvements and product value enhancement in line with its vision to continue be the pioneer, agri-business partner, and innovator in the feeds industry, and backbone of every Filipino farmer's success.

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 Company's feed business 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 Vitarich to source alternative and non-traditional raw materials such as food by-products and other protein sources. Vitarich 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

Vitarich 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 2021, the Company continued to use the following trademarks, devices and logos, which were previously registered with the Intellectual Property Office on the dates opposite to its names:

Trademark	Date Filed	Date Registered
Vitarich Advantage Plus	November 23, 2017	September 2, 2018
Vitarich Premium Plus	November 23, 2017	September 2, 2018
Vitarich Professional	March 2, 2018	June 2, 2019
Vitapolyvee	April 10, 2019	September 15, 2019
Forging Livelihood, Nourishing Lives	October 17, 2019	March 14, 2020
Freshly Frozen	July 22, 2020	October 3, 2021
Vitarich Corporation	January 15, 2021	May 21, 2021
Cook's	January 15, 2021	May 21, 2021
Cook's Premium Whole Chicken the Healthylicious Option	February 17, 2021	August 22, 2021
Vitarich Poultry Advantage	August 25, 2021	December 9, 2021
Electcee	August 30, 2021	December 9, 2021
Gromaxicillin	August 30, 2021	November 7, 2021

The Company does not hold any other patent, trademark, franchise, concession or royalty agreement.

Certifications

The Company's Quality Management Systems ("QMS") enabled it 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. Vitarich 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. In 2021, its Iloilo and Davao Feed Mill plants received its respective ISO 22000:2018 Food Safety Management System Certification.

Vitarich received last October 2020 the Certificate of Registration for HACCP or Hazard Analysis and Critical Control Points certifying that its Management Systems and Processes for verification & delivery of raw and frozen chicken, including giblets, has been assessed and registered against the provisions of HACCP adopted by the Codex Alimentarius Commission. The Certificate was issued by NQA Philippines, Inc. (a certifying body accredited by UKAS or United Kingdom Accreditation Service) after the Corporation's application and requirements were submitted and reviewed thoroughly. The said Certificate is in line with Vitarich's mission to continuously adopt new business development programs and technological advancement that will enhance quality of products and services that it provides and delivers to its stakeholders. Vitarich Corporation has also FDA License to operate as Food Trader issued last October 11, 2021.

Government Regulations and Approval

As an agri-business, the Corporation is highly regulated by the government.

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 Corporation 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 feed mill, 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 feed mill plant, dressing plant and rendering plant.

The Company had obtained all necessary permits, licenses and government approvals to manufacture and sell their products. It 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 and Innovations
- Research and Development
- Advanced Animal Nutrition

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

- Advanced 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 Corporation'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 which is based on combustion, a faster way of analyzing crude protein in feedstuff, LECO Bomb Calorimeter, which is used to measure Gross Energy in Feedstuff, 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 P7M in 2021, P10.6M in 2020, and P6.1M in 2019.

<u>Cost and Effects of Compliance with Environmental Laws</u>

Vitarich 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 Air Act of the Philippines. For Davao plant, a 3rd party tester (Berksman) has been tapped for emission testing of 2 units of boilers in Plant 1, 2 units of boilers in Plant 2, and 1 unit power generator. This was conducted last September 2020 and at a cost of P276,640.00. Vitarich passed all parameters and satisfactory result was used for the renewal of the Permit to Operate Air Pollution Sources and Control Installations ("POA"). The cost for the issuance of POA is P71,340.00 with validity coverage of 5 years. For Iloilo, Permit to Operate ("PTO") for Boiler expired on March 30, 2022 and renewal is still on-going. Stack emission testing is scheduled on April 28, 2022. Boiler Stack emission testing fee is P117,600.00 while permit processing fee is P15,000.00. Yearly servicing was implemented last April 4, 2022 and was subjected to inspection and approved already by DOLE representatives.

2. Regular monitoring of the final discharge of wastewater from the Corporation's plants, ensuring that water discharge from the operations are within the regulatory standards set by the Clean Water Act. Iloilo Plant's Wastewater Discharge Permit requirements were already submitted to the EMB, including payment for laboratory analysis fee of P7,500.00 last February 11, 2022 and permit processing and wastewater discharge fee of P2,109.20 last March 14, 2022. The Company is awaiting for EMB's issuance of the Wastewater Discharge Permit. For Davao Plant, Waste Water Discharge permit was issued last January 2021 with validity coverage of 5 years. Cost of acquiring the permit was P14,040.00.

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 P10,000.00. 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) issued last January 20,2020 is still in effect, which includes compliance to Clean Air Act, Clean Water Act, Waste Management Act and all other regulatory compliance. Processing cost incurred was around P10,000. The Corporation's Dressing Plant in Marilao, Bulacan was issued an amended ECC on November 8, 2021. The cost for amendment of the ECC was P52,030.00.

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.

7. Additional permit to transport hazardous material used oil has been acquired in Davao Plant with a cost of P1,040.00. VDAP Certificate has been issued also to produce veterinary products the cost of which was P6,000.00.

Manpower Complement

As of December 31, 2021, headcount is total of 822 employees - 581 regular and 241 contractual. Actual headcount as of March 31, 2022 is 829 employees - 592 regular and 237 contractual. The Corporation successfully forged a new Collective Bargaining Agreement last March 2021. The CBA was signed in May 2021, effectivity of which retroacts to August 1, 2020.

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, 2021.

Financial Risk Management

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

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

Foreign Currency Risk

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

Interest Rate Risk

As at December 31, 2021 and 2020, 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

Credit risk arises because the counterparty may fail to perform its obligations. With respect to credit risk arising from the financial assets of the Company, the exposure to credit risk arises from default of the counterparty.

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

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 forecast of future economic conditions. Generally, receivables are written-off if past due for more than one year and are not subject to enforcement activity.

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.

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

Item 2. PROPERTIES

The Corporation operates and/or leases numerous production facilities, which include feed mills, dressing plants, and hatcheries. As of December 31, 2021, these facilities include the following.

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

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

Sometime in 2014, Vitarich filed a case against Charter Ping An Insurance Corporation ("Charter Ping An") before the Regional Trial Court ("RTC") of Malolos City, Bulacan to claim the insurance proceeds in the amount of Php316,561,158.81 as indemnity for the damages and loss suffered by the Corporation due to typhoon Ondoy in 2009. The case was docketed Civil Case No. 662-M-2014 and was raffled to Branch 15 of the RTC of Malolos City. Vitarich had been partially paid the amount of P58M in 2016 when the court granted Vitarich's Motion for Summary Judgment as regards the amount admitted by Charter Ping An.

As for the remaining claim of P247.7M, exclusive of interests, the same is still pending before the court. Vitarich had presented its first two witnesses and is yet to present two more witnesses before it rests its case.

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 June 25, 2021. The results of the said meeting had been disclosed to the Philippine Stock Exchange via the PSE Edge on June 25, 2021 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 PRICE AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

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:

	2020		2021	
	High	Low	High	Low
1st Quarter	0.89	0.86	0.84	0.81
2nd Quarter	0.86	0.81	0.88	0.87
3rd Quarter	0.77	0.75	0.79	0.76
4th Quarter	0.91	0.88	0.74	0.72

The closing price of the Corporation's common shares as of the last trading date, December 31, 2021, was P 0.74 per share.

As of March 31, 2022, the latest trading date prior to the completion of this annual report, sales price of the common stock was at P0.61/share.

There are no securities 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, 2021 is 4,126 and the total number of shares outstanding on that date was 3,054,334,014.

	Dec 2021	Dec 2020
Number of Issued & Outstanding Shares	3,054,334,014	3,054,334,014
Number of Stockholders	4,126	4,131
Number of Shares owning at least one board lot each	3,124	3,128

The Company's foreign equity ownership as of December 31, 2021 is as follows:

	No. of Shares	% Ownership
Shares owned by Filipino	2,934,301,572	96%
Shares owned by Foreigners	120,032,442	4%
Total	**3,054,334,014**	**100%**

Listed below are the top 20 stockholders of the Corporation as of December 31, 2021:

	Name of Stockholders	Number of Shares	Percent to Total Outanding Shares
1	PCD NOMINEE CORPORATION (FILIPINO)	2,914,880,907	95.43%
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	119,195,942	3.90%
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	11,352,413	0.37%
Total Shares Issued and Outstanding		**3,054,334,014**	**100.00%**

Dividends

The Corporation has not declared dividends since 1996 up to 2021.

Sales of Unregistered Securities

The Corporation has not sold unregistered or exempt securities within the past three (3) years. Neither has it issued securities within the past three (3) years.

Description of Shares

The 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

Management's Discussion and Analysis

Fiscal Year 2021 compared to Fiscal Year 2020

Vitarich Corporation (PSE:VITA) reports an all-time revenue record of P9.7 billion, up 23% year-over-year driven by growth in all three business segments.

"2021 not only delivered new revenue records across segments, but also pointed to higher long-term volume growth," said Rocco Sarmiento, President and CEO. "Our strategy to expand our capabilities has been validated by market trends toward rising consumption of meat products and convenience food. This formed the basis of our recent capital investments in the business, and as a result, we have good revenue visibility going into 2022."

Cost of goods increased 21% to P8.9 billion in relation to higher sales volume and prices of raw materials such as wheat, soybean, and corn which rose by an average of 12% compared to the prior year. The cost inflation was due to several factors, including logistics challenges due to COVID-19, reimposed series of quarantine measures in the third quarter, as well as supply disruptions for soybeans in the fourth quarter due to high demand from China, increasing domestic use in the U.S., and lower output from Brazil and Argentina.

Gross profit was P856.3 million, up 50% from a year ago, while operating income more than doubled to P184.0 million.

Operating expenses were maintained at 7% of revenues even as administrative and selling and distribution costs increased to ensure current and future market competitiveness and to support marketing activities for the recently launched *Freshly Frozen* line.

Net income was P89.4 million and earnings per share was P0.029, higher by nearly 10 times from P9.3 million and P0.003 in 2020, respectively.

Capital expenditure totaled P117.7 million, primarily for the construction of a new warehouse in Davao and for additional machinery and equipment in Bulacan, Iloilo, and Davao to meet strong volume demand and to upgrade bagging lines for automation.

Segment Highlights

- Revenues from the Feeds segment, which accounted for 48% of total sales, were up 14% to P4.7 billion with volumes reaching the highest levels ever for tie-up and commercial customers, such as distributors and direct farms. Sales volume climbed 12% while average selling prices inched up modestly by 3%. Earlier in the fourth quarter, Vitarich Poultry Advantage was launched to address the needs of backyard and general poultry farmers. The new product line attracted an initial user base of over 100 retailers and farms.

Annual feed mill capacity increased 3% to 300,200 MT in 2021 from 290,800 MT in 2020, while production grew 8% to 226,900 MT from 209,700 MT. As of December 31, 2021, utilization rate rose to 76% from 72%.

The Feeds segment produces and markets animal feeds, health and nutritional products, and supplements to various distributors, dealers, and end users nationwide.

- Revenues from the Foods segment, which accounted for 44% of revenues, accelerated by 36% to P4.2 billion due to a 21% increase in sales volume and 12% increase in average selling prices. During the year, the segment further developed *Cook's* portfolio by customizing *Cook's Premium Chicken* products for hotels, restaurants, institutional (HRI) clients that now account for 55% of Foods revenue contribution from 33% a year ago. In addition, it also strengthened the branded retail business through *Cook's Freshly Frozen*, which saw total volume soar by 608%.

  Annual dressing plant capacity increased 5% to 79,000 MT in 2021 from 75,500 MT in 2020, while production expanded 21% to 35,700 MT from 29,500 MT. As of end-2021, utilization rate reached 75% from 70%, excluding dressing plant facilities owned by third parties.

  The Foods segment sells chicken broilers, either as live or dressed, to HRI customers, supermarkets, and wet markets.

- Revenues from the Farms segment, which accounted for the remaining 8%, registered a 19% increase to P778.0 million. Fair value adjustments on biological assets amounting to P55.1 million was recognized as part of revenues and P78.0 million as part of cost of goods.

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

Outlook

"We continue to execute on the factors we can control, including new products, improved customer satisfaction scores, enhanced processes, and engaged stakeholder relationships.

Looking ahead, we expect revenues to stay robust, but the ongoing challenges will temper the full impact of sales growth on our earnings. Supply chain headwinds will persist and pressure our costs in raw materials and transportation. In view of these elevated input costs, we will continuously reconfigure our purchasing approach and explore new grain and protein sources to reduce dependency on corn, wheat, and soybean meal. We are positive that higher volumes, cost efficiency, and responsible price increases will help us meet our performance objectives while ensuring that our products remain affordable."

PHP millions, except per share data

	2021	2020	Change	2019	Change	4Q 2021	4Q 2020	Change	4Q 2019	Change
Revenues	9,704.28	7,881.92	23%	8,918.47	9%	2,393.96	2,189.76	9%	2,958.85	-19%
Operating income	183.99	79.01	133%	158.58	16%	(78.32)	31.45	-349%	171.59	-146%
Net income	89.44	9.29	863%	128.82	-31%	(91.02)	5.68	-1701%	234.42	-139%
EPS	0.029	0.003	863%	0.042	-31%	(0.030)	0.002	-1701%	0.077	-139%
EBITDA	249.66	222.49	12%	385.53	-35%	(71.03)	58.27	-222%	327.60	-122%

Fiscal Year 2020 compared to Fiscal Year 2019

Consolidated sale of goods decreased by 9%, from 8.4 billion registered in 2019 to 7.7 billion registered in 2020 mainly because of unfavorable chicken prices in the market brought about by COVID-19 pandemic and spread of African Swine Fever (ASF).

The Company recognized fair value adjustment on biological assets of P199 million in 2020 from P479 million in 2019.

Sale of goods per business segment is as follows:

- Food Segment:
  Sale of goods of food segment decreased by 23%, from P4.0 billion registered in 2019 to P3.1 billion in 2020 due to unfavorable selling price of chicken brought about by COVID-19 pandemic since April and towards the end of the year.

- Feeds Segment:
  Sale of goods of feeds segment increased by 4%, from P3.9 billion in 2019 to P4.1 billion in 2020, despite the pandemic and ASF, due to strong sales performance of Feeds commercial in Visayas and Mindanao, as well as higher sales from Feeds Tie-up program in Luzon and Mindanao regions.

- Farms Segment:
  Sale of goods of farms segment decreased by 2%, from P466 million registered in 2019 to P455 million in 2020 as poultry industry was badly affected by the unfavorable chicken prices in the market due to pandemic.

Cost of goods sold decreased by 8%, from P7.7 billion in 2019 to P7.1 billion in 2020 in relation to lower sales volume and lower raw material cost; and recognized fair value adjustment on biological assets of P184 million in 2020 from P471 million in 2019.

Gross profit for 2020 amounted to P572 million, lower by 20% or P145 million from P717 million in 2019. Decreased gross profit was mainly due to unfavorable selling price of chicken brought about by COVID-19 pandemic and closure of hotel and restaurant institutions (or HRI) accounts.

Operating expenses decreased by 9% from P588 million in 2019 to P537 million in 2020 due to operational efficiency and cost reduction measures that were implemented. Other operating income of P44 million in 2020 was increased by 50% as compared to 2019 primarily due to rendered tolling services.

Other charges which include interest expense decreased by 67%, from P176.6 million in 2019 to P57.8 million in 2020 due to lower tax settlement, interest expense, and provision for impairment losses on receivables. Other income recognized was lower by 97%, from P160.7 million in 2019 to P4.2 million in 2020 because of lower gain on fair value changes of investment properties.

Tax expense increased by 16% from P13.9 million in 2019 to P16.1 million in 2020.

For the year, the Company still posted a Net Income of P9.3 million, despite being adversely affected by the pandemic and spread of African Swine Fever in Luzon. This was lower by P119.5 million or 93% as compared to 2019 of P128.8 million. The first quarter performance has provided ample buffer in the second and third quarter net losses.

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.

Financial Condition

The Company's consolidated total assets as of December 31, 2021 was at P4.1 billion, higher than December 31, 2020 of P3.7 billion. Total current assets increased from P1.7 billion as of December 31, 2020 to P2.1 billion as of December 31, 2021, up by 21% because of higher cash, receivables, inventories, and other current assets.

Noncurrent assets were at par from a year ago at P2.0 billion as of December 31, 2021.

Current liabilities increased by 17% from P1.8 billion as of December 31, 2020 to P2.1 billion as of December 31, 2021, mainly due to increase in short-term loans payable and trade payables related to higher production volume requirements and higher prices of raw materials.

Noncurrent liabilities slightly increased by 1% from P396.2 million as of December 31, 2020 to P401.2 million as of December 31, 2021, mainly due to increase in retirement liability.

Stockholders' equity was at P1.6 billion as of December 31,2021, up by 6% than December 31, 2020 restated amount of P1.5 billion.

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

	2021	**2020**
Revenue (Php Million):		
Sale of goods	9,649	7,682
Fair value adjustment on biological assets	55	199
Cost Contribution (Php Million):		
Cost of goods sold	8,770	7,126
Fair value adjustment on biological assets	78	184
Gross Profit Rate (%)	9%	7%
Operating Margin (Php Million)	184	79

1) Sales Volume, Price, and Revenue Growth

Consolidated revenue composed of feeds, day old chicks, chicken and animal health products sales including fair value adjustment on biological assets, amounted to P9.7 billion, 23% higher than last year of P7.9 billion, mainly because of increased sales volume and higher selling price of chicken in the market particularly during the 1st half of the year.

2) Cost Contribution

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

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

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

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

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

There are no material commitments for capital expenditures.

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

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

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

Item 7. FINANCIAL STATEMENTS

The Consolidated Audited Financial Statement of the Corporation for the year-ended December 31, 2021 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. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

Audit and Audit-Related Fees

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, in all material respects, of the Company's statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows in accordance with Philippine Financial Reporting Standards. For the year 2021, audit fees amounted to 3.9 million, exclusive of VAT and out of pocket expenses.

All Other Fees

For the year 2021, Vitarich engaged the services of SyCip Gorres Velayo & Co to do forensic audit of possible instances of theft of its raw materials inventory located at Sahara Toll Plant and Hi-Grade Plant involving company's employees and third parties. The consideration for such services is P 1,344,000.00 (vat inclusive) plus out-of-pocket expenses.

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

Prior to the engagement of the external auditor, the Audit, Risk Oversight and Related Party Transactions Committee reviewed and confirmed the terms of engagement and the scope of services of the external auditor as endorsed by the Management of the Company. Its 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

For the year 2021, 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. Erwin A. Paigma. The firm has complied with the Revised SRC Rule 68, paragraph 3 (b) (iv) re: seven (7) 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 audit of the Company's financial statements effective calendar year 2021. The engagement of SyCip Gorres Velayo & Co. and the engagement partner is approved by the Board of Directors and the stockholders of the Company.

There was no event in the last two fiscal years where the previous and current external auditors or previous and current engagement partners had any disagreements 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

On April 28, 2021, the Corporation received the Certificate of Filing of Amended Articles of Incorporation dated March 25, 2021 and the approved Amended Articles of Incorporation. The SEC approved the amendment of Article VI of the Amended Articles of Incorporation, which decreased the number of directors from eleven (11) to nine (9). Accordingly, the Corporation has a total of nine (9) directors, two (2) of whom are independent directors.

The directors of the Company are elected at the annual meeting of the stockholders to hold office for one (1) year until the next succeeding annual meeting of the stockholders and until the respective successors have been elected and qualified. Any vacancy shall be filled in accordance with the provisions of the Revised Corporation Code of the Philippines.

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. The officers shall be subject to removal at any time by the Board of Directors, but all officers, unless removed, shall hold office for a term of one (1) year until their successors are appointed. If any vacancy shall occur among the officers of the Corporation, such vacancy shall be filled by the Board of Directors.

Directors and Officers

The following are the directors and officers of the Corporation for the term June 25, 2021 up to June 24, 2022 and until the successors shall have been elected and qualified:

Jose Vicente C. Bengzon III, Filipino, 64 years old
Director/Chairman of the Board

Mr. Bengzon has been Vitarich's Chairman of the Board of Directors since 2012. He is the President & CEO of Torres Trading Company, Inc. since January 2021. He has been the Vice Chairman & Chairman of Executive Committee, Commtrend Construction Corp. since 2014; Director and Treasurer of Inception Technology Philippines Corp. since 2019; and Senior Adviser to the Board, Malayan Bank since 2018. He was Director & Chairman of Risk Management Committee of Rizal Microbank from 2010 up to 2020. He was Consultant at SGV from 1982-1985 and Financial Planning and Projects Manager of Reuters America, 1988-1990. From 1991 to 1996, he was with Dole Philippines and served in various capacities as Assistant to the Country Manager, Manager - Financial Planning Group, and Financial Analyst. He was also an Entrepreneur of Westborough Food Corporation from 1993-2001. He was Director of Philippine Quality Awards Foundation, 1998 – 2011; Board of Trustees, Philippine Quality and Productivity Movement Davao Chapter, 1998 – 1999; Board of Trustees, Davao City Chamber of Commerce and Industry, 1999 – 2000; President, Productivity Development Council – Mindanao, 1999 – 2000; and President of Abarti Artworks Corporation, 2001-2004. In 2005, he was the Chief Privatization Officer of the Department of Finance and Director of Panaro Minerals Phils. and Philippine Al Amanah Islamic Bank. He was President of Duma Group of Companies from 2006 to 2011; President of UPCC Holdings Corp until 2020; acting Chairman, Philippine National Construction Corp., 2012 – 2013 and its Board Member, 2005 - 2011; Director, Manila North Tollways Corp., 2012 - 2013; Director, South Luzon Tollways Corp., 2011 - 2012; an Independent Director of Bermaz Auto Phil's Inc. (2017); and Director & Chairman of Audit Committee of Century Peak Mining Corp., 2016 - 2018. 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 earned his Master of Business Administration at the J. L. Kellogg School of Management at Northwestern University in 1988.

Ricardo Manuel M. Sarmiento, Filipino, 45 years old
Director/President & Chief Executive Officer

Mr. Sarmiento is presently the President and Chief Executive Officer of Vitarich Corporation. He leads the over-all operations of Vitarich. 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, 42 years old
Director/Executive Vice-President, Corporate Service Management Director and Treasurer

Ms. Garcia is the EVP, Corporate Management Director and Treasurer of Vitarich Corporation. 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, she was elected President of Philippine Association of Feedmillers, Inc. (PAFMI) and has been serving its Board for two years.

Rogelio M. Sarmiento, Filipino, 73 years old
Director

Mr. Sarmiento had served the Corporation in different capacities as director (1982 to 1991; 2003 until 29 April 2021; October 15, 2021 to present), President and Chief Executive Officer (2003 to 24 June 2016), and Chairman of the Board of Directors (2003 to 29 June 2012). He was elected on October 15, 2021 as a director to fill in the vacancy that resulted from the untimely demise of Mr. Jose M. Sarmiento. He was also 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, 52 years old
Director

Mr. Sarmiento was first elected as Vitarich's Director in 1998 He 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 Sarmiento Pacific Holdings and Equities (formerly Pacific Equities, 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, 47 years old
Director

Mr. Sarmiento was elected as director on June 29, 2012. He is also the President of Lockbox Storage Inc. 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.

Atty. Juan Arturo Iluminado C. De Castro, J.S.D., LL.M., Filipino, 41 years old
Director

Atty. De Castro is a practicing lawyer with a Bachelor of Laws degree from the University of the Philippines 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 Berkeley School of Law (Boalt Hall) in the United States of America in 2011. He authored the book on Philippine Energy Law (2012), which provides guidance for investing in the country's electric power industry. He has extensive experience in corporate rehabilitation or Chapter 11, Bankruptcy in the Philippines. He is also the 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.

Manuel D. Escueta, Filipino, 71 years old
Independent Director

Mr. Escueta was elected as an Independent Director of the Corporation on January 24, 2014. He is the Chairman of the Corporation's Nominations, Remuneration and Corporate Governance Committee. He concurrently serves as Member of the Executive Committee and Marketing Adviser of Mega Global Corporation (since February 2016); Independent Director of Union Bank Philippines (April 2021 – present); Independent Director of the City Savings Bank (August 2021 – present); Independent Director of Pascual Laboratories, Inc. (March 2016 onwards), and Vice-Chairman of the Board of Trustees of Southridge PAREF School for Boys (1997 onwards). He worked as General Advertising Manager of P&G Asia (1973-2000), Vice President for Corporate Marketing & Communication of United Laboratories, Inc. (Sept 2001- March 2004), President & CEO of Pascual Laboratories, Inc. (March 2009 - March 2012), Chairman of Pascual Consumer Health Corp (March 2010-Sept 2013). He also served as President of the EduChild Foundation (November 2004 to August 2019) and was a Board 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 in Business Administration Major in Marketing (1972).

Vicente Julian A. Sarza, Filipino, 69 years old
Independent Director

Mr. Sarza was first elected as Independent Director of the Corporation in 2016. He also serves as Independent Director of HC Consumer Finance Phils Inc (Home Credit) and AIB Money Market Mutual Fund, Inc. He was a director and Chief Operating Officer of Mabuhay Capital until his retirement therefrom in 2020. However, he remains to be a consultant of 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 Iloilo 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 to 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.

Executive Officers

Atty. Aison Benedict C. Velasco, Filipino, 43 years old
Corporate Secretary

Atty. Velasco was first appointed as Corporate Secretary of the Corporation last April 26, 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., Grey Philippines, Inc., Shin Clark Power Holdings, Inc. and other local companies.

Atty. Mary Christine C. Dabu-Pepito, CCO, Filipino, 36 years old
Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer

Atty. Dabu-Pepito was first appointed as the Corporation's Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer on March 21, 2016. She obtained her Bachelor of Arts in Broadcast Communication degree from the University of the Philippines – Diliman and graduated *Cum Laude* in 2006. She took up her Bachelor of Laws degree at the San Beda University-Manila in 2011 and was admitted to the Bar on March 28, 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. She is also one of the Corporation's legal counsels. She is an alumna of the 5th Cohort of the Applied Sustainability Management in Asia Pacific (ASMAP 5) held on October 2019. Organized by the Center for Social Responsibility of the University of Asia and the Pacific, ASMAP is an executive training program for linking sustainability and business performance. She is a Certified Compliance Officer having completed and passed the qualifying examinations of the 11-session Certification Course for Compliance Officers administered by the Center for Global Best Practices on March 2, 2022 up to April 5, 2022.

Other Executive Officers

Reynaldo D. Ortega, Filipino, 52 years old
Senior Vice President and General Manager Poultry, Food and Feed Sales Division

Dr. Ortega is a Doctor of Veterinary Science and Medicine and he obtained his degree in Central Luzon State University in 1992. He also earned his degree in Bachelor of Science in Animal Husbandry in the same University in 1990. He took up is Master Degree at University of Asia and the Pacific on Agribusiness Executive Program in 2018. 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 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.

Maria Alicia C. Arnaldo, Filipino, 51 years old
Executive Vice President & Chief Finance Officer

Ms. Arnaldo has more than 20 years of experience as a finance senior executive with extensive background in accounting, controllership, taxation, compliance, treasury, asset-liability management, risk management, business and financial planning, capital budgeting, fund-raising, IPO, M&A, strategic investments/ alliances, creditor/ investor relations, and fintech. Prior to joining the Corporation, she was an independent senior management consultant for finance and strategy, serving a multitude of industries particularly banking/financial services, technology, and business process outsourcing. She was the CFO of East West Banking Corporation from 2015 to 2017. She played a key role in the IPO of Asia United Bank in 2013 and the formulation of the financial transformation plan of Philippine Bank of Communications in 2012. She served as Chief of Strategy and Risk Management as well as deputy CFO in International Exchange Bank (now Union Bank of the Philippines) from 2000 to 2006. Ms. Arnaldo is a graduate of Ateneo de Manila University with a Bachelor of Science degree in Management Engineering.

Alicia G. Danque, Filipino, 48 years old
Vice President & Supply Chain Director, Alternate Corporate Information Officer

Ms. Danque was appointed as Vice President & Supply Chain Director effective January 1, 2020 to provide over-all supply chain directions from integrated planning, procurement of raw material & services, and feedmill, warehouse & logistics operations in order to further improve productivity and efficiency and reduce costs while securing high quality material.

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.

Elaine C. Nantes, Filipino, 58 years old
Vice President & Quality Assurance/Research & Development Foods Technical Director

Ms. Nantes has more than 30 years of managerial experience in the food industry particularly in the aspects of Food Processing, Production, Engineering, Quality and Food Safety Management. She was previously employed as Value-Added Operations Manager, Food Safety, Plant Manager, Project Manager and has managed business relationships in a third-party tolling plant operation set-up. She was known as "the Food Safety Guru" of San Miguel Pure Foods, Co. She was responsible for establishing and propelling the quality and food safety, making sure guidelines, requirements and known regulatory and voluntary food safety standards are followed by the company-owned manufacturing facilities and its third party-owned food plants. She was also responsible for ensuring that quality systems for the safety and suitability of food products will be established, implemented, controlled, and updated. Under her management, 43 food facilities were GMP and HACCP certified with more than 80 food products with HACCP certification: 6 food plants with ISO 22000 and ISO 9001 certification. She is the prime mover in decreasing the cost of non-conformities through quality and productivity initiatives while employed and serving as a consultant to her clients in the food industry. In 2005, she had a chance to serve as the Chairperson for the National Meat Advisory Council of the Department of Agriculture – National Meat Inspection Services (Philippines). She was also awarded by her alma mater, the University of Santos Tomas, *the Albertus Magnus Award* of the College of Science for alumna who excelled in their chosen field of expertise and in her case in Microbiology.

Emmanuel S. Manalang, Filipino, 58 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.

Carmencita S. Policarpio, 59 years old
Vice President & General Manager

Ms. Policarpio is a Licensed Chemical Engineer and has been in the manufacturing industry for more than 30 years. She has extensive work experience in developing and implementing effective quality control processes, quality management, laboratory and production/plant management. She has been with the Corporation since 10 October 2016 and as such, has been assigned in the Corporation's feed mill plants, hatcheries, poultry/swine farms, and warehouses. She has attended several trainings and conventions in Thailand, Singapore and Indonesia. It was under her management when the Corporation's feed mill plants were given ISO 22000:2018 FSMS (Food Safety Management System) Certification by the Certification International Phils, Inc. and when the Corporation was granted HACCP (Hazard Analysis and Critical Control Points) certification. Ms. Policarpio is presently serving as a Technical Committee Member of the Philippine Institute of Chemical Engineers - CAMANAVA Chapter. Prior to joining the Corporation, she worked as Plant Manager of Secret Recipes Foods Corp. (Subsidiary of Robinson's Group), Assistant Manufacturing Manager of Plastic Container Packaging Corp, a food packaging company, and QA Manager then promoted to Plant Manager of Vassar Industries Inc. (Food Packaging company).

Glenmark R. Seducon, Filipino, 31 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.

In 2021, Mr. Seducon obtained an accreditation as public practitioner from the Board of Accountancy (BOA) and the Bureau of Internal Revenue (BIR). Mr. Seducon is also an active member in good standing of the Institute of Internal Auditors - Philippines (IIAP), the Philippine Institute of Certified Public Accountants (PICPA) and the Certified Public Accountants in Public Practice (ACPAPP).

Significant Employees

The Corporation treats the contributions and services rendered of each employee as significant no matter how small the contributions or the work performed are.

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.

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, where 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 P10,000.00 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 P5,000.00 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:

	2021	**2020**	2019
Short-term employee benefits	**35,561,949**	**41,524,264**	38,616,323
Retirement benefits	**5,872,830**	**2,984,183**	3,909,370
Others	**10,784,789**	**2,303,769**	2,201,141
	52,219,569	**46,812,216**	44,726,834

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	2021		
2. STEPHANIE NICOLE S. GARCIA- EVP, Corporate Management Services Director/Treasurer	2021		
3. REYNALDO D. ORTEGA – SVP & GM Poultry, Food and Feed Sales Division	2021		
4. ALICIA G. DANQUE – VP & Supply Chain Director, Alternate Corporate Information Officer	2021		
5. EMMANUEL S. MANALANG - VP & Nutrition/R&D Head	2021		
TO T A L (Estimated)	2022	**20.24**	-
	2021	**20.40**	-
	2020	**20.28**	-
ALL OTHER OFFICERS & DIRECTORS AS A COMPANY UNNAMED (Estimated)	2022	**2.49**	-
	2021	**2.32**	-
	2020	**2.02**	-

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 & GM Poultry, Food and Feed Sales Division
4. **Alicia G. Danque** – VP & Supply Chain Director/ Alternate Corporate Information Officer
5. **Emmanuel S. Manalang** - VP & Nutrition/R&D Head

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

The following are the owners of record and beneficial owners of more than 5% of the Corporation's voting securities as of December 31, 2021 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	Various Beneficial Owners	Filipino	2,914,880,907	95.43%
	KORMASINC, INC. 7th Floor, LTA Bldg., 118 Perea St. Legazpi Village, Makati City	Various Beneficial Owners	Filipino	1,480,532,604	48.47%
	CHOCOHOLIC HOLDINGS, INC. Vitarich Corporation Compound, Marilao San Jose Road Brgy. Sta. Rosa I, Marilao, Bulacan	Various Beneficial Owners	Filipino	705,666,000	23.10%

Security Ownership of Management

The number of common shares beneficially owned by directors and executive officers as of December 31, 2021 is as follows:

NAME OF BENEFICIAL OWNER	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF CLASS
Jose Vicente C. Bengzon III	10,000	Filipino	0.00%
Rogelio M. Sarmiento	6,386,320	Filipino	0.21%
Benjamin I. Sarmiento Jr.	199	Filipino	0.00%
Ricardo Manuel M. Sarmiento	55,240,990	Filipino	1.81%
Stephanie Nicole S. Garcia	104,359	Filipino	0.00%
Lorenzo Vito M. Sarmiento III	500	Filipino	0.00%
Vicente J.A. Sarza	1	Filipino	0.00%
Manuel D. Escueta	1	Filipino	0.00%
Juan Arturo Iluminado C. de Castro	18,027,034	Filipino	0.59%
Aison Benedict C. Velasco	0	Filipino	0.00%
Mary Christine Dabu-Pepito	0	Filipino	0.00%
Reynaldo D. Ortega	1,219,974	Filipino	0.04%
Alicia G. Danque	0	Filipino	0.00%
Maria Alicia C. Arnaldo	0	Filipino	0.00%
Emmanuel S. Manalang	0	Filipino	0.00%
Elaine C. Nantes	0	Filipino	0.00%
Carmencita S. Policarpio	0	Filipino	0.00%
Glenmark R. Seducon	0	Filipino	0.00%

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. 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 P3.2 billion acquired by Kormasinc (including interest of P200.0 million), P2.4 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 25).

Due to and from related parties

Trade Receivables. The Company sells animal feeds, raw materials, feed supplements and dressed chicken to related parties, which are due within 90 days and are non-interest bearing (see Note 7).

Advances to and from Related Parties. The Company grants unsecured 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. These are noninterest-bearing and are generally on a 90-day credit term. (see Note 14).

Operating leases – the Company as lessor. The Company is a lessor to related party leases covering the lease of a dressing plant, ice plant and rendering plant in Bulacan (i.e., dressing and rendering), which has a remaining lease term of around 3 years.

Summarized below are the outstanding accounts arising from these transactions (see Notes 7, 14 and 20):

		2021		2020	
Related Parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	**₱1,426,066,299**		₱1,072,194,796	
	Collections	**(1,358,918,127)**	**₱262,799,719**	(1,105,153,625)	₱195,651,548
Trade and other payables					
Entities under common control	Purchases	**₱1,744,904,273**		₱1,429,424,720	
	Payments	**(1,697,114,977)**	**₱89,707,830**	(1,481,354,755)	₱41,918,534
Operating lease					
Entities under common control	Rental income	**₱11,096,404**		₱11,895,676	
	Collection	**(5,835,411)**	**₱5,260,993**	(11,895,676)	₱–

The Company also availed of interest-bearing advances from a shareholder which are payable within a year. On September 28, 2020 to November 27, 2020, the Company was granted a series of advances (term: 90 day; interest rate: 3% per annum) amounting to ₱89.9 million from one of the Company's stockholders.

		2021		2020	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Stockholder	Advances for working capital	₱–		₱89,905,000	
	Interest	₱–	₱-	407,532	₱76,633,329

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 14). Shown below are the movements in the accounts.

		2021		2020	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Advances to officers and employees	Net transactions	**₱473,848**	**₱12,474,296**	(₱137,572)	₱12,000,448

Compensation of Key Management Personnel

The compensation includes the following:

	2021	2020	2019
Short-term employee benefits	**₱43,561,950**	₱41,524,264	₱38,616,323
Retirement benefits	**5,872,830**	2,984,183	3,909,370
Others	**2,784,789**	2,303,769	2,201,141
	₱52,219,570	₱46,812,216	₱44,726,834

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, make 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. The Company approved on December 16, 2021 its Whistleblowing Policy, which effectively amended and improved its then Whistleblowing 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 2021:

Date of Report	REMARKS
April 12, 2021	Approval of 2020 Audited Financial Statement
April 16, 2021	Notice of Annual General Meeting 2021
April 29, 2021	Resignation of Directors (Mr. Levi F. Diestro and Mr. Rogelio M. Sarmiento)
May 17, 2021	Appointment of Mr. Rogelio M. Sarmeinto as Chairman Emeritus
May 17, 2021	Press Release: Vitarich: Ready for 2021
May 27, 2021	List of Stockholders entitled to vote as of record date May 25, 2021
June 25, 2021	Results of 2021 Annual General Meeting and Organizational Meeting of the Board of Directors
July 29, 2021	Death of Director Jose M. Sarmiento
August 16, 2021	Press Release: Vitarich reports Highest ever Net Income of P276.9 million for First Half of 2021
August 20, 2021	Appointment of Onward IR as Investor Relations Consultant and Creation of a Disclosure Committee and Market Disclosure and Communication
October 15, 2021	Election of Mr. Rogelio M. Sarmiento as Director
October 19, 2021	Appointment of Mr. Andrew B. Bunggo as EVP and Chief Finance Officer
October 21, 2021	Resignation of Mr. Andrew B. Bunggo as EVP and Chief Finance Officer
October 27, 2021	Approval of Memorandum of Understanding of Vitarich Corp. and Luzon Agriventures Inc.
November 12, 2021	Received ECC Amendment Certificate
November 15, 2021	Press Release: Vitarich sets New Nine-month Revenue record
December 3, 2021	Appointment of Ms. Melise Arnaldo as EVP and Chief Finance Officer
December 16, 2021	Press Release: Acquisition of Barbatos Ventures Corporation
December 16, 2021	Acquisition of Barbatos Ventures Corporation
December 16, 2021	Press Release: Power Supply Agreement with Corenergy

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code (now Section 177 of the Revised Corporation Code of the Philippines), this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MARILAO, BULACAN on APR 12 2022, 20__.

By:

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

Maria Alicia C. Arnaldo
EVP & Chief Finance Officer
(Principal Finance Officer)

SUBSCRIBED AND SWORN to before me this APR 12 2022 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	Philippine Passport No. P5222213A	December 1, 2022
Stephanie Nicole S. Garcia	Philippine Passport No. P8599175B	December 28, 2031
Marian A. Dionisio	SSS No. 33-723226?-8	
Atty. Aison Benedict C. Velasco	Driver's License No. C10-95-114434	March 13, 2024
Maria Alicia C. Arnaldo	Driver's License No. N03-91-114219	May 25,2023

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

Notary Public
ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
PNC-48-MB-2020 UNTIL DEC. 31, 2022
SANDICO ST., POBLACION 1, MARILAO, BULACAN
IBP LIFE NO. 591042/BULACAN/5/19/2003
PTR NO. 1000488 1/11/2022
TIN NO. 176-907-664-000
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION NO. VI-ACAO001862 UNTIL APRIL 14, 2022
REISSUED ON OCT. 29, 2020

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, 2021 and 2020** 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

APR 1 2 2022

Signed this ___ day of _____ 2022

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY OF APR 12 2022 AT MARILAO, BULACAN AFFIANTS EXHIBITED HIS/HER CTC NO. ______ ISSUED ON ______ AT ______

ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
PNC-48-MB-2020 UNTIL DEC. 31, 2022
SANDICO ST., POBLACION 1, MARILAO, BULACAN
IBP LIFE NO. 591042/BULACAN/5/17/2003
PTR NO. 1000488 1/11/2022
TIN NO. 176-907-664-000
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION NO. VI-ACAD001862 UNTIL APRIL 14, 2022
REISSUED ON OCT. 29, 2020

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SERIES OF 2022

Main Office: Marilao- San Jose Road, Sta. Rosa I, Marilao, Bulacan 3019 Philippines
Tel. No.: 8843-3033

CONSOLIDATED FINANCIAL STATEMENTS

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	2	1	1	3	4

C O M P A N Y   N A M E

VITARICH CORPORATION AND SUBSIDIARIES

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

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

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

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

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,126	**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

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Vitarich Corporation and Subsidiaries
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

Opinion

We have audited the consolidated financial statements of Vitarich Corporation and Subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

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.

Adequacy of Allowance for Expected Credit Losses on Receivable from Insurance

The Company applies general approach in calculating expected credit losses (ECL) on its receivable from insurance. As at December 31, 2021, the carrying value of the Company's receivable from insurance amounted to ₱70.2 million. The Company is currently involved in legal proceedings to pursue the collection of the remaining balance of receivable from insurance. 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 receivable from insurance are included in Note 10 to the consolidated financial statements.

Audit Response

We obtained an understanding of the methodologies and models used for the Company's assessment on the realizability of the receivable from insurance 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 obtained management's legal bases in pursuing the insurance claim. We also evaluated 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 cash flows by comparing them to internal and market data.

Fair Value of Biological Assets

The Company's biological assets are accounted for at fair value. The carrying value of the Company's biological assets amounted ₱52.5 million as at December 31, 2021 and the Company's fair value adjustment on biological assets for the year then ended in the statement of comprehensive income amounted to ₱55.1 million. 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 the livestock's future selling prices, hatchability and mortality rate, estimated volume of production and future growing costs, including the impact associated with coronavirus pandemic.

The disclosures on the fair value of biological assets are included in Notes 4, 8 and 17 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 tested the key assumptions used in the valuation, which include the livestock's future selling prices, hatchability and mortality rate, estimated volume of production and future growing costs, taking into consideration the impact associated with coronavirus pandemic, by comparing them to external data such as selling prices in the principal market and historical information.

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

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

The Company accounts for its investment properties using the fair value model and property, plant and equipment (except transportation equipment and construction in-progress) at revalued amount. These properties represent 44.6% of the total consolidated assets as at December 31, 2021. We considered this as key audit matter since 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, adjustments to sales price, market rent levels, expected vacancy rate, interest rates, and explicit forecast period based on internal and external factors. Other assumptions used in the valuation also include the current replacement cost of an asset and the related deductions for physical deterioration and other relevant forms of obsolescence.

The disclosures relating to property, plant and equipment and investment properties are included in Notes 11 and 12 of the consolidated financial statements, respectively.

Audit Response

We evaluated the competence, capabilities and qualifications of the external appraisers by considering their qualifications, experience and reporting responsibilities. We assessed the methodology adopted by referencing common valuation models and assessed the relevant information supporting the sales and listings of comparable properties by checking the market prices of properties within the vicinity and the reproduction costs against current market prices on a sample basis. We compared the inputs and assumptions used with internal and external evidence such as lease contracts, historical vacancy rates, and published market data. We also inquired from the external appraisers the basis of adjustments made to the sales price.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Sheet), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Erwin A. Paigma.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118576-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854346, January 3, 2022, Makati City

April 12, 2022

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020 (Note 25)
ASSETS		
Current Assets		
Cash (Note 6)	**₱230,015,919**	₱177,304,767
Trade and other receivables (Note 7)	**902,390,653**	815,329,855
Inventories and livestock (Note 8)	**675,486,067**	502,928,504
Other current assets (Note 9)	**291,732,449**	240,756,038
Total Current Assets	**2,099,625,088**	1,736,319,164
Noncurrent Assets		
Receivable from insurance (Note 10)	**70,203,810**	70,203,810
Property, plant and equipment - net (Note 11)		
At revalued amount	**872,012,237**	906,718,914
At cost	**45,981,165**	29,714,145
Investment properties (Note 12)	**973,432,752**	931,375,980
Right-of-use assets (Note 13)	**38,921,635**	32,551,359
Other noncurrent assets (Note 13)	**35,120,487**	16,078,041
Total Noncurrent Assets	**2,035,672,086**	1,986,642,249
TOTAL ASSETS	**₱4,135,297,174**	₱3,722,961,413
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱1,692,447,486**	₱1,629,159,192
Loans payable (Note 15)	**406,754,258**	156,844,958
Current portion of lease liabilities (Note 27)	**17,808,894**	18,497,266
Total Current Liabilities	**2,117,010,638**	1,804,501,416
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	**98,297,470**	123,118,899
Cash bond deposits (Note 16)	**48,052,089**	40,097,279
Lease liabilities - net of current portion (Note 27)	**24,196,376**	17,140,191
Net retirement liability (Note 22)	**166,461,260**	132,205,929
Deferred tax liabilities - net (Note 23)	**64,180,551**	83,674,140
Total Noncurrent Liabilities	**401,187,746**	396,236,438
Total Liabilities	**2,518,198,384**	2,200,737,854
Equity		
Capital stock (Note 25)	**1,160,646,925**	1,160,646,925
Additional paid-in capital (Note 1)	**1,470,859**	1,470,859
Retained earnings	**135,021,722**	41,157,542
Other comprehensive income (Notes 11, 22 and 25)	**319,959,284**	318,948,233
Total Equity	**1,617,098,790**	1,522,223,559
TOTAL LIABILITIES AND EQUITY	**₱4,135,297,174**	₱3,722,961,413

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUE			
Sale of goods, net of discount (Notes 17 and 24)	**₱9,649,161,808**	₱7,682,430,958	₱8,438,897,411
Fair value adjustment on biological assets (Notes 4 and 17)	**55,119,641**	199,489,329	479,569,099
	9,704,281,449	7,881,920,287	8,918,466,510
COST OF GOODS SOLD			
Cost of goods sold (Note 18)	**(8,769,953,424)**	(7,125,724,162)	(7,729,616,389)
Fair value adjustment on biological assets (Notes 4 and 17)	**(77,973,862)**	(184,396,574)	(471,362,481)
	(8,847,927,286)	(7,310,120,736)	(8,200,978,870)
GROSS PROFIT	**856,354,163**	571,799,551	717,487,640
Operating expenses (Note 19)	**(700,926,732)**	(536,760,257)	(588,305,146)
Other operating income (Note 20)	**28,564,205**	43,970,861	29,398,993
	(672,362,527)	(492,789,396)	(558,906,153)
OPERATING PROFIT	**183,991,636**	79,010,155	158,581,487
OTHER INCOME (EXPENSES)			
Interest expense (Notes 15, 24, and 27)	**(23,051,290)**	(34,454,582)	(81,909,050)
Interest income (Notes 6 and 7)	**1,293,145**	202,303	2,341,144
Gain on fair value changes in investment properties (Note 12)	**1,268,133**	4,053,232	158,346,757
Other charges - net (Note 21)	**(42,895,874)**	(23,383,725)	(94,673,217)
	(63,385,886)	(53,582,772)	(15,894,366)
INCOME BEFORE INCOME TAX	**120,605,750**	25,427,383	142,687,121
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**25,793,096**	11,629,665	28,333,100
Deferred	**5,371,040**	4,509,242	(14,469,008)
	31,164,136	16,138,907	13,864,092
NET INCOME	**89,441,614**	9,288,476	128,823,029
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss:			
Actuarial gain (loss) - net of deferred income tax (Note 22)	**(17,757,985)**	(19,880,635)	19,220,596
Revaluation increase on property, plant and equipment - net of deferred income tax (Note 11)	**23,191,602**	15,421,851	–
	5,433,617	(4,458,784)	19,220,596
TOTAL COMPREHENSIVE INCOME	**₱94,875,231**	₱4,829,692	₱148,043,625
EARNINGS PER SHARE - BASIC AND DILUTED (Note 26)	**₱0.029**	₱0.003	₱0.042

See accompanying Notes to Consolidated Financial Statements

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock (Note 25)	Additional Paid-in Capital (Note 1)	Retained Earnings	Other Comprehensive Income (Notes 11, 22 and 25)	Total
Balances at December 31, 2020, as previously reported	**₱1,160,646,925**	**₱1,470,859**	**₱186,235,489**	**₱318,948,233**	**₱1,667,301,506**
Prior period adjustments (Note 25)	**–**	**–**	**(145,077,947)**	**–**	**(145,077,947)**
Balances at December 31, 2020, as restated	**1,160,646,925**	**1,470,859**	**41,157,542**	**318,948,233**	**1,522,223,559**
Net income	**–**	**–**	**89,441,614**	**–**	**89,441,614**
Other comprehensive income	**–**	**–**	**–**	**5,433,617**	**5,433,617**
Total comprehensive income	**–**	**–**	**89,441,614**	**5,433,617**	**94,875,231**
Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 11)	**–**	**–**	**4,422,566**	**(4,422,566)**	**–**
Balances at December 31, 2021	**₱1,160,646,925**	**₱1,470,859**	**₱135,021,722**	**₱319,959,284**	**₱1,617,098,790**

	Capital Stock (Note 25)	Additional Paid-in Capital (Note 1)	Retained Earnings	Other Comprehensive Income (Notes 11, 22 and 25)	Total
Balances at December 31, 2019, as previously reported	₱1,160,646,925	₱1,470,859	₱173,183,434	₱327,170,596	₱1,662,471,814
Prior period adjustments (Note 25)	–	–	(145,077,947)	–	(145,077,947)
Balances at December 31, 2019, as restated	1,160,646,925	1,470,859	28,105,487	327,170,596	1,517,393,867
Net income	–	–	9,288,476	–	9,288,476
Other comprehensive loss	–	–	–	(4,458,784)	(4,458,784)
Total comprehensive income	–	–	9,288,476	(4,458,784)	4,829,692
Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 11)	–	–	3,763,579	(3,763,579)	–
Balances at December 31, 2020, as restated	₱1,160,646,925	₱1,470,859	₱41,157,542	₱318,948,233	₱1,522,223,559

	Capital Stock (Note 25)	Additional Paid-in Capital (Note 1)	Retained Earnings (Deficit)	Other Comprehensive Income (Notes 11, 22 and 25)	Total
Balances at January 1, 2019, as previously reported	₱1,160,646,925	₱1,470,859	₱39,162,470	₱313,147,935	₱1,514,428,189
Prior period adjustments (Note 25)	–	–	(145,077,947)	–	(145,077,947)
Balances at January 1, 2019, as restated	1,160,646,925	1,470,859	(105,915,477)	313,147,935	1,369,350,242
Net income	–	–	128,823,029	–	128,823,029
Other comprehensive income	–	–	–	19,220,596	19,220,596
Total comprehensive income	–	–	128,823,029	19,220,596	148,043,625
Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 11)	–	–	5,197,935	(5,197,935)	–
Balances at December 31, 2019, as restated	₱1,160,646,925	₱1,470,859	₱28,105,487	₱327,170,596	₱1,517,393,867

See accompanying Notes to Consolidated Financial Statements

VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱120,605,750**	₱25,427,383	₱142,687,121
Adjustments for:			
Depreciation and amortization (Notes 11, 13 and 19)	**106,006,621**	162,610,786	160,937,330
Interest expense (Notes 15 and 27)	**23,051,290**	34,454,582	81,909,050
Gain on fair value of biological assets (Note 17)	**22,854,221**	(15,092,757)	(8,206,618)
Retirement benefit expense (Note 22)	**16,993,091**	14,327,563	19,571,098
Loss (gain) on fair value changes of investment properties (Note 12)	**(1,268,133)**	(4,053,232)	(158,346,757)
Loss (gain) on pre-termination of lease contracts (Notes 21 and 27)	–	(3,424,542)	–
Loss (gain) on disposal of property, plant and equipment, and investment property, and right-of-use assets (Notes 11, 12, 13 and 21)	**1,060,988**	2,269,651	(410,176)
Interest income (Notes 6 and 7)	**(1,293,145)**	(202,303)	(2,341,144)
Operating income before working capital changes	**288,010,683**	216,317,131	235,799,904
Decrease (increase) in:			
Trade and other receivables	**(85,908,326)**	207,112,559	18,025,289
Inventories and livestock	**(195,411,784)**	78,902,302	377,996,391
Other current assets	**(50,976,411)**	45,476,240	38,879,053
Other noncurrent assets related to operations	**(11,299,126)**	(1,655,887)	(23,377,800)
Increase (decrease) in:			
Trade and other payables	**63,288,294**	29,077,196	(133,320,002)
Cash bond deposits	**7,954,810**	(857,508)	611,230
Net cash generated from operations	**15,658,140**	574,372,033	514,614,065
Income tax paid	**(25,793,096)**	(11,629,665)	(13,355,257)
Retirement benefits paid (Note 22)	**(5,868,959)**	(2,039,380)	(2,176,724)
Interest received	**140,673**	202,303	227,913
Net cash provided by (used in) operating activities	**(15,863,242)**	560,905,291	499,309,997
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 11)	**(74,036,594)**	(70,403,848)	(94,213,429)
Investment properties (Note 12)	**(43,610,106)**	(125,303,374)	(14,035,188)
Proceeds from sale of property, plant and equipment	**1,025,000**	–	4,942,934
Net cash used in investing activities	**(116,621,700)**	(195,707,222)	(103,305,683)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans (Note 15)	**540,681,912**	457,507,642	1,069,496,769
Payments of loans (Note 15)	**(315,594,041)**	(709,878,962)	(1,359,641,576)
Interest paid	**(20,665,516)**	(35,328,078)	(82,819,923)
Payments of principal lease liabilities (Note 27)	**(19,226,261)**	(79,839,294)	(61,107,034)
Net cash provided by (used in) financing activities	**185,196,094**	(367,538,692)	(434,071,764)
NET INCREASE (DECREASE) IN CASH	**52,711,152**	(2,340,623)	(38,067,450)
CASH AT BEGINNING OF YEAR	**177,304,767**	179,645,390	217,712,840
CASH AT END OF YEAR	**₱230,015,919**	₱177,304,767	₱179,645,390

See accompanying Notes to Consolidated Financial Statements

1. Corporate Information

Vitarich Corporation (the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 31, 1962 to engage primarily in manufacturing, growing and selling of feeds and livestock. The Parent Company's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

The subsidiaries of the Parent Company are as follows:

		Percentage	
	Line of Business	**2021**	2020
Gromax, Inc. (Gromax)*	Manufacturing	**100%**	100%
Philippines Favorite Chicken, Inc. (PFCI)**	Distributor	**–**	–

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

The Parent Company and its subsidiaries are collectively referred herein as "the Company".

On October 16, 2013, the SEC approved the Parent Company's increase in authorized capital stock to ₱3.5 billion and the conversion of Parent Company debts amounting to ₱2.4 billion to Kormasinc, Inc. (Kormasinc) into equity at one 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 Parent Company's operations, the Regional Trial Court of Malolos, Bulacan (the Rehabilitation Court) approved the Parent 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 25).

On June 30, 2017, the Parent Company's stockholders approved the Parent Company's plan to undergo a quasi-reorganization. The Parent Company reduced the par value of the Parent Company's shares and the existing additional paid-in capital and outstanding revaluation surplus was applied to eliminate the Parent Company's 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 Parent Company from ₱3.5 billion divided into 3.5 billion shares with par value of ₱1.00 each to ₱1.3 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 Parent 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 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.

As at December 31, 2021 and 2020, Kormasinc ownership interest is at 48.47% and 48.28%, respectively.

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

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on April 12, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis. All amounts are stated at historical cost, except for property, plant and equipment (excluding transportation equipment and construction in-progress) which are stated at revalued amount, and investment properties and biological assets which are stated at fair value.

The 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.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) issued by the Philippine Financial Reporting Standards Council (FRSC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC. This financial reporting framework includes all applicable PFRSs, Philippine Accounting Standards (PAS), interpretations from the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC), and SEC provisions.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each reporting date. Control is achieved when the Parent 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 Parent 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; and
- 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 Parent 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; or
- The Parent Company's voting rights and potential voting rights.

The Company reassesses 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 from the date of acquisition, being the date when the Parent 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 noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is considered as an acquisition or disposal of noncontrolling interest and is accounted for as an equity transaction. The difference between the amount by which the noncontrolling interest is adjusted and the fair value of the consideration paid or received is recorded directly in equity.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full during consolidation.

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 noncontrolling interests in the acquiree. For each business combination, the Parent Company elects whether to measure the noncontrolling 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 statement 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 the consolidated statement of comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling 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 the consolidated statement of comprehensive income.

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 (CGUs) 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 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 CGU retained.

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification.

An asset is current when:
- It is expected to be realized or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within 12 months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

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 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

<u>Fair Value Measurement</u>
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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 reassessing 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 reassessed 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.

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

Financial Instruments
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

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI (FVOCI), and fair value through profit or loss (FVTPL).

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 FVTPL, 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*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, 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 marketplace (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 FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVTPL.

- *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 SPPI 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 the consolidated statements of comprehensive income when the asset is derecognized, modified or impaired.

  Financial assets at amortized cost are classified as current assets when the Group expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

  As at December 31, 2021 and 2020, the Company's cash, trade and other receivables, receivable from insurance and security deposits (presented under "Other noncurrent assets") are classified under this category.

The Company has no debt and equity instruments at FVOCI and at FVTPL as at December 31, 2021 and 2020.

Impairment of Financial Assets. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. 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.

Determining the Stage for Impairment. At each reporting date, the Company assesses whether there has been a significant increase in credit risk (SICR) for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Staging Assessment. PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages are established to determine the amount of impairment to be recognized:

- Stage 1 is comprised of all financial instruments which have not experienced SICR since initial recognition. The Company is required to recognize 12-month ECL for stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced SICR since initial recognition. The Company is required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer SICR since initial recognition, then the Company shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39, *Financial Instruments: Recognition and Measurement*, for impaired financial instruments.

General Approach for Cash, Other Receivables, Receivable from Insurance, and Security Deposit. For cash, other receivables, receivable from insurance and security deposits, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been SICR on its cash, other receivables, receivable from insurance and security deposits since initial recognition.

For cash in banks, the Company assessed that placements are with reputable counterparty banks that possess good credit ratings. For receivable from insurance, the Company assessed the timing and amount of expected net recoveries in calculating the ECL. For other receivables and 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. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime 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.

Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Note 4, *Significant Judgment, Accounting Estimates and Assumptions*
- Note 7, *Trade and Other Receivables*

Derecognition of Financial Assets. A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:
- the right to receive cash flows from the asset has expired;
- 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
- 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 ownership of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. 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 repay.

<u>Financial Liabilities</u>
Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent Measurement. For purposes of subsequent measurement, financial liabilities are classified in two categories: financial liabilities at amortized cost and financial liabilities at FVTPL.

- *Financial Liabilities at Amortized Cost.* This is the category most relevant to the Company. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of comprehensive income.

As at December 31, 2021 and 2020, the Company's trade and other payables (excluding statutory payables), loans payable, lease liabilities and cash bond deposits are classified under this category.

The Company has no financial liabilities at FVTPL and derivatives designated as hedging instruments in an effective hedge as at December 31, 2021 and 2020.

Derecognition of Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, 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 statement 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 EIR, 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 statement 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. The gross carrying amount of the financial liability is recalculated as the present value of the modified contractual cash flows discounted at the original EIR and recognizes modification gain or loss. Cost or fees incurred adjust the carrying amount of the financial liability and are amortized over the remaining term of the modified financial liability.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement 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.

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Inventories

The Company recognizes inventories when the risk and rewards of ownership are transferred to the Company (i.e., 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. 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. Included also are the costs of direct materials, labor and manufacturing overhead.

NRV of finished goods is based on 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.

<u>Livestock</u>
Livestock consist of biological assets such as day-old chicks after undergoing hatching process, chicks which are grown as chicken broilers, hatching eggs which are recorded under raw materials, and live, fresh, frozen and cut-ups chicken which are recorded under finished goods.

Day-old Chicks and Chicken Broilers. These are accounted for as biological assets in accordance with PAS 41, *Agriculture*. The Company recognized the amount of fair value adjustment on agricultural produce that are in the inventory and 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 goods sold.

Raw Materials (Hatching Eggs). All costs directly attributable to acquisition such as the purchase price and taxes that are not subsequently recoverable from taxing authorities are included as part of costs of these inventories.

Finished Goods (Live, Fresh, Frozen and Cut Ups Chicken) - Weighted Average Method. The costs include all costs of the chicken broilers, labor and manufacturing overhead costs.

<u>Other Current and Noncurrent Assets</u>
Other current assets consist of creditable withholding taxes (CWT), prepayments, input value-added taxes (VAT) and advances to suppliers.

CWT. CWT represents the amount withheld at source by the Company's customers in relation to its income. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is stated at its estimated NRV.

Advances to Suppliers. Advances to suppliers consist of payments in advance of raw materials, supply labor tools, subscriptions, memberships, and other fees.

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. Input value-added taxes (VAT) represent VAT imposed on the Company by its suppliers for the acquisition of goods and services. Output VAT represents indirect tax on consumption levied on the sale of goods and services, which is passed on by the Company to its customers. Where VAT incurred on the purchase of an asset or services is not recoverable from the taxation authority, such VAT is recognized as part of the cost of acquisition of the asset or part of the expense item, as applicable.

When output VAT exceeds input VAT, the excess is recognized as payable in the statement of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset (presented under "Other current assets") in the statement of financial position to the extent of the recoverable amount.

Other noncurrent assets consist of right-of-use asset, project development costs, security deposits 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 statement 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.

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 the consolidated statement of comprehensive income in the year in which the expenditure is incurred.

Computer software is amortized on the straight-line basis 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 a change 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 the consolidated statement of comprehensive income when the asset is derecognized.

Property, Plant and Equipment

Property, plant and equipment (except for transportation equipment and construction in-progress) are stated at revalued amount as determined by an independent firm of appraisers. Transportation equipment is stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset at initial recognition comprises its purchase price and directly attributable costs of bringing the asset to working condition and location 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 and construction in-progress) are carried at revalued amount less any subsequent accumulated depreciation, amortization and any accumulated impairment losses. Fair market value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation reserve is credited to "Revaluation reserve" account presented under the "Other comprehensive income" section of the consolidated statement of financial position. Any decrease in the revaluation surplus of the same asset is charged to OCI 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 statement of comprehensive income.

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained earnings" under the "Equity" section in the consolidated statement 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 every three to five years 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 are 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 years
Buildings	20 years
Leasehold and land improvements	2 to 5 years or lease term, whichever is shorter
Office furniture, fixtures and equipment	3 to 10 years
Transportation equipment	4 to 5 years

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 statement of comprehensive income in the year the item is derecognized.

Investment Properties

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

Investment properties are measured initially at acquisition cost, including transaction costs. Subsequently, investment properties are stated at fair value as determined by independent appraisers on an annual basis. The carrying amount recognized in the consolidated statement of financial position reflects 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 statement 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, investment properties, right-of-use assets, computer software and project development costs 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 CGU 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.

The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction, while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. 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 CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income. 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 PFRSs. OCI of the Company pertains to revaluation reserve on property, plant and equipment and accumulated remeasurement gains and losses on retirement liability - net.

Retained Earnings. Retained earnings 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 a standard's transitional provisions.

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 contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

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.

The following specific recognition criteria must also be met before revenue is recognized.

Sale of Goods. Revenue is recognized at point in time when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

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

Other Income. Other income is recognized when earned. Revenue is measured at the fair value of the consideration received.

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 consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Contract Balances

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

Trade Receivables. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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 at December 31, 2021 and 2020, 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.

As at December 31, 2021 and 2020, the Company's estimated right of return assets and refund liabilities are not material.

Revenue Outside the Scope of PFRS 15

Interest income. Interest income is recognized as the interest accrues on a time proportion basis taking into account the principal amount outstanding and effective yield on the assets.

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

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized in the consolidated statement of comprehensive income in the period these are incurred and are measured at the fair value of the consideration paid or payable.

Leases

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 and leases of low-value assets. 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 years
Right-of-use asset - building	2 to 5 years
Right-of-use asset - machineries	2 to 3 years

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.

Pre-termination of Lease Contracts. The Company, as a lessee, reassesses whether it is reasonably certain not to exercise a termination option upon the occurrence of either a significant event or a significant change in circumstances that: (a) is within the control of the Company; and (b) affects whether the Company is reasonably certain to exercise an option not previously included in its determination of lease term, or not to exercise an option previously included in its determination of the lease term. Pre-termination of the lease will result in the derecognition of the right-of-use assets and lease liability and recognition of a pre-termination gain or loss.

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 statement of comprehensive income.

Past service costs are recognized in the statements of comprehensive income 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.

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 plan assets (FVPA) is based on market price information. When no market price is available, the FVPA 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 FVPA is higher than the present value of the defined benefit obligation (DBO), 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 DBO and FVPA on which the liabilities are to be settled directly. The present value of the DBO 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.

<u>Borrowing Costs</u>
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the

borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

Interest expense are expensed as incurred.

Income Taxes

Income tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized directly in equity or recognized in OCI.

Current Tax. Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

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 except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences 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 income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

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

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement 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. The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

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 (1) the Company has a present legal or constructive obligation as a result of past events, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. 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.

Earnings Per Share
The Company presents basic and diluted earnings per share rate for its shares.

Basic earnings per share (EPS) is calculated by dividing net income for the year attributable to equity holders of the Company by the weighted average number of shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any, and after giving retroactive effect to any stock dividend declarations.

Diluted EPS is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Company's stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

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.

Events After the Reporting Period

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.

3. New and Amended Standards and Interpretations

Adoption of Amendments to Standards and Interpretation

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2021. The adoption of these amended standards did not have an impact on the Company's consolidated financial statements.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

Standard and Amendments to Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. 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, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 Per Cent' Test for Derecognition of Financial Liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

4. Significant Judgments, 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.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have 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 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 external counsel handling the Company's defense in these matters and is based upon an analysis of potential results.

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

Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

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

Estimates and Assumptions

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

Estimation of ECL of Receivable from Insurance. As discussed in Note 10, the Company has an outstanding claim for typhoon damages from an insurance company. The Company is currently involved in legal proceedings to pursue the collection of the remaining balance of receivable from insurance. The determination of whether the insurance claims receivable is realizable requires management's estimate of the amount and timing of the future cash inflows from this receivable and the related EIR 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.

Receivable from insurance amounted to ₱70.2 million as at December 31, 2021 and 2020. Allowance for ECL related to receivable from insurance amounted to ₱71.5 million as at December 31, 2021 and 2020 (see Note 10).

Estimation of 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.

Description	Valuation technique	Significant unobservable inputs	Interrelationship 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	Inclusive of: ▪ Estimated future sale price of day-old chicks	The estimated fair value would increase (decrease) if:

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

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
	considering the mortality rates. Due to the short growing period of chicks into parent stock, discounting is generally ignored.	chicken (parent stock) ▪ Estimated costs to be incurred in the growing process	purchased were higher (lower); ▪ the estimated mortality rate was lower (higher); ▪ the estimated volume of raised breeder chicken was higher (lower);or ▪ the estimated costs to be incurred in the growing process were lower (higher).

The changes in fair value of biological assets are recognized under sales amounting to ₱55.1 million, ₱199.5 million and ₱479.6 million in 2021, 2020 and 2019, respectively, and under cost of sales amounting to ₱78.0 million, ₱184.4 million and ₱471.4 in 2021, 2020 and 2019, respectively (see Note 17).

Revaluation of Property, Plant and Equipment (excluding Transportation Equipment and CIP) 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 and CIP) at revalued amounts, with changes in fair value being recognized in OCI.

In determining the appraised values of the property, plant and equipment and investment properties, the Company hired independent firms of appraisers as at December 31, 2021 and 2020. 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-use property in the second-hand market; (d) age, condition, past maintenance, and present and prospective serviceability in comparison with new assets of similar kind; (e) accumulated depreciation; (f) lease rates and, (g) recent trends and development in the industry concerned.

The fair values of the land classified as part of investment properties and under property, plant and equipment were derived using the sales 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.

The fair values of property, plant and equipment (except for land) and investment properties (except for land and the Bulacan and Davao dressing plants) were arrived at using the cost reproduction approach as there is a lack of comparable market data because of the nature of the properties. 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 Company's dressing plants in Bulacan and Davao which is classified as investment properties were arrived at using the income approach. Under this approach, the value of an asset is determined by reference to the value of income, cash flow, or cost savings generated by the asset. Assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period. Although this input is subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

In 2020 and 2018, the Company's property, plant and equipment (except transportation equipment and CIP) were reappraised by an independent firm of appraisers resulting to an additional revaluation gain of ₱22.0 million and ₱90.7 million before tax effect, respectively. The carrying value of property, plant and equipment at revalued amount amounted to ₱872.0 million and ₱906.7 million as at December 31, 2021 and 2020, respectively. No revaluation was made in 2021 and 2019 (see Note 11).

In 2021, 2020 and 2019, the Company's investment properties were reappraised by independent firms of appraisers resulting to an additional fair value gain of ₱1.3 million, ₱4.1 million and ₱158.3 million, respectively (see Note 12). The carrying value of investment properties amounted to ₱973.4 million and ₱931.4 million as at December 31, 2021 and 2020 respectively (see Note 12).

Estimating ECL on Trade and Other Receivables. The Company uses a provision matrix to calculate ECLs for trade 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 percentage change in gross domestic product 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., gross domestic product) 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 Notes 7 and 31.

The Company did not provide any extension or reduction in payment, except for very few customers, as a result of the COVID-19 pandemic. Management has considered the impact of the COVID-19 pandemic on its ECL calculation and assessed the impact to be not significant.

The Company recognized provision for ECL on trade and other receivables amounting to ₱10.2 million, ₱10.7 million and ₱23.1 million in 2021, 2020 and 2019, respectively (see Note 21). Trade and other receivables amounting to ₱104.6 million was written-off in 2021 (nil in 2020 and 2019) (see Note 7).

The carrying value of trade and other receivables amounted to ₱902.4 million and ₱815.3 million as at December 31, 2021 and 2020, respectively. Allowance for ECL on trade and other receivables as at December 31, 2021 and 2020 amounted to ₱213.3 million and ₱307.8 million, respectively (see Note 7).

Estimating Retirement Benefits. The cost of the defined benefit pension plan and the present value of the DBO 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 and mortality rates. Due to the complexities involved in the valuation and its long-term nature, the DBO 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 22.

The Company's net retirement liability amounted to ₱166.5 million and ₱132.2 million as at December 31, 2021 and 2020, respectively (see Note 22).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible 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 as well as future tax planning strategies.

No deferred tax assets were recognized on certain deductible temporary differences and carryforward benefits of MCIT as at December 31, 2021 and 2020, respectively (see Note 23). 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 ₱101.4 million and ₱137.8 million as at December 31, 2021 and 2020, respectively (see Note 23).

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 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, 2021					
	Foods	**Feeds**	**Farms**	**Corporate & Others**	**Eliminations**	**Consolidated**
REVENUES						
Sale of goods, net of discount	**₱4,231,571**	**₱4,694,677**	**₱722,913**	**₱–**	**₱–**	**₱9,649,161**
Fair value adjustment on biological assets	–	–	**55,120**	–	–	**55,120**
	4,231,571	**4,694,677**	**778,033**	–	–	**9,704,281**
COST AND OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME						
Cost of goods sold excluding depreciation	**₱3,754,268**	**₱4,157,247**	**₱864,396**	**₱–**	**₱–**	**₱8,775,911**
Operating expenses excluding depreciation	**91,489**	**150,911**	**13,210**	**411,326**	–	**666,936**
Depreciation and amortization	**4,582**	**84,744**	–	**16,680**	–	**106,006**
Other operating income	–	**(17,468)**	–	**(11,096)**	–	**(28,564)**
	3,850,339	**4,375,434**	**877,606**	**416,910**	–	**9,520,289**
SEGMENT OPERATING PROFIT (LOSS)	**₱381,232**	**₱319,243**	**(₱99,573)**	**(₱416,910)**	**₱–**	**₱183,992**
Other charges -net						**(63,386)**
Income before income tax						**120,606**
Tax expense						**(31,164)**
Net income						**₱89,442**
ASSETS AND LIABILITIES						
Segment assets	**₱895,912**	**₱1,933,004**	**₱191,327**	**₱1,115,054**	**₱–**	**₱4,135,297**
Segment liabilities	**₱111,659**	**₱1,198,038**	**₱42,655**	**₱1,165,846**	**₱–**	**₱2,518,198**
OTHER INFORMATION						
Capital expenditures	**₱43,610**	**₱64,750**	**₱–**	**₱9,287**	**₱–**	**₱117,647**
Non-cash expenses other than depreciation and impairment losses	**₱7,452**	**₱8,268**	**₱173**	**₱1,100**	**₱–**	**₱16,993**

	December 31, 2020					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	₱3,118,889	₱4,108,529	₱455,013	₱–	₱–	₱7,682,431
Fair value adjustment on biological assets	–	–	199,489	–	–	199,489
	3,118,889	4,108,529	654,502	–	–	7,881,920
COST AND OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME						
Cost of goods sold excluding depreciation	₱3,060,313	₱3,398,395	₱723,093	₱–	₱–	₱7,181,801
Operating expenses excluding depreciation	93,407	135,602	9,715	263,745	–	502,469
Depreciation and amortization	4,554	137,886	32	20,139	–	162,611
Other operating income	–	(32,074)	–	(11,897)	–	(43,971)
	3,158,274	3,639,809	732,840	271,987	–	7,802,910
SEGMENT OPERATING PROFIT (LOSS)	(₱39,385)	₱468,720	(₱78,338)	(₱271,987)	₱–	₱79,010
Other charges -net						(53,583)
Income before income tax						25,427
Tax expense						(16,139)
Net income						₱9,288

	December 31, 2020					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
ASSETS AND LIABILITIES						
Segment assets, as restated	₱809,953	₱1,638,296	₱193,209	₱1,081,503	₱–	₱3,722,961
Segment liabilities	₱96,474	₱1,034,108	₱36,854	₱1,033,302	₱–	₱2,200,738
OTHER INFORMATION						
Capital expenditures	₱135,952	₱34,943	₱1,255	₱23,557	₱–	₱195,707
Non-cash expenses other than depreciation and impairment losses	₱5,903	₱7,142	₱654	₱629	₱–	₱14,328

	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 AND OTHER OPERATING INCOME						
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

	December 31, 2019					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
SEGMENT OPERATING PROFIT (LOSS)	₱593,776	₱204,831	(₱255,340)	(₱384,686)	₱–	₱158,581
Other income -net						(15,894)
Income before tax						142,687
Tax expense						(13,864)
Net income						₱128,823
ASSETS AND LIABILITIES						
Segment assets, as restated	₱861,996	₱1,837,500	₱207,847	₱1,150,824	₱–	₱4,058,167
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

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

	2021	2020
Cash on hand	**₱2,487,637**	₱2,379,620
Cash in banks	**227,528,282**	174,925,147
	₱230,015,919	₱177,304,767

Cash in banks earn interest at prevailing bank deposit interest rates of 0.1% to 1.3% in 2021, 2020 and 2019. Interest income on cash in banks amounted to ₱0.1 million, ₱0.2 million and ₱0.2 million in 2021, 2020 and 2019, respectively.

7. Trade and Other Receivables

	December 31, 2021	December 31, 2020 (Note 25)	January 1, 2020 (Note 25)
Trade:			
Third parties	**₱565,508,598**	₱708,621,981	₱904,708,420
Related parties (Note 24)	**262,799,719**	195,651,548	228,610,377
Nontrade	**241,271,819**	151,535,626	142,403,739
Advances to officers and employees (Note 24)	**12,474,296**	12,000,448	12,276,664
Receivable from government	**4,059,611**	4,046,563	3,538,405
Others	**29,584,276**	51,245,763	28,003,726
	1,115,695,319	1,123,101,929	1,319,541,331
Allowance for ECL	**(213,307,666)**	(307,772,074)	(297,098,917)
	₱902,390,653	₱815,329,855	₱1,022,442,414

The restatement in trade and other receivables is discussed in Note 25.

Trade receivables are usually due within 30 to 90 days and are noninterest-bearing (see Note 24).

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 Notes 14 and 24).

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 to 90 days and are noninterest-bearing.

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

Trade and other receivables collected after due date earned an interest income amounting to ₱1.2 million, nil and ₱2.1 million in 2021, 2020 and 2019, respectively .

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

	Trade	Others	Total
Balance as at January 1, 2021, as previously reported	**₱161,126,222**	**₱123,014,839**	**₱284,238,779**
Prior period adjustments (Note 25)	**97,718**	**23,533,295**	**23,631,013**
Balance as at January 1, 2021, as restated	**161,223,940**	**146,548,134**	**307,772,074**
Provision (Note 21)	**10,157,719**	**–**	**10,157,719**
Accounts written-off	**–**	**(104,622,127)**	**(104,622,127)**
Balance as at December 31, 2021	**₱171,381,659**	**₱41,926,007**	**₱213,307,666**

	Trade	Others	Total
Balance as at January 1, 2020, as previously reported	₱150,777,196	₱122,690,708	₱273,467,904
Prior period adjustments (Note 25)	97,718	23,533,295	23,631,013
Balance as at January 1, 2020, as restated	150,874,914	146,224,003	297,098,917
Provision (Note 21)	10,349,026	324,131	10,673,157
Balance as at December 31, 2020	₱161,223,940	₱146,548,134	₱307,772,074

8. **Inventories and Livestock**

	2021	2020
Inventories:		
At net realizable value - Finished goods	**₱184,305,798**	₱109,898,787
At cost:		
Raw materials and feeds supplements	**315,027,658**	240,102,927
Supplies and animal health products	**64,126,465**	73,190,787
Hatching eggs	**36,849,974**	31,212,283
Finished goods	**22,708,402**	6,191,253
	623,018,297	460,596,037
Livestock:		
Day-old chicks and growing broilers	**38,086,778**	42,332,467
Parent stock	**14,380,992**	–
	52,467,770	42,332,467
	₱675,486,067	₱502,928,504

Inventories
Inventories are valued at lower of cost and NRV as at December 31, 2021 and 2020. The cost of finished goods carried at NRV amounted to ₱185.2 million and ₱110.8 million as at December 31, 2021 and 2020, respectively. Inventories charged to cost of goods sold amounted to ₱7,645.0 million, ₱5,982.6 million and ₱6,650.6 million in 2021, 2020 and 2019, respectively (see Note 18).

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

Day-old chicks and broilers	**2021**	2020
Opening balance	**₱42,332,469**	₱51,300,581
Increase due to production	**4,014,182,626**	2,888,296,655
Fair value adjustment due to production	**48,631,208**	199,489,329
Decrease due to sales, harvest and mortality	**(3,989,265,663)**	(2,912,357,524)
Fair value adjustment due to sales, harvest and mortality	**(77,793,862)**	(184,396,574)
	₱38,086,778	₱42,332,467

Parent stock	**2021**	2020
Opening balance	**₱–**	₱–
Increase due to purchase	**7,892,559**	–
Fair value adjustment due to growth	**6,488,433**	–
	₱14,380,992	₱–

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

	2021	2020
Balance at beginning of year	**₱896,315**	₱4,039
Provision (Note 21)	**–**	892,276
	₱896,315	₱896,315

9. Other Current Assets

This account consists of:

	2021	2020
Advances to suppliers	**₱176,344,063**	₱140,877,487
CWT	**88,608,614**	77,860,449
Prepayments	**26,382,863**	22,018,102
Input VAT	**3,488,442**	3,091,532
	294,823,982	243,847,570
Allowance for impairment losses	**(3,091,532)**	(3,091,532)
	₱291,732,450	₱240,756,038

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.

CWT represents the amount withheld by the Company's customers in relation to its sale of goods and services. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Prepayments mainly pertain to insurance and bond premiums, among others, which are amortized within a year. The allowance for impairment losses pertain to input VAT which is no longer recoverable by the Company.

10. Receivable from Insurance

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 ₱141.6 million as at December 31, 2021. 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.

The composition of receivable from insurance are as follows:

	December 31, 2021	December 31, 2020 (Note 25)	January 1, 2020 (Note 25)
Cost	**₱141,664,583**	₱141,664,583	₱141,664,583
Allowance for ECL	**71,460,773**	71,460,773	71,460,773
	₱70,203,810	₱70,203,810	₱70,203,810

No provisions for and write off of allowance for receivable from insurance were recognized in the statement of comprehensive income for the years ended December 31, 2021, 2020 and 2019. As at January 1, 2019, the Company recognized additional provision for ECL on receivable from insurance as discussed in Note 25.

11. Property, Plant and Equipment

At Revalued Amount

The composition and movements of this account are presented below:

	2021					
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	₱439,712,887	₱569,729,900	₱167,127,587	₱29,939,642	₱82,558,444	₱1,289,068,460
Additions	–	19,891,913	5,554,310	2,228,341	10,159,526	37,834,090
Disposals	–	(3,253,425)	–	–	(35,000)	(3,288,425)
Reclassification	–	(2,186,450)	760,892	4,405,713	(60,675)	2,919,480
Transfer to investment properties	(5,543,000)	–	–	–	–	(5,543,000)
Adjustments	–	(961,950)	–	(47,698)	–	(1,009,648)
Balance at end of year	434,169,887	583,219,988	173,442,789	36,525,997	92,622,295	1,319,980,956
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	246,977,446	65,170,245	12,605,328	57,596,527	382,349,546
Depreciation and amortization (Notes 18 and 19)	–	55,155,948	7,081,549	3,280,276	14,809,549	80,327,322
Reclassification	–	(10,969,434)	(874,508)	(189,288)	(60,675)	(12,093,905)
Disposals	–	(2,607,438)	–	–	(6,806)	(2,614,244)
Balance at end of year	–	288,556,522	71,377,286	15,696,316	72,338,595	447,968,719
Net carrying amount	₱434,169,887	₱294,663,466	₱102,065,503	₱20,829,681	₱20,283,700	₱872,012,237

	2020					
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	₱386,767,894	₱521,415,893	₱210,211,827	₱32,189,597	₱64,486,178	₱1,215,071,389
Additions	–	37,415,918	1,907,000	1,330,272	15,900,266	56,553,456
Revaluation gain	52,944,993	14,819,545	(46,872,240)	(2,913,336)	4,052,250	22,031,212
Reclassification and adjustments	–	(3,921,456)	1,881,000	(666,891)	(1,799,350)	(4,506,697)
Disposals	–	–	–	–	(80,900)	(80,900)
Balance at end of year	439,712,887	569,729,900	167,127,587	29,939,642	82,558,444	1,289,068,460
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	207,564,305	54,865,526	13,521,636	47,832,102	323,783,569
Depreciation and amortization (Notes 18 and 19)	–	46,944,675	10,054,254	3,238,253	11,964,485	72,201,667
Reclassification and adjustments	–	(7,531,534)	250,465	(4,154,561)	(2,139,385)	(13,575,015)
Disposals	–	–	–	–	(60,675)	(60,675)
Balance at end of year	–	246,977,446	65,170,245	12,605,328	57,596,527	382,349,546
Net carrying amount	₱439,712,887	₱322,752,454	₱101,957,342	₱17,334,314	₱24,961,917	₱906,718,914

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

	2021					
	Land	**Machinery and Equipment**	**Buildings**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost	**₱14,159,490**	**₱497,902,014**	**₱190,421,988**	**₱35,282,493**	**₱83,211,132**	**₱820,977,117**
Accumulated depreciation and impairment	**–**	**(266,429,519)**	**(62,608,559)**	**(12,641,339)**	**(65,220,773)**	**(406,900,190)**
Net carrying amount	**₱14,159,490**	**₱231,472,495**	**₱127,813,429**	**₱22,641,154**	**₱17,990,359**	**₱414,076,927**

	2020					
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost as at year end	₱19,702,490	₱484,411,926	₱184,106,786	₱28,696,138	₱73,147,281	₱790,064,621
Accumulated depreciation and impairment	–	(230,714,608)	(54,063,595)	(9,452,634)	(52,946,926)	(347,177,763)
Net carrying amount	₱19,702,490	₱253,697,318	₱130,043,191	₱19,243,504	₱20,200,355	₱442,886,858

The Company's property, plant and equipment (except transportation equipment and construction in-progress) was appraised in 2020 and 2018.

<u>Fair Value Measurement</u>
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, 2020. The fair value measurement for property, plant and equipment has been categorized as level 3 (significant unobservable inputs).

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

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.

			Range	
	Valuation Technique	Significant Unobservable Inputs	**2021**	2020
Land	Sales Comparison Approach	Price per square meter	**₱1,493-₱1,857**	₱1,493-₱1,857
		Value adjustments	**35%-48%**	35%-48%

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

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.

	Valuation Technique	Significant Unobservable Inputs	Remaining economic life
Machinery and Equipment	Cost Reproduction Approach	Replacement cost less accrued depreciation	3 - 5 years remaining economic life
Buildings	Cost Reproduction Approach	Replacement cost less accrued depreciation	7 - 25 years remaining economic life
Land Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining economic life
Office Furniture, Fixtures and Equipment	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining economic life
Leasehold Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining economic life

This approach is applied by estimating the amount that currently would be required to construct a substitute asset of comparable utility.

Significant increases (decreases) in the replacement cost in isolation would result in a significantly higher (lower) fair value on a linear basis.

At Cost
The composition and movements of this account are presented below:

	2021		
	Transportation Equipment	**CIP**	**Total**
Cost			
Balance at beginning of year	**₱51,158,960**	**₱17,510,838**	**₱68,669,798**
Additions	**–**	**36,202,504**	**36,202,504**
Reclassification	**–**	**(15,013,385)**	**(15,013,385)**
Disposals	**(2,998,000)**	**–**	**(2,998,000)**
Balance at end of year	**₱48,160,960**	**₱38,699,957**	**₱86,860,917**
Accumulated Depreciation, and Amortization			
Balance at beginning of year	**38,955,653**	**–**	**38,955,653**
Depreciation and amortization (Notes 18 and 19)	**4,922,099**	**–**	**4,922,099**
Disposals	**(2,998,000)**	**–**	**(2,998,000)**
Balance at end of year	**40,879,752**	**–**	**40,879,752**
Net carrying amount	**₱7,281,208**	**₱38,699,957**	**₱45,981,165**

	2020		
	Transportation Equipment	CIP	Total
Cost			
Balance at beginning of year	₱57,894,027	₱14,787,329	₱72,681,356
Additions	1,054,340	12,796,052	13,850,392
Reclassification	(2,234,513)	(10,072,543)	(12,307,056)
Disposals	(5,554,894)	–	(5,554,894)
Balance at end of year	₱51,158,960	₱17,510,838	₱68,669,798
Accumulated Depreciation and Amortization			
Balance at beginning of year	₱39,095,330	₱–	₱39,095,330
Depreciation and amortization (Notes 18 and 19)	7,692,669	–	7,692,669
Reclassification	(2,277,452)	–	(2,277,452)
Disposals	(5,554,894)	–	(5,554,894)
Balance at end of year	38,955,653	–	38,955,653
Net carrying amount	₱12,203,307	₱17,510,838	₱29,714,145

In 2021 and 2020, the Company sold property, plant and equipment for a cash consideration of ₱1.0 million and nil, resulting to a loss on disposal amounting to ₱1.0 million and ₱2.3 million, respectively.

Construction in-progress represents cost incurred in the construction of the Company's offices, cabling installation, piping, bagging system installation, and other developments. Costs primarily include raw materials procurement, general construction works and installation costs.

As at December 31, 2021 and 2020, there are no significant contractual commitments entered into by the Company.

Depreciation and amortization expense follow:

	2021	2020	2019
Property, plant and equipment:			
At revalued amount	**₱80,327,323**	₱72,201,667	₱70,357,023
At cost	**4,922,099**	7,692,669	22,522,996
Right-of-use asset (Note 13)	**17,079,097**	79,038,348	64,379,209
Computer software (Note 13)	**3,678,102**	3,678,102	3,678,102
	₱106,006,621	₱162,610,786	₱160,937,330

12. Investment Properties

Investment properties comprise of the Company’s hatchery buildings, and 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, 2021		
	Land	**Building**	**Total**
Balance at beginning of year	**₱554,272,573**	**₱377,103,407**	**₱931,375,980**
Gain (loss) on fair value changes	**7,830,673**	**(6,562,540)**	**1,268,133**
Additions	–	**43,610,106**	**43,610,106**
Transfer from property, plant and equipment	**5,543,000**	–	**5,543,000**
Disposals	**(1,870,779)**	–	**(1,870,779)**
Write-offs	**(6,493,688)**	–	**(6,493,688)**
Balance at end of year	**₱559,281,779**	**₱414,150,973**	**₱973,432,752**

	2020		
	Land	Building	Total
Balance at beginning of year	₱545,128,167	₱257,138,422	₱802,266,589
Gain on fair value changes	3,992,855	60,377	4,053,232
Additions	5,398,766	119,904,608	125,303,374
Disposals	(247,215)	–	(247,215)
Balance at end of year	₱554,272,573	₱377,103,407	₱931,375,980

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

	2021	2020
Cost	**₱597,716,371**	₱556,927,732
Cumulative gain on fair value changes	**375,716,381**	374,448,248
	₱973,432,752	₱931,375,980

Rental income earned from the dressing plant in Bulacan amounted to ₱11.1 million, ₱11.9 million and ₱11.2 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 20). Direct costs related to properties that generate rental income amounted to ₱0.9 million, ₱0.6 million and ₱0.6 million in 2021, 2020 and 2019, respectively.

Fair Value Measurement

Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal reports are at December 31, 2021. The Company recognized fair value gain of ₱1.3 million, ₱4.1 million and ₱158.3 million in 2021, 2020 and 2019, respectively. The fair value measurement for investment properties has been categorized as Level 3 (significant unobservable inputs).

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

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.

	Valuation Technique	Significant Unobservable Inputs	Range	
			2021	2020
Land	Sales Comparison Approach	Price per square meter	**₱200-12,000**	₱200-₱12,000
		Value adjustments	**5%-21%**	5%-21%

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.

	Valuation Technique	Significant Unobservable Inputs	Remaining economic life
Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	7 - 33 years remaining economic life

Income approach
Income approach is a form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon.

	Valuation Technique	Significant Unobservable Inputs
Bulacan and Davao dressing plants	Income Approach	Price per square meter, value adjustments, discount rate, lease rates, escalation rate, and vacancy and bad debt allowance

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.

Discount rate: This was arrived at by summing up the risk-free rate and management /liquidity rate. Management/liquidity rate refers to the estimated premium to compensate for the burden of management and the ease with which an investment can be sold.

Lease rates: estimated rental rates prevailing in the real estate market depending on the location of the properties.

Escalation rate: adjustments are made to account for the increase in rental rates in the subsequent periods.

Vacancy and bad debt allowance: adjustments made to consider that the properties may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling, maintenance). Collection losses can result from a tenant’s inability or refusal to pay rent.

Significant increases (decreases) in estimated price per square meter, value adjustments, discount rates, lease rates, escalation rate, and vacancy and bad debt allowance in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in discount rates and vacancy and bad debt allowance in isolation would result in a significantly lower (higher) fair value on a linear basis.

13. Right-of-Use Assets and Other Noncurrent Assets

Right-of-use Assets

Movements in right-of-use assets are as follows:

	December 31, 2021		
	Building	**Transportation Equipment**	**Total**
Cost			
Balance at beginning of year	**₱12,065,912**	**₱71,138,213**	**₱83,204,125**
Additions	**–**	**23,194,616**	**23,194,616**
Reclassification	**–**	**254,756**	**254,756**
Balance at end of year	**12,065,912**	**94,587,585**	**106,653,497**
Accumulated Amortization			
Balance at beginning of year	**5,550,319**	**45,102,446**	**50,652,765**
Depreciation	**2,895,819**	**14,183,278**	**17,079,097**
Balance at end of year	**8,446,138**	**59,285,724**	**67,731,862**
Net carrying value	**₱3,619,774**	**₱35,301,861**	**₱38,921,635**

	December 31, 2020			
	Building	Transportation Equipment	Machineries	Total
Cost				
Balance at beginning of year	₱21,455,220	₱73,847,259	₱174,905,773	₱270,208,252
Pre-termination of lease contract (see Note 27)	(9,389,308)	–	(174,905,773)	(184,295,081)
Disposals	–	(2,709,046)	–	(2,709,046)
Balance at end of year	12,065,912	71,138,213	–	83,204,125
Accumulated Amortization				
Balance at beginning of year	6,426,192	32,390,718	43,726,443	82,543,353
Depreciation	7,226,572	14,379,852	57,431,924	79,038,348
Pre-termination of lease contract (see Note 27)	(8,102,445)	–	(101,158,367)	(109,260,812)
Disposals	–	(1,668,123)	–	(1,668,123)
Balance at end of year	5,550,319	45,102,447	–	50,652,766
Net carrying value	₱6,515,593	₱26,035,766	₱–	₱32,551,359

Other Noncurrent Assets

	2021	2020
Project development costs	**₱31,368,395**	₱31,368,396
Security deposits	**15,459,460**	9,729,018
Computer software	**19,661,027**	6,349,023
	66,488,882	47,446,437
Allowance for impairment losses	**(31,368,395)**	(31,368,396)
	₱35,120,487	₱16,078,041

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, 2021 and 2020.

Security deposits represent rental and other deposits paid by the Company and will be returned at the end of the lease term (see Note 27).

Movements in computer software are as follows:

	2021	2020
Cost		
Balance at beginning of year	**₱26,354,542**	₱23,867,955
Additions	**16,990,106**	2,486,587
Balance at end of year	**43,344,648**	26,354,542
Accumulated Depreciation and Amortization		
Balance at beginning of year	**20,005,519**	16,327,417
Depreciation and amortization	**3,678,102**	3,678,102
Balance at end of year	**23,683,621**	20,005,519
Net Book Value	**₱19,661,027**	₱6,349,023

Computer software is amortized over the economic life of three years with an average remaining useful life of two to three years.

14. **Trade and Other Payables**

	2021	2020
Trade payables		
Third parties	**₱1,170,645,926**	₱1,202,401,796
Related parties (Note 24)	**89,707,830**	41,918,534
Accrued expenses		
Selling and administrative	**218,454,340**	79,318,075
Outside services	**31,336,924**	77,195,148
Others	**66,319,172**	35,663,921
Nontrade payables	**88,002,512**	145,102,863
Customers' deposits	**12,035,187**	27,670,921
Statutory liabilities	**15,945,595**	19,887,934
	₱1,692,447,486	₱1,629,159,192

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

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 social security premiums payable and other statutory liabilities. These are normally settled within a month.

15. Loans Payable

This account consists of the following:

	2021	2020
Short-term loans	**₱381,932,829**	₱132,023,529
Long-term loans	**123,118,899**	147,940,328
	₱505,051,728	₱279,963,857

	2021	2020
Short-term loans	**₱381,932,829**	₱132,023,529
Current portion of long-term loans	**24,821,429**	24,821,429
Current portion	**406,754,258**	156,844,958
Noncurrent portion of long-term loans	**98,297,470**	123,118,899
	₱505,051,728	₱279,963,857

Total availment of loans payable amounted to ₱540.7 million and ₱457.5 million in 2021 and 2020, respectively. Total payments of loans payable amounted to ₱315.6 million and ₱709.9 million in 2021 and 2020, respectively.

Interest expense on loans payable amounted to ₱20.7 million, ₱23.4 million and ₱60.7 million in 2021, 2020 and 2019, respectively.

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

Short-Term Loans
In 2021 and 2020, the Company obtained unsecured Peso-denominated short-term loans from local banks to finance working capital requirements. The Company's short-term loans bear interest at rates ranging from 6.00% to 6.50%.

In 2020, the Company also obtained short-term loan amounting to ₱87.4 million from one of its stockholders bearing an interest rate of 3% per annum (see Note 24). The carrying value of this short-term loan as at December 31, 2020 is ₱76.6 million. This short-term loan was fully paid in 2021.

Long-Term Loans
Long-term loans of the Company have remaining terms of five years. The Company's long-term loans bear interest at repriced interest rates ranging from 6.13% to 6.25%.

a. ₱86.9 million promissory note
   On October 31, 2018, the Parent Company entered into an aggregate of ₱86.9 million, eight-year loan with China Bank Savings, Inc. ("CBS") payable in 28 quarterly installments with an interest rate of 7.875% per annum, repriced annually. Debt issue cost related to the promissory note

pertaining to documentary stamp tax of ₱0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

b. ₱86.9 million promissory note
On December 6, 2018, the Parent Company entered into an aggregate of ₱86.9 million, eight-year loan with CBS payable in 28 quarterly installments with an interest rate of 8.125% per annum, repriced annually. Debt issue cost related to the promissory note pertaining to documentary stamp tax of ₱0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

16. Cash Bond Deposits

Cash bond deposits amounting to ₱48.1 million and ₱40.1 million as at December 31, 2021 and 2020, 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.

17. Revenue

	2021	2020	2019
Sales			
Feeds	**₱4,821,057,084**	₱4,218,925,663	₱4,027,789,349
Foods	**4,236,179,697**	3,133,270,647	4,046,782,155
Farms	**742,624,261**	462,852,599	477,343,897
Sales discount, returns and allowances	**(150,699,234)**	(132,617,951)	(113,017,990)
	9,649,161,808	7,682,430,958	8,438,897,411
Changes in fair values of biological assets	**55,119,641**	199,489,329	479,569,099
	₱9,704,281,449	₱7,881,920,287	₱8,918,466,510

The changes in fair values of biological assets are recognized for (see Note 8):

	2021	2020	2019
Day-old chicks and broilers	**₱48,631,208**	₱199,489,329	₱479,569,099
Parent stock	**6,488,433**	–	–
	₱55,119,641	₱199,489,329	₱479,569,099

18. **Cost of Goods Sold**

	2021	2020	2019
Inventories used (Note 8)	**₱7,645,035,746**	₱5,982,643,379	₱6,650,598,455
Outside services	**712,164,921**	785,219,089	783,154,116
Contractual services	**258,517,601**	92,865,024	40,779,898
Depreciation (Notes 11 and 13)	**72,016,730**	128,319,828	122,958,110
Salaries and employee benefits (Note 19)	**38,472,730**	63,574,816	78,170,496
Communication, light and water	**31,797,494**	45,151,999	39,894,661
Repairs and maintenance	**8,216,556**	25,618,917	9,665,810
Others	**3,731,646**	2,331,110	4,394,843
	₱8,769,953,424	₱7,125,724,162	₱7,729,616,389

19. **Operating Expenses**

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

	2021	2020	2019
Administrative expenses	**₱452,654,119**	₱260,967,587	₱286,028,208
Selling and distribution expenses	**248,272,613**	275,792,670	302,276,938
	₱700,926,732	₱536,760,257	₱588,305,146

The details of operating expenses by nature are shown below:

	2021	2020	2019
Salaries and employee benefits (Note 24)	**₱209,487,866**	₱146,160,261	₱189,624,710
Transportation, travel and freight and handling	**207,879,032**	193,871,823	164,130,588
Publications and subscriptions	**38,877,116**	921,458	3,139,567
Depreciation and amortization (Notes 11 and 13)	**33,989,891**	34,290,958	37,979,220
Advertising and promotions	**30,852,722**	17,087,198	23,013,540
Professional fees	**29,894,725**	22,931,396	21,522,711
Representation and entertainment	**24,959,164**	5,243,696	16,688,758
Commissions	**21,476,608**	9,748,116	15,298,296
Contractual services	**20,517,627**	20,539,027	20,175,914
Taxes and licenses	**17,764,542**	14,632,394	30,794,775
Rentals (Note 27)	**8,526,711**	21,106,429	21,626,674
Communications, light and water	**8,374,622**	8,774,538	9,693,809
Supplies	**7,437,118**	4,629,887	4,479,922
Insurance	**4,383,834**	4,364,799	4,483,422
Repairs and maintenance	**4,121,943**	8,272,443	4,141,570
Others	**32,383,211**	24,185,834	21,511,670
	₱700,926,732	₱536,760,257	₱588,305,146

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

Employee Benefits
Breakdown of employee benefits is presented below:

	2021	2020	2019
Salaries and wages	**₱218,104,366**	₱182,391,552	₱233,914,570
Retirement benefits (Note 22)	**16,993,091**	14,327,563	19,571,098
Other short-term benefits	**12,863,139**	13,015,962	14,309,538
	₱247,960,596	₱209,735,077	₱267,795,206

Salaries and employee benefits is allocated as follows:

	2021	2020	2019
Cost of goods sold (see Note 18)	**₱38,472,730**	₱63,574,816	₱78,170,496
Operating expenses:			
Administrative expenses	**166,331,166**	105,090,755	101,155,581
Selling and distribution expenses	**43,156,700**	41,069,506	88,469,129
	209,487,866	146,160,261	189,624,710
	₱247,960,596	₱209,735,077	₱267,795,206

Depreciation and Amortization
Depreciation and amortization are allocated as follows (see Notes 11 and 13):

	2021	2020	2019
Cost of goods sold (Note 18)	**₱72,016,730**	₱128,319,828	₱122,958,110
Operating expenses:			
Administrative expenses	**16,680,045**	16,996,891	18,825,040
Selling and distribution expenses	**17,309,846**	17,294,067	19,154,180
	33,989,891	34,290,958	37,979,220
	₱106,006,621	₱162,610,786	₱160,937,330

20. **Other Operating Income**

	2021	2020	2019
Miscellaneous sales (scrap materials, etc.)	**₱17,467,801**	₱19,449,045	₱18,161,672
Rentals (Notes 24 and 27)	**11,096,404**	11,895,676	11,237,321
Tolling services	**–**	12,626,140	–
	₱28,564,205	₱43,970,861	₱29,398,993

21. **Other Income (Charges)**

	2021	2020	2019
Impairment losses on:			
Receivables (Note 7)	**(₱10,157,719)**	(₱10,673,157)	(₱23,124,961)
Inventory (Note 8)	–	(892,276)	–
Deficiency tax settlement	**(10,000,000)**	(15,073,202)	(56,517,505)
Loss on chicken mortalities	**(7,024,740)**	–	–
Foreign exchange gain (loss)	**(5,714,952)**	2,455,497	1,516,061
Gain (loss) on disposal of property, plant and equipment, and investment property	**(1,060,988)**	(2,269,651)	410,176
Gain on pre-termination of lease contracts	**–**	3,424,542	–
Professional fees	**–**	–	(57,720,854)
Gain on reversal of long-outstanding payables	**–**	–	34,264,507
Recovery of accounts written-off	**–**	–	5,295,695
Gain on reversal of allowance for inventory losses	**–**	–	2,382,824
Others - net	**(8,937,475)**	(355,478)	(1,179,160)
	(₱42,895,874)	(₱23,383,725)	(₱94,673,217)

Deficient tax settlement pertains to the Company's payments to Bureau of Internal Revenue to settle tax assessments (including accruals).

Professional expense pertains to one-time consultancy made during 2019. This pertains to payments to local and international consultants for the operational efficiency of the Company.

22. **Net Retirement Liability**

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, 2021.

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

	2021	2020	2019
Current service costs	**₱11,956,045**	₱9,321,592	₱11,749,402
Interest expense	**5,187,339**	5,215,260	8,096,322
Interest income	**(150,293)**	(209,289)	(274,626)
	₱16,993,091	₱14,327,563	₱19,571,098

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

	2021	2020
Present value of the DBO	**₱170,439,444**	₱136,150,631
FVPA	**(3,978,184)**	(3,944,702)
	₱166,461,260	₱132,205,929

Movements in the present value of the DBO are as follows:

	2021	2020
Balance at beginning of year	**₱136,150,631**	₱95,342,964
Remeasurement loss recognized in OCI	**23,014,388**	28,310,195
Current service costs	**11,956,045**	9,321,592
Interest expense	**5,187,339**	5,215,260
Benefits paid	**(5,868,959)**	(2,039,380)
Balance at end of year	**₱170,439,444**	₱136,150,631

Movements in the FVPA are presented below:

	2021	2020
Balance at beginning of year	**₱3,944,702**	₱3,826,125
Interest income	**150,293**	209,289
Remeasurement loss	**(116,811)**	(90,712)
	₱3,978,184	₱3,944,702

Remeasurement loss on retirement liability, net of tax presented in the consolidated statements of comprehensive income for the years ended December 31 were are follows:

	2021	2020	2019
Remeasurement loss (gain)	**₱23,131,199**	₱28,400,907	(₱27,457,993)
Deferred income tax effect			
Current year	**(5,782,800)**	(8,520,272)	8,237,397
Impact of CREATE	**409,586**	–	–
	(5,373,214)	(8,520,272)	8,237,397
Remeasurement loss (gain)	**₱17,757,985**	₱19,880,635	(₱19,220,596)

Actual returns on plan assets amounted to ₱33,482 and ₱118,577 in 2021 and 2020, respectively. The categories of plan assets of the Company are as follows:

	2021	2020
Cash and cash equivalents	**₱1,992,275**	₱1,631,262
Equity instruments	**502,047**	501,924
Debt instruments	**1,487,840**	1,801,697
Others	**(3,978)**	9,819
	₱3,978,184	₱3,944,702

There are no expected future contributions in the plan in 2022.

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

	2021	2020
Less than one year	**₱18,757,732**	₱8,067,134
Between one and five years	**46,202,735**	41,849,209
Over five years	**103,855,449**	74,331,793
	₱168,815,916	₱124,248,136

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

	2021	2020
Discount rate	**5.07%**	3.81%
Expected rate of salary increase	**5.00%**	5.00%
Average remaining working life of an employee retiring at the age of 60:		
Male	**39**	39
Female	**34**	34

The weighted average duration of the present value of defined benefit obligation is 9.1 and 9.8 years in 2021 and 2020, respectively.

A quantitative sensitivity analysis for changes in assumptions as at December 31, 2021 and 2020 are shown below (amounts in thousands):

		Impact on Defined Benefit Obligation	
	Change in Assumptions	**2021**	2020
Discount rate	+100 bps	**(₱14,073)**	(₱12,335)
	-100 bps	**16,277**	14,346
Salary rate	+100 bps	**16,122**	14,026
	-100 bps	**(14,207)**	(12,314)

23. **Income Tax**

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

	2021	2020	2019
RCIT (25% in 2021; 30% in 2020 and 2019)	**₱28,700,503**	₱–	₱28,333,100
MCIT (1% in 2021; 2% in 2020 and 2019)	–	11,629,665	–
Impact of CREATE Act on current income tax	**(2,907,407)**	–	–
Deferred income tax expense (benefit)	**5,371,040**	4,509,242	(14,469,008)
	₱31,164,136	₱16,138,907	₱13,864,092

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

	2021	2020	2019
Income tax expense at statutory tax rate	**₱30,151,438**	₱7,628,103	₱42,954,040
Change in unrecognized deferred tax assets	**(3,700,188)**	6,146,121	(14,977,843)
Tax effects of:			
Nondeductible expenses	**3,966,426**	4,310,507	35,410,668
Depreciation on investment properties at cost	**(5,145,889)**	(1,885,133)	–
Adjustment on CREATE Act for 2020 recognized in 2021	**5,928,920**	–	–
Income already subjected to final tax	**(36,572)**	(60,691)	(65,596)
Nontaxable income	**–**	–	(49,966,013)
Reversal of deferred tax asset	**–**	–	508,836
	₱31,164,136	₱16,138,907	₱13,864,092

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

	2021	2020
Deferred tax assets:		
Allowance for impairment loss on:		
Trade and other receivables	**₱47,419,163**	₱86,420,270
Project development costs	**7,842,099**	9,410,519
Property, plant and equipment	**4,494,042**	5,392,850
Inventory	**224,079**	268,895
Retirement liability	**40,617,264**	39,075,932
Excess of lease liability over right-of-use asset	**770,909**	(2,775,761)
	101,367,556	137,792,705

	2021	2020
Deferred tax liabilities:		
Revaluation reserve on property, plant and equipment	**(₱114,483,826)**	(₱139,149,616)
Changes in fair value of investment properties	**(50,952,993)**	(71,838,070)
Changes in fair value of biological assets	**(111,288)**	(9,451,797)
Gain on pre-termination of contract	–	(1,027,362)
	(165,548,107)	(221,466,845)
Net deferred tax liabilities	**(₱64,180,551)**	(₱83,674,140)

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	Ending Balance	Valid Until
2020	₱6,146,121	₱–	(3,700,188)	₱–	2023
2020 CREATE impact	(2,445,933)	–	–	–	2023
2018	3,346,948	–	(3,346,948)	–	2021
2016	11,630,895	–	(11,630,895)	–	2019
	₱18,678,031	₱–	(₱18,678,031)	₱–	

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.

	2021		2020	
	Amount	**Tax Effect**	Amount	Tax Effect
Allowance for ECL on:				
Receivable from insurance	**₱71,460,773**	**₱17,865,193**	₱71,460,773	₱21,438,232
Trade and other receivables	**23,631,013**	**5,907,753**	19,704,509	5,911,353
Retirement liability	**3,992,203**	**998,051**	3,992,203	1,197,661
MCIT	–	–	6,146,121	6,146,121
	₱99,083,989	**₱24,770,997**	₱101,303,606	₱34,693,367

24. 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 is 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 69.2% to 71.90% (see Notes 1 and 25).

Due to and from related parties

Trade Receivables. The Company sells animal feeds, raw materials, feed supplements and dressed chicken to related parties, which are due within 90 days and are noninterest bearing (see Note 7).

Advances to and from Related Parties. The Company grants unsecured 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. These are noninterest-bearing and are generally on a 90-day credit term (see Note 14).

Operating leases - the Company as lessor. The Company is a lessor to related party leases covering the lease of a dressing plant, ice plant and rendering plant in Bulacan (i.e., dressing and rendering), which has a remaining lease term of around 3 years.

Summarized below are the outstanding accounts arising from these transactions (see Notes 7, 14 and 20):

		2021		2020	
Related Parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	**₱1,426,066,299**		₱1,072,194,796	
	Collections	**(1,358,918,127)**	**₱262,799,719**	(1,105,153,625)	₱195,651,548
Trade and other payables					
Entities under common control	Purchases	**₱1,744,904,273**		₱1,429,424,720	
	Payments	**(1,697,114,977)**	**₱89,707,830**	(1,481,354,755)	₱41,918,534
Operating lease					
Entities under common control	Rental income	**₱11,096,404**		₱11,895,676	
	Collection	**(5,835,411)**	**5,260,993**	(11,895,676)	₱–

The Company also availed of interest-bearing advances from a shareholder which are payable within a year. On September 28, 2020 to November 27, 2020, the Company was granted a series of advances (term: 90 day; interest rate: 3% per annum) amounting to ₱89.9 million from one of the Company's stockholders.

		2021		2020	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Stockholder	Advances for working capital	**₱–**		₱89,905,000	
	Interest	–	–	407,532	₱76,633,329

Advances to Officers

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 14). Shown below are the movements in the accounts.

		2021		2020	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Advances to officers	Net transactions	**₱473,848**	**₱12,474,296**	(₱137,572)	₱12,000,448

Compensation of Key Management Personnel
The compensation includes the following:

	2021	2020	2019
Short-term employee benefits	**₱43,561,950**	₱41,524,264	₱38,616,323
Retirement benefits	**5,872,830**	2,984,183	3,909,370
Others	**2,784,789**	2,303,769	2,201,141
	₱52,219,569	₱46,812,216	₱44,726,834

25. **Equity**

Capital Stock
As of December 31, 2021, the Company has authorized capital stock of 3.5 billion shares at ₱0.38 par value equivalent to ₱1.3 billion. Details of authorized and issued and outstanding shares are as follows:

	2021	2020
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	3,500,000,000	267,836,113
October 16, 2013	3,500,000,000	2,286,497,901
February 9, 1989	200,000,000	200,000,000
August 11, 1986	200,000,000	200,000,000
December 5, 1982	33,000,000	33,000,000
December 5, 1977	45,000,000	45,000,000
October 31, 1974	7,000,000	7,000,000
May 2, 1973	10,000,000	10,000,000
October 2, 1972	5,000,000	5,000,000

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share. Consequently, Kormasinc's ownership interest increased from 69.2% to 71.90% (see Notes 1 and 25).

The following summarizes the information on the Company's issued and outstanding shares as at December 31, 2021 and 2020:

	2021		2020	
	Number of shares issued and outstanding	**Percentage of shares**	Number of shares issued and outstanding	Percentage of shares
Issued and outstanding	**3,054,334,014**	**100.00%**	3,054,334,014	100.00%
Listed shares:				
Owned by related parties	**2,186,198,604**	**71.58%**	2,178,892,604	71.34%
Owned by public	**787,146,032**	**25.77%**	799,289,412	26.17%
Owned by directors and officers	**80,989,378**	**2.65%**	76,151,998	2.49%
Total	**3,054,334,014**	**100.00%**	3,054,334,014	100.00%

Of the total shares owned by the public, 120 million and 121.7 million shares are foreign-owned as at December 31, 2021 and 2020.

The total number of shareholders of the Company is 4,126 and 4,131 as at December 31, 2021 and 2020.

Other Comprehensive Income

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

	Revaluation Reserve (Note 11)	Accumulated Actuarial Loss (Note 22)	Total
Balance as at January 1, 2021	**₱324,682,440**	**(₱5,734,207)**	**₱318,948,233**
Actuarial loss, net of tax	**–**	**(17,348,399)**	**(17,348,399)**
Impact of change in tax rate	**23,191,604**	**(409,586)**	**22,782,016**
Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax	**(4,422,566)**	**–**	**(4,422,566)**
Balance as at December 31, 2021	**₱343,451,478**	**(₱23,492,192)**	**₱319,959,284**
Balance as at January 1, 2020	₱313,024,168	₱14,146,428	₱327,170,596
Revaluation increase on property, plant and equipment, net of deferred income tax	15,421,851	–	15,421,851
Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax	(3,763,579)	–	(3,763,579)
Actuarial loss, net of tax	–	(19,880,635)	(19,880,635)
Balance as at December 31, 2020	₱324,682,440	(₱5,734,207)	₱318,948,233

As of December 31, 2021, there are no available amounts for dividend declaration based on Parent Company balances.

Prior Period Adjustments

The Company has receivables that are carried at amortized cost. In 2021, the Company conducted a detailed review of these receivables and has discovered that certain receivables were already credit-impaired as at January 1, 2019 but no provision for ECL has been recognized and for certain receivables, the probability-weighted outcome was not considered in recognizing the ECL as at January 1, 2019.

The effects of the prior period adjustments on the Company's financial statements are as follows:

	December 31, 2020	January 1, 2020
Statements of financial position	(in millions)	
Decrease in:		
Trade and other receivables:		
Trade		
Third parties	₱35.1	₱35.1
Nontrade receivables	54.7	54.7
	89.8	89.8
Increase in:		
Allowance for impairment losses - trade and other receivables	23.6	23.6
	113.4	113.4
Increase in:		
Allowance for impairment losses - receivable from insurance	31.7	31.7
Decrease in:		
Total assets	145.1	145.1
Impact on equity - retained earnings	145.1	145.1

	December 31, 2020	December 31, 2019	January 1, 2019
Statements of changes in equity		(In millions)	
Decrease in:			
Retained earnings	₱145.1	₱145.1	₱145.1

Based on the detailed review performed by the Company in 2021, the following prior period adjustments have been made:

- Additional provision for ECL amounting to ₱23.6 million related to credit-impaired trade and other receivables and write off of trade and other receivables amounting to ₱89.8 million; and
- Additional provision for ECL on receivable from insurance amounting to ₱31.7 million.

The prior period adjustments have no impact on the Company's statements of comprehensive income, statements of cash flows and basic and diluted earnings per share in 2020 and 2019.

26. **Earnings Per Share**

Basic and diluted earnings per share were computed as follows:

	2021	2020	2019
Net income for the period	**₱89,441,614**	₱9,288,476	₱128,823,029
Divided by the weighted average number of outstanding shares	**3,054,334,014**	3,054,334,014	3,054,334,014
Earnings per share - basic and diluted	**₱0.029**	₱0.003	₱0.042

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

27. **Significant Agreements**

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 two to three 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 ₱11.1 million, ₱11.9 million and ₱11.2 million in 2021, 2020 and 2019, respectively, and are shown as part of "Other operating income" account in the consolidated statements of comprehensive income (see Note 20).

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

	2021	2020
Within one year	**₱6,298,929**	₱9,806,597
After one year but not more than five years	**1,127,321**	14,644,000
	₱7,426,250	₱24,450,597

Company as Lessee - Short-term or lease of Low-value Assets

The Company leases its warehouses under operating lease agreements. The terms of the lease contracts are not exceeding one year and renewable upon mutual agreement by the parties. Security deposits amounted to ₱15.5 million and ₱9.7 million as at December 31, 2021 and 2020, respectively. Rent expense amounted to ₱8.5 million, ₱21.1 million and ₱21.6 million in 2021, 2020 and 2019, respectively (see Note 19).

Company as Lessee - Finance lease agreement

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, the details of the finance lease liabilities follow:

	2021	2020
Current	**₱14,482,439**	₱15,557,762
Noncurrent	**23,316,602**	12,933,963
	₱37,799,041	₱28,491,725

Lease Liabilities
The following are the amounts recognized in the consolidated statements of comprehensive income:

	2021	2020	2019
Depreciation expense of right-of-use assets	**₱17,079,097**	₱79,038,348	₱64,379,210
Interest expense on lease liabilities	**2,385,774**	11,098,247	7,854,616
Expenses relating to short-term leases (see Note 19)	**8,526,711**	21,106,429	21,626,674
Total amount recognized in the consolidated statement of comprehensive income	**₱27,991,582**	₱111,243,024	₱93,860,500

The rollforward analysis of lease liabilities follows:

	2021	2020
As at January 1	**₱35,637,457**	₱193,935,562
Additions	**23,208,300**	–
Interest expense	**2,385,774**	11,098,247
Payments	**(19,226,261)**	(90,937,541)
Pre-termination of lease contract	**–**	(78,458,811)
As at December 31	**₱42,005,270**	₱35,637,457

As at December 31, 2021 and 2020, the details of the lease liabilities follow:

	2021	2020
Current	**₱17,808,894**	₱18,497,266
Noncurrent	**24,196,376**	17,140,191
	₱42,005,270	₱35,637,457

Future minimum lease payments under these lease agreements as of December 31, 2021 and 2020 are as follows:

	2021	2020
Within one year	**₱17,808,894**	₱18,908,405
More than one year but not more than five years	**24,196,376**	17,342,279
	₱42,005,270	₱36,250,684

Tolling Agreements
The Company has 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.

Total payments for this type of arrangements amounted to ₱712.2 million and ₱423.3 million in 2021 and 2020, respectively, and is recorded as part of "Cost of goods sold" account under "Outside services" in the consolidated statements of comprehensive income.

Usufruct Agreement
In 2018, the Company entered into a usufruct agreement with Barbatos Ventures, Corporation (BVC) authorizing the latter to the right of usufruct over the Parent Company's Davao dressing plant for a period of five (5) years beginning January 2018 in consideration for the capital investment by BVC for the additional dressing line and improvements amounting to approximately ₱68.0 million.

In 2019, the dressing plant ceased operations by virtue of a closure order by the local government unit of Davao City, and to avoid any conflict, both parties agreed to terminate the memorandum of agreement. Considering the abrupt termination, the Company agreed to pay BVC the amount of ₱11.6 million in 2020 for final and full settlement of all claims and obligations.

28. Note to Consolidated Statements of Cash Flows

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

	January 1, 2021	**Proceeds/ Additions**	**Payments**	**Interest expense**	**December 31, 2021**
Loans payable	**₱279,963,857**	**₱540,681,912**	**(₱315,594,041)**	**–**	**₱505,051,728**
Accrued interest payable	**1,451,680**	**–**	**(23,051,290)**	**26,254,939**	**4,655,329**
Lease liabilities	**35,637,457**	**23,208,300**	**(16,840,487)**	**–**	**42,005,270**
Total liabilities from financing activities	**₱317,052,994**	**₱563,890,212**	**(₱355,485,818)**	**₱26,254,939**	**₱551,712,327**

	January 1, 2020	Proceeds/ Additions	Payments	Interest expense	Pre-termination of lease contract	December 31, 2020
Loans payable	₱532,335,177	₱457,507,642	(₱709,878,962)	₱–	₱–	₱279,963,857
Accrued interest payable	2,325,176	–	(35,328,078)	34,454,582	–	1,451,680
Lease liabilities	193,935,562	–	(79,839,294)	–	(78,458,811)	35,637,457
Total liabilities from financing activities	₱728,595,915	₱457,507,642	(₱825,046,334)	₱34,454,582	(₱78,458,811)	₱317,052,994

The Company's additions to lease liabilities and right-of use assets amounted to ₱23.2 million and ₱198.3 million for the years ended December 31, 2021 and 2020, respectively.

29. Contingencies

There are outstanding warranty and legal claims against the Company. 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.

30. 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:

	2021		2020	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets at Amortized Cost				
Cash in banks	**₱227,528,282**	**₱227,528,282**	₱174,925,147	₱174,925,147
Trade and other receivables*	**889,916,357**	**889,916,357**	803,329,407	803,329,407
Security deposits	**15,459,460**	**15,459,460**	9,729,018	9,729,018
Receivable from insurance	**70,203,810**	**70,203,810**	70,203,810	70,203,810
	₱1,203,107,909	**₱1,203,107,909**	₱1,058,187,382	₱1,058,187,382
Financial Liabilities at Amortized Cost				
Trade and other payables**	**₱1,676,501,891**	**₱1,676,501,891**	₱1,609,271,258	₱1,609,271,258
Loans payable	**505,051,728**	**512,144,709**	279,963,857	279,963,857
Cash bond deposits	**48,052,089**	**48,052,089**	40,097,279	40,097,279
	₱2,229,605,708	**₱2,236,698,689**	₱1,929,332,394	₱1,929,332,394

**Excluding advances to officers and employees amounting to ₱12.5 million and ₱12.0 million as at December 31, 2021 and 2020, respectively*
***Excluding statutory liabilities amounting to ₱15.9 million and ₱19.8 million as at December 31,2021 and 2020, 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, 2021, the discount rates used ranged from 3.8% to 4.2% while as at December 31, 2020, the fair value of long-term debt approximates its carrying value as they carry interest rates of comparable instruments in the market.

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, 2021 and 2020.

Cash in banks, trade and other receivables, security deposits, and trade and other payables.
As at December 31, 2021 and 2020, the carrying amounts of these financial instruments approximate their fair values due to the short-term nature of these accounts.

As at December 31, 2021 and 2020, 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 2021 and 2020.

31. 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, 2021 and 2020, 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

Credit risk arises because the counterparty may fail to perform its obligations. With respect to credit risk arising from the financial assets of the Company, the exposure to credit risk arises from default of the counterparty.

Gross Maximum Exposure to 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.

	2021	2020
Cash in banks	**₱227,528,282**	₱174,925,147
Trade and other receivables	**889,916,357**	803,329,407
Security deposits	**15,459,460**	9,729,018
Receivable from insurance	**70,203,810**	70,203,810
	₱1,203,107,909	₱1,058,187,382

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.

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the Company's credit rating system as at December 31, 2021 and 2020:

	2021				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash in banks	₱227,528,282	₱–	₱–	₱–	₱227,528,282
Trade and other receivables	263,856,707	–	23,631,013	828,210,599	1,115,698,319
Security deposits	15,459,460	–	–	–	15,459,460
Receivable from insurance	–	141,664,583	–	–	141,664,583
	₱506,844,449	₱141,664,583	₱23,631,013	₱828,210,599	₱1,500,350,644

	2020				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash in banks	₱174,925,147	₱–	₱–	₱–	₱174,925,147
Trade and other receivables	195,295,105	–	23,631,013	904,175,811	1,123,101,929
Security deposits	9,729,018	–	–	–	9,729,018
Receivable from insurance	–	141,664,583	–	–	141,664,583
	₱379,949,270	₱141,664,583	₱23,631,013	₱904,175,811	₱1,449,420,677

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:

	2021								
	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%**	**0.01%**	**0.04%**	**0.07%**	**0.10%**	**5.43%**			
Estimated total gross carrying amount at default	**₱489.7**	**₱99.6**	**₱18.2**	**₱13.3**	**₱14.6**	**₱23.1**	**₱658.5**	**₱169.7**	**₱828.2**
Expected credit loss	**₱0.0**	**₱0.0**	**₱0.0**	**₱0.00**	**₱0.2**	**₱1.3**	**₱1.7**	**₱169.7**	**₱171.4**

	2020								
	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	₱620.4	₱114.0	₱12.2	₱6.6	₱2.3	₱7.4	₱762.9	₱160.6	₱904.3
Expected credit loss	₱0.01	₱0.01	₱0.00	₱0.00	₱0.00	₱0.4	₱0.4	₱160.6	₱161

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 approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's BOD 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, 2021 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*	**₱1,676,501,891**	**₱–**	**₱–**	**₱–**
Loans payable	**394,343,543**	**12,410,715**	**98,297,470**	**–**
Lease liabilities	**8,904,447**	**8,904,447**	**24,196,376**	**–**
Cash bond deposits	**–**	**–**	**48,052,089**	**–**
Future interest on long term debt	**3,774,947**	**3,425,303**	**13,221,623**	**–**
	₱2,083,524,828	**₱24,740,465**	**₱183,767,558**	**₱–**

**Excluding statutory liabilities amounting to ₱15.9 million as at December 31, 2021*

As at December 31, 2020 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*	₱1,609,271,258	₱–	₱–	₱–
Loans payable	144,434,244	12,410,714	98,297,470	24,821,429
Lease liabilities	9,248,633	9,248,633	17,342,279	–
Cash bond deposits	–	–	40,097,279	–
Future interest on long term debt	5,799,413	5,357,690	25,575,391	–
	₱1,768,753,548	₱27,017,037	₱181,312,419	₱24,821,429

**Excluding statutory liabilities amounting to ₱19.8 million as at December 31, 2020*

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.

32. **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.

The Company's liabilities and equity are shown below:

	2021	2020 (Note 25)
Total liabilities	**₱2,518,198,384**	₱2,200,737,854
Total equity	**1,617,098,790**	1,522,223,559

33. Subsequent Event

In January 2022, the Parent Company consolidated 100% ownership of BVC. On January 11, 2022, it entered into a subscription agreement with BVC to acquire 43,242 shares of the latter's capital stock. On January 31, 2022, it acquired the remaining 25 million shares of stock held by other stockholders. Corresponding shares of stock were duly issued on the said dates after payment of the corresponding documentary stamp taxes. The Parent Company has assessed that it has control over BVC on the date of acquisition. As at April 12, 2022, the initial accounting for the business combination is still incomplete since the Parent Company is still in the process of quantifying the added value, synergy and efficiency that will reflect the fair value of the assets acquired and liabilities assumed in the business combination.

VITARICH CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2021

		Amount
Retained earnings as at beginning of year		₱35,835,133
Adjustments in previous year's reconciliation		
Deferred tax assets as of January 1, 2021		(137,792,705)
Cumulative gain on fair value changes of investment properties		(374,448,248)
Cumulative gain on fair value changes of biological assets		(23,299,373)
Deficit, as adjusted, at beginning of year		(499,705,193)
Add net income actually earned/realized during the year		
Net income during the year closed to retained earnings	₱94,758,038	
Realized fair value changes on biological assets	22,854,222	
Gain on fair value changes of investment properties	(1,268,133)	
Movement in deferred tax assets	36,425,149	152,769,276
Deficit as adjusted at end of the year		(₱346,935,917)

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Vitarich Corporation and Subsidiaries
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vitarich Corporation and Subsidiaries (the Company) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated April 12, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118576-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854346, January 3, 2022, Makati City

April 12, 2022

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Vitarich Corporation and Subsidiaries
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vitarich Corporation and Subsidiaries (the Company) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 12, 2022. Our audits were made for the purpose of forming an opinion on the basic 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 (PFRSs) 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 basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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PTR No. 8854346, January 3, 2022, Makati City

April 12, 2022

VITARICH CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

VITARICH CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS AT DECEMBER 31, 2021

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

RATIO	FORMULA	**Audited December 2021**	Audited December 2020
Current Ratio			
	Current assets	**2,099,625,088**	1,736,319,164
	Divided by current liabilities	**2,117,010,638**	1,804,501,416
	Current ratio	**0.99**	0.96
Debt−to−equity Ratio			
	Total liabilities	**2,518,198,384**	2,200,737,854
	Divided by total equity	**1,617,098,790**	1,522,223,559
	Debt-to-equity ratio	**1.56**	1.45
Asset−to−equity Ratio			
	Total assets	**4,135,297,174**	3,722,961,413
	Divided by total equity	**1,617,098,790**	1,522,223,559
	Asset-to-equity ratio	**2.56**	2.45
Solvency Ratio			
	Net income before depreciation and amortization	**195,448,235**	171,899,262
	Divided by total liabilities	**2,518,198,384**	2,200,737,854
	Solvency ratio	**0.08**	0.08
Interest rate coverage Ratio			
	Pretax income before interest	**143,657,040**	59,881,965
	Divided by interest expense	**23,051,290**	34,454,582
	Interest rate coverage ratio	**6.23**	1.74
Profitability Ratio			
	Net income	**89,441,614**	9,288,476
	Divided by total equity	**1,617,098,790**	1,522,223,559
	Profitability ratio	**6%**	1%

RATIO	FORMULA	**Audited December 2021**	Audited December 2020
Gross Profit Margin			
	Gross Profit	**856,354,163**	571,799,551
	Divided by Net Sales Revenue	**9,649,161,808**	7,682,430,958
	Gross Profit Margin	**9%**	7%
Net Profit Margin			
	Net Income	**89,441,614**	9,288,476
	Divided by Net Sales Revenue	**9,649,161,808**	7,682,430,958
	Net Profit Margin	**1.0%**	0.1%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)			
	Net Income	**89,441,614**	9,288,476
	Add: Interest Expense	**23,051,290**	34,454,582
	Add: Taxes	**31,164,136**	16,138,907
	Add: Depreciation & amortization	**106,006,621**	162,610,786
	EBITDA	**249,663,661**	222,492,751
EBITDA Margin			
	EBITDA	**249,663,661**	222,492,751
	Net Sales Revenue	**9,649,161,808**	7,682,430,958
	EBITDA Margin	**3%**	3%
Price Earnings Ratio (Last twelve months)			
	Market Value per share	**0.74**	0.91
	Divided by Earnings per share	**0.03**	0.003
	Price earnings ratio	**24.67**	303.33
Return on Average Equity (Last twelve months)			
	Net income	**89,441,614**	9,288,476
	Divided by average total equity	**1,569,661,175**	1,664,886,662
	Return on Average Equity	**0.06**	0.01

RATIO	FORMULA	**Unaudited December 2021**	Audited December 2020
Quick Ratio			
	Quick assets	**1,132,406,572**	992,634,622
	Divided by current liabilities	**2,117,010,638**	1,804,501,416
	Quick ratio	**0.53**	0.55
Debt to EBITDA			
	Total liabilities	**2,518,198,384**	2,200,737,854
	Divided by EBITDA	**249,663,661**	222,492,751
	Debt-to-EBITDA	**10.09**	9.89
Receivable Days Turnover			
	Average accounts receivable	**866,290,923**	1,018,796,163
	Multiply by Number of Days	**365**	365
	Divided by Net sales	**9,649,161,808**	7,682,430,958
	Receivable Days Turnover	**33**	48
Inventory Days Turnover			
	Average inventory	**589,207,286**	534,833,277
	Multiply by Number of Days	**365**	365
	Divided by Cost of goods sold	**8,769,953,425**	7,125,724,162
	Inventory Days Turnover	**25**	27
Accounts Payable Days			
	Average accounts payable	**1,252,337,044**	1,236,483,700
	Multiply by Number of Days	**365**	365
	Divided by Credit Purchases	**8,937,427,873**	7,061,914,617
	Accounts Payable Days	**51**	64
Cash Conversion Cycle			
	Days inventory outstanding	**25**	27
	Add: Days sales outstanding	**33**	48
	Less: Days payable outstanding	**51**	64
	Cash Conversion Cycle	**7**	11

VITARICH CORPORATION AND SUBSIDIARIES

SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II OF REVISED SRC RULE 68

Audited

December 31, 2021

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VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2021
(In Thousands)

			Deductions		Ending Balance		
Name and Designation of Debtor	**Balance at beginning of Year**	**Additions**	**Collected**	**Written Off**	**Current**	**Noncurrent**	**Balance as at December 31, 2021**
Advances to Officers and Employees:							
Rey D. Ortega, Senior Vice-President and General Manager	175	88	134	–	129	–	129
Peter Andrew Dompor, Sales Manager	184	–	154	–	30	–	30
Adriano Barrameda, Sales Manager	136	17	53	–	99	–	99
Oliver Lupiba, Sales Manager	398	16	16	–	398	–	398
Cruz, Aaron, Sales Manager	201	–	42		42		158
Others*	10,907	10,338	9,587	–	11,776	–	11,776
	₱12,001	₱10,459	₱9,986	₱–	₱12,474	₱–	₱12,474

*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, 2021
(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, 2021**
Amounts Due from Related Parties								
Gromax, Inc.	₱41,598	₱–	₱–	₱–	₱–	₱41,598	₱–	₱41,598

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS – OTHER ASSETS
DECEMBER 31, 2021
(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	₱6,349	₱16,990	₱23,683	₱–	₱–	₱19,661

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2021
(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	₱62,053	₱12,905	₱49,148	6.25%	28 quarterly payments	Monthly	October 30, 2026
Fixed	Chinabank Savings	62,054	12,905	49,149	6.25%	28 quarterly payments	Monthly	November 30, 2026
		₱124,107	₱25,810	₱98,297				

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
December 31, 2021
(In Thousands)

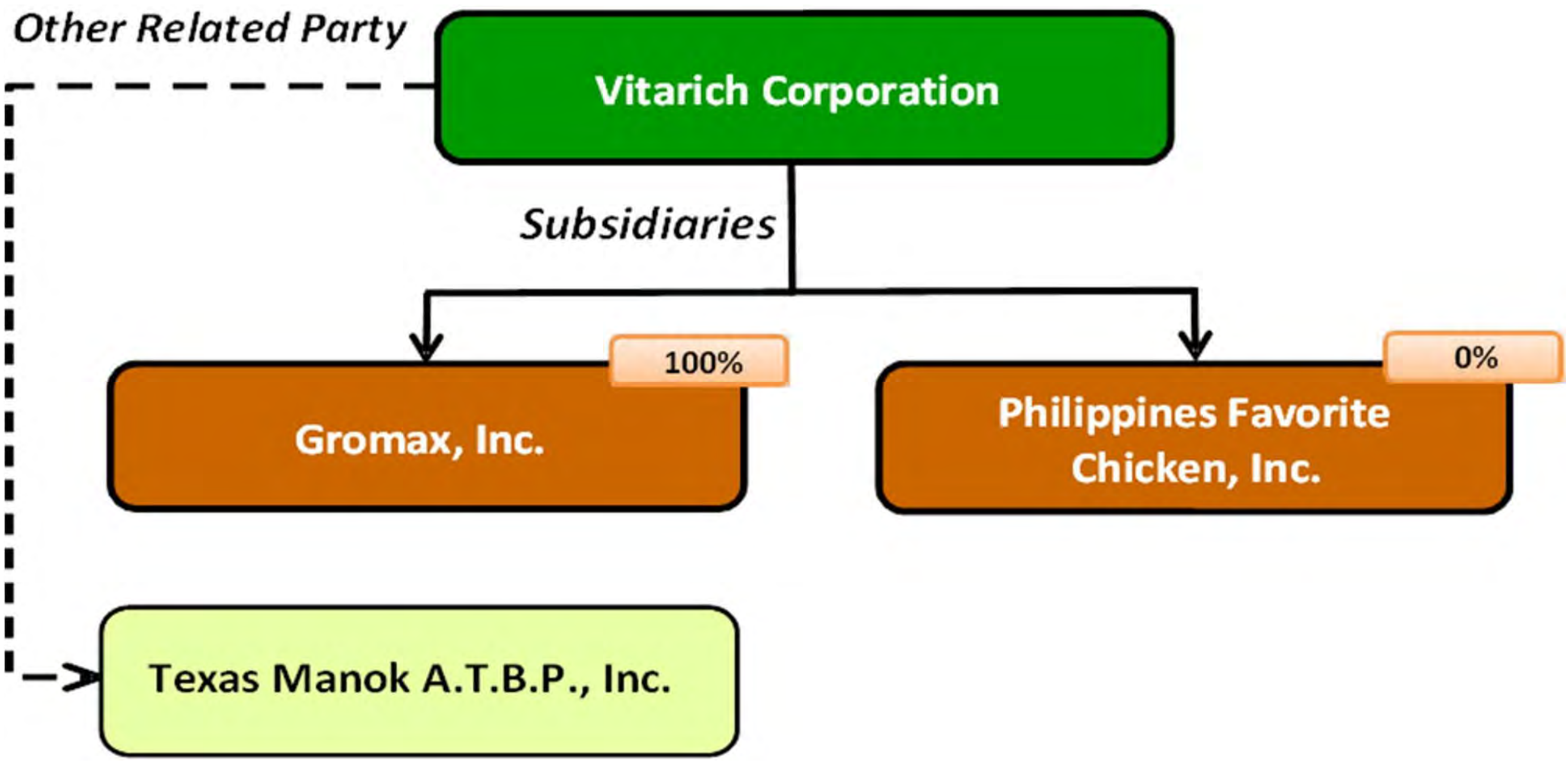
Related Parties	Balance at beginning of year	Additions	Deductions			Ending Balance		Balance as at December 31, 2021
			Collections (Payments)	Discounting	Write Off	Current	Noncurrent	
Trade and other receivables								
Entities under common control	₱195,652	₱1,426,066	(₱1,358,918)	₱–	₱–	₱–	₱–	₱262,799
Trade and other payables								
Entities under common control	₱	₱1,744,904	(₱1,697,114)	₱–	₱–	₱–	₱–	₱89,708
Stockholders	₱76,633	₱–	₱76,633	₱–	₱–	₱–	₱–	₱–

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER
December 31, 2021
(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	–	2,186,199	80,989	787,146

VITARICH CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP
December 31, 2021



VITARICH

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Vitarich Corporation (the Company)** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein as at and for the year ended **December 31, 2021 and 2020** in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 separate financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the separate 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
Chief Executive Officer

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

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY APR 1 8 2022 AFFIANTS
ISSUED ON ______ AT ______

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BOOK NO. 7
SERIES OF 2022

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

ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
PNC-48-MB-2020 UNTIL DEC. 31, 2022
SANDICO ST., POBLACION 1, MARILAO/BULACAN
IBP LIFE NO. 591042/BULACAN/5/19/2003
PTR NO. 1000488 1/11/2022
TIN NO. 175-907-664-000
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION ... UNTIL APRIL 14, 202_

VITARICH

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

The management of **Vitarich Corporation (the Company)** is responsible for all information and representations contained in the Annual Income Tax Return as at and for the year ended **December 31, 2021**. Management is likewise responsible for all information and representations contained in the separate financial statements accompanying the Annual Income Tax Return covering the same reporting year. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting year, including, but not limited to, the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited separate financial statements as at and for the year ended **December 31, 2021** and the accompanying Annual Income Tax Return are in accordance with the books and records of **Vitarich Corporation**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of separate financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances.

(c) **Vitarich Corporation** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting year, except those contested in good faith.

JOSE VICENTE C. BENGZON III
Chairman

RICARDO MANUEL M. SARMIENTO
Chief Executive Officer / President

STEPHANIE NICOLE S. GARCIA
Executive Vice President & Corporate Management Services Director / Treasurer

SUBSCRIBED AND SWORN TO BEFORE ME THIS DAY OF APR. 1 8 2022 IN BULACAN AFFIANTS EXHIBITING CTC NO. ______
ISSUED ON ______ AT ______

DOC. NO. 449
PAGE NO. 91
BOOK NO. 7
SERIES OF 2022

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

ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
PNC-48-MB-2020 UNTIL DEC. 31, 2022
SANDICO ST., POBLACION 1, MARILAO/BULACAN
IBP LIFE NO. 591042/BULACAN/5/19/2003
PTR NO. 1000488 1/11/2022
TIN NO. 17[illegible]-907-664-000
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION NO. [illegible] AD001862 UNTIL APRIL 14, 202[illegible]
REISSUED ON OCT. 29, 2020

Emma Marie M. Suatengco

From: eafs@bir.gov.ph
Sent: April 18, 2022 4:52 PM
To: Giann Carlo V. Gandia
Cc: Marian A. Dionisio
Subject: Your BIR AFS eSubmission uploads were received

Hi VITARICH CORPORATION,

Valid file

- EAFS000234398TCRTY122021-01.pdf

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Transaction Code: **AFS-0-QQYYWPW309LBJ9LG9NWTXX4NR09LD7FHDD**
Submission Date/Time: **Apr 18, 2022 04:51 PM**
Company TIN: **000-234-398**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

PARENT FINANCIAL STATEMENTS

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	2	1	1	3	4

COMPANY NAME

VITARICH CORPORATION

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
AASFS	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)
4,126	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) 848 2258

CONTACT PERSON's ADDRESS

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

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

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

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Vitarich Corporation
Marilao-San Jose Road, Sta. Rosa I
Marilao, Bulacan

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Vitarich Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020 and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company 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 our audit of the parent company 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.

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

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

In preparing the parent company 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 Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 PSAs 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 parent company financial statements.

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

- Identify and assess the risks of material misstatement of the parent company 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 parent company 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 parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 34 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vitarich Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Erwin A. Paigma.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118576-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854346, January 3, 2022, Makati City

April 12, 2022

VITARICH CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020 (Note 24)
ASSETS		
Current Assets		
Cash (Note 4)	**₱229,696,404**	₱176,981,054
Trade and other receivables (Note 5)	**902,704,180**	814,836,834
Due from related parties (Note 23)	**–**	816,362
Inventories and livestock (Note 6)	**675,486,067**	502,928,504
Other current assets (Note 7)	**291,732,452**	240,756,038
Total Current Assets	**2,099,619,103**	1,736,318,792
Noncurrent Assets		
Receivable from insurance (Note 8)	**70,203,810**	70,203,810
Property, plant and equipment (Note 10):		
At revalued amount	**872,012,237**	906,718,914
At cost	**45,981,165**	29,714,145
Investment properties (Note 11)	**973,432,752**	931,375,980
Right-of-use assets (Note 12)	**38,921,635**	32,551,359
Other noncurrent assets (Note 12)	**35,120,487**	16,078,041
Total Noncurrent Assets	**2,035,672,086**	1,986,642,249
	₱4,135,291,189	₱3,722,961,041
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱1,692,447,486**	₱1,634,481,229
Current portion of loans payable (Note 14)	**406,754,258**	156,844,958
Current portion of lease liabilities (Note 26)	**17,808,894**	18,497,266
Total Current Liabilities	**2,117,010,638**	1,809,823,453
Noncurrent Liabilities		
Cash bond deposits (Note 15)	**48,052,089**	40,097,279
Net retirement liability (Note 21)	**166,461,260**	132,205,929
Loans payable - net of current portion (Note 14)	**98,297,470**	123,118,899
Lease liabilities - net of current portion (Note 26)	**24,196,376**	17,140,191
Net deferred tax liabilities (Note 22)	**64,180,551**	83,674,140
Total Noncurrent Liabilities	**401,187,746**	396,236,438
Total Liabilities	**2,518,198,384**	2,206,059,891
Equity		
Capital stock (Note 24)	**1,160,646,925**	1,160,646,925
Additional paid-in capital (Note 24)	**1,470,859**	1,470,859
Retained earnings	**135,015,735**	35,835,133
Other comprehensive income (Note 10, 21 and 24)	**319,959,286**	318,948,233
Total Equity	**1,617,092,805**	1,516,901,150
	₱4,135,291,189	₱3,722,961,041

See accompanying Notes to Parent Company Financial Statements.

VITARICH CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUE		
Sale of goods, net of discount (Notes 16 and 23)	**₱9,649,161,808**	₱7,682,430,958
Fair value adjustment on biological assets (Notes 6 and 16)	**55,119,641**	199,489,329
	9,704,281,449	7,881,920,287
COST OF GOODS SOLD		
Cost of goods sold (Note 17)	**(8,769,953,426)**	(7,125,724,162)
Fair value adjustment on biological assets (Notes 6 and 16)	**(77,973,862)**	(184,396,574)
	(8,847,927,288)	(7,310,120,736)
GROSS PROFIT	**856,354,161**	571,799,551
Operating expenses (Note 18)	**(700,926,732)**	(536,760,257)
Other operating income (Note 19)	**28,564,207**	43,970,861
	(672,362,525)	(492,789,396)
OPERATING PROFIT	**183,991,636**	79,010,155
OTHER INCOME (EXPENSES)		
Interest expense (Notes 14, 23 and 26)	**(23,051,290)**	(34,454,582)
Gain on fair value changes in investment properties (Note 11)	**1,268,133**	4,053,232
Interest income (Note 4 and 5)	**1,293,145**	202,303
Other income (charges) - net (Note 20)	**(37,579,451)**	(23,384,095)
	(58,069,463)	(53,583,142)
INCOME BEFORE INCOME TAX	**125,922,173**	25,427,013
PROVISION FOR INCOME TAX (Note 22)		
Current	**25,793,095**	11,629,665
Deferred	**5,371,040**	4,509,242
	31,164,135	16,138,907
NET INCOME	**94,758,038**	9,288,106
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss:		
Revaluation increase on property, plant and equipment - net of deferred income tax (Note 10)	**23,191,603**	15,421,851
Actuarial gain (loss) - net of deferred income tax (Note 21)	**(17,757,986)**	(19,880,635)
	5,433,617	(4,458,784)
TOTAL COMPREHENSIVE INCOME	**₱100,191,655**	₱4,829,322
EARNINGS PER SHARE - BASIC AND DILUTED (Note 25)	**₱0.031**	₱0.003

See accompanying Notes to Parent Company Financial Statements.

VITARICH CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31	
	2021	2020
CAPITAL STOCK - ₱1 par value (Note 24)	**₱1,160,646,925**	₱1,160,646,925
ADDITIONAL PAID-IN CAPITAL (Note 24)	**1,470,859**	1,470,859
RETAINED EARNINGS		
Balance at beginning of year, as previously reported	**180,913,080**	167,861,395
Prior period adjustments (Note 24)	**(145,077,947)**	(145,077,947)
Balance at beginning of year, as restated	**35,835,133**	22,783,448
Net income	**94,758,038**	9,288,106
Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 10)	**4,422,564**	3,763,579
Balance at end of year	**135,015,735**	35,835,133
OTHER COMPREHENSIVE INCOME (Note 24)		
Balance at beginning of year	**318,948,233**	327,170,596
Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 10)	**(4,422,564)**	(3,763,579)
Revaluation increase on property, plant and equipment, net of deferred income tax (Note 10)	**23,191,602**	15,421,851
Actuarial loss, net of deferred income tax (Note 21)	**(17,757,985)**	(19,880,635)
Balance at end of year	**319,959,286**	318,948,233
	₱1,617,092,806	₱1,516,901,150

See accompanying Notes to Parent Company Financial Statements.

VITARICH CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱125,922,173**	₱25,427,013
Adjustments for:		
Depreciation and amortization (Notes 10 and 12)	**106,006,621**	162,610,786
Interest expense (Notes 14, 23 and 26)	**23,051,290**	34,454,582
Gain on fair value on biological assets (Note 6 and 16)	**22,854,221**	(15,092,755)
Retirement expense (Note 21)	**16,993,091**	14,327,563
Gain on fair value changes of investment properties (Note 11)	**(1,268,133)**	(4,053,232)
Pre-termination of lease contracts (Note 20 and 26)		(3,424,542)
Loss (gain) on disposal of property, plant and equipment, investment properties, and right-of-use assets (Note 10, 11, 12 and 20)	**1,060,988**	2,269,651
Interest income (Note 4 and 5)	**(1,293,145)**	(202,303)
Operating income before working capital changes	**293,327,106**	216,316,763
Decrease (increase) in:		
Trade and other receivables	**(85,898,512)**	208,015,519
Inventories	**(195,411,784)**	78,902,300
Other current assets	**(50,976,414)**	45,476,240
Other noncurrent assets related to operations	**(11,299,126)**	(1,655,887)
Increase (decrease) in:		
Trade and other payables	**57,966,257**	28,174,240
Cash bond deposits	**7,954,810**	(857,508)
Net cash generated from operations	**15,662,337**	574,371,667
Income tax paid	**(25,793,095)**	(11,629,665)
Retirement benefits paid (Note 21)	**(5,868,959)**	(2,039,380)
Interest received	**140,673**	202,303
Net cash provided by operating activities	**(15,859,044)**	560,904,925
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment (Note 10)	**(74,036,594)**	(70,403,848)
Investment properties (Note 11)	**(43,610,106)**	(125,303,374)
Proceeds from sale of property, plant and equipment	**1,025,000**	–
Net cash used in investing activities	**(116,621,700)**	(195,707,222)
CASH FLOW FROM A FINANCING ACTIVITY		
Availment of loans (Note 14)	**540,681,912**	457,507,642
Payment of loans (Note 14)	**(315,594,041)**	(709,878,962)
Interest paid	**(23,051,290)**	(35,328,078)
Payments of principal lease liabilities (Note 26)	**(16,840,487)**	(79,839,294)
Net cash provided by (used in) financing activities	**185,196,094**	(367,538,692)
NET DECREASE IN CASH	**52,715,350**	(2,340,989)
CASH AT BEGINNING OF YEAR	**176,981,054**	179,322,043
CASH AT END OF YEAR (Note 4)	**₱229,696,404**	₱176,981,054

See accompanying Notes to Parent Company 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, growing and selling of feeds and livestock. The Company's shares of stock are registered with the Philippine Stock Exchange on February 8, 1995.

The details of the Company's subsidiaries are as follows:

	Line of Business	**2020**	2019
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 24).

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's shares and the existing additional paid-in capital and outstanding revaluation surplus was applied to eliminate the Company's deficit of ₱2.2 billion as at December 31, 2017.

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

On May 31, 2018, the SEC approved the shortening of the corporate life of Gromax until November 10, 2019. Gromax Inc. has ceased operations since 2015. In 2018, the Company recognized an impairment loss of ₱40.8 million which pertains to due from related parties that are no longer recoverable.

As at December 31, 2021 and 2020, Kormasinc ownership interest is at 48.47% and 48.28%, respectively.

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 parent company financial statements as at and for the years ended December 31, 2021 and 2020, were approved and authorized for issue by the BOD on April 12, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared on a going concern basis. All amounts are stated at historical cost, except for property, plant and equipment (excluding transportation equipment and construction in-progress) which are stated at revalued amount, and investment properties and biological assets which are stated at fair value.

The parent company 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.

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) issued by the Philippine Financial Reporting Standards Council (FRSC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC. This financial reporting framework includes all applicable PFRSs, Philippine Accounting Standards (PAS), interpretations from the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC), and SEC provisions.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current/noncurrent classification.

An asset is current when:
- It is expected to be realized or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within 12 months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

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 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent 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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 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 financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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 reassessed 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.

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

Financial Instruments
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
Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI (FVOCI), and fair value through profit or loss (FVTPL).

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 FVTPL, 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*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, 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 marketplace (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 FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVTPL.

- *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 SPPI 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 the statements of comprehensive income when the asset is derecognized, modified or impaired.

Financial assets at amortized cost are classified as current assets when the Group expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

As at December 31, 2021 and 2020, the Company's cash, trade and other receivables (excluding advances to officers and employees), receivable from insurance and security deposits (presented under "Other noncurrent assets") are classified under this category.

The Company has no debt and equity instruments at FVOCI and at FVTPL as at December 31, 2021 and 2020.

Impairment of Financial Assets. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. 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.

Determining the Stage for Impairment. At each reporting date, the Company assesses whether there has been a significant increase in credit risk (SICR) for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Staging Assessment. PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages are established to determine the amount of impairment to be recognized:

- Stage 1 is comprised of all financial instruments which have not experienced SICR since initial recognition. The Company is required to recognize 12-month ECL for stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced SICR since initial recognition. The Company is required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer SICR since initial recognition, then the Company shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39, *Financial Instruments: Recognition and Measurement*, for impaired financial instruments.

General Approach for Cash, Other Receivables, Receivable from Insurance, and Security Deposit. For cash, other receivables, receivable from insurance and security deposits, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been SICR on its cash, other receivables, receivable from insurance and security deposits since initial recognition.

For cash in banks, the Company assessed that placements are with reputable counterparty banks that possess good credit ratings. For receivable from insurance, the Company assessed the timing and amount of expected net recoveries in calculating the ECL. For other receivables and 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. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime 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.

Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Note 3, *Significant Judgment, Accounting Estimates and Assumptions*
- Note 5, *Trade and Other Receivables*

Derecognition of Financial Assets. A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:
- the right to receive cash flows from the asset has expired;
- 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
- 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 ownership of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. 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 repay.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent Measurement. For purposes of subsequent measurement, financial liabilities are classified in two categories: financial liabilities at amortized cost and financial liabilities at FVTPL.

- *Financial Liabilities at Amortized Cost.* This is the category most relevant to the Company. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

  Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

  As at December 31, 2021 and 2020, the Company's trade and other payables (excluding statutory payables), loans payable, lease liabilities and cash bond deposits are classified under this category.

The Company has no financial liabilities at FVTPL and derivatives designated as hedging instruments in an effective hedge as at December 31, 2021 and 2020.

Derecognition of Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, 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 statement 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 EIR, 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 statement 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. The gross carrying amount of the financial liability is recalculated as the present value of the modified contractual cash flows discounted at the original EIR and recognizes modification gain or loss. Cost or fees incurred adjust the carrying amount of the financial liability and are amortized over the remaining term of the modified financial liability.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset with the net amount reported in the statement 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.

The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Inventories
The Company recognizes inventories when the risk and rewards of ownership are transferred to the Company (i.e., 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. 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. Included also are the costs of direct materials, labor and manufacturing overhead.

NRV of finished goods is based on 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 consist of biological assets such as day-old chicks after undergoing hatching process, chicks which are grown as chicken broilers, hatching eggs which are recorded under raw materials, and live, fresh, frozen and cut-ups chicken which are recorded under finished goods.

Day-old Chicks and Chicken Broilers. These are accounted for as biological assets in accordance with PAS 41, *Agriculture*. The Company recognized the amount of fair value adjustment on agricultural produce that are in the inventory and 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 goods sold.

Raw Materials (Hatching Eggs). All costs directly attributable to acquisition such as the purchase price and taxes that are not subsequently recoverable from taxing authorities are included as part of costs of these inventories.

Finished Goods (Live, Fresh, Frozen and Cut Ups Chicken) - Weighted Average Method. The costs include all costs of the chicken broilers, labor and manufacturing overhead costs.

Other Current and Noncurrent Assets
Other current assets consist of creditable withholding taxes (CWT), prepayments, input value-added taxes (VAT) and advances to suppliers.

CWT. CWT represents the amount withheld at source by the Company's customers in relation to its income. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is stated at its estimated NRV.

Advances to Suppliers. Advances to suppliers consist of payments in advance of raw materials, supply labor tools, subscriptions, memberships, and other fees.

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. Input value-added taxes (VAT) represent VAT imposed on the Company by its suppliers for the acquisition of goods and services. Output VAT represents indirect tax on consumption levied on the sale of goods and services, which is passed on by the Company to its customers. Where VAT incurred on the purchase of an asset or services is not recoverable from the taxation authority, such VAT is recognized as part of the cost of acquisition of the asset or part of the expense item, as applicable.

When output VAT exceeds input VAT, the excess is recognized as payable in the statement of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset (presented under "Other current assets") in the statement of financial position to the extent of the recoverable amount.

Other noncurrent assets consist of right-of-use asset, project development costs, security deposits 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 statement 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.

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 the statement of comprehensive income in the year in which the expenditure is incurred.

Computer software is amortized on the straight-line basis 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 a change 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 the statement of comprehensive income when the asset is derecognized.

<u>Property, Plant and Equipment</u>
Property, plant and equipment (except for transportation equipment and construction in-progress) are stated at revalued amount as determined by an independent firm of appraisers. Transportation equipment is stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset at initial recognition comprises its purchase price and directly attributable costs of bringing the asset to working condition and location 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 and construction in-progress) are carried at revalued amount less any subsequent accumulated depreciation, amortization and any accumulated impairment losses. Fair market value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation reserve is credited to "Revaluation reserve" account presented under the "Other comprehensive income" section of the statement of financial position. Any decrease in the revaluation surplus of the same asset is charged to OCI 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 statement of comprehensive income.

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained earnings" under the "Equity" section in the statement 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 every three to five years 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 are 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 years
Buildings	20 years
Leasehold and land improvements	2 to 5 years or lease term, whichever is shorter
Office furniture, fixtures and equipment	3 to 10 years
Transportation equipment	4 to 5 years

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 statement of comprehensive income in the year the item is derecognized.

Investment Properties

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

Investment properties are measured initially at acquisition cost, including transaction costs. Subsequently, investment properties are stated at fair value as determined by independent appraisers on an annual basis. The carrying amount recognized in the statement of financial position reflects 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 statement 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 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.

Investment in Subsidiaries
The Company’s investment in subsidiaries is accounted for using the cost method. The investment is carried in the Company’s parent company statement of financial position at cost less any impairment in value. The Company recognizes dividends received from its subsidiary in profit or loss when its right to receive the dividend is established.

A subsidiary is an entity that is controlled by the parent. Control is established when the Company is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Impairment of Nonfinancial Assets
Nonfinancial assets consisting of property, plant and equipment, investment properties, investment in subsidiaries, right-of-use assets, computer software and project development costs 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 CGU 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.

The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction, while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. 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 CGU to which the asset belongs. Impairment losses are recognized in the statement 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income. 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 PFRSs. OCI of the Company pertains to revaluation reserve on property, plant and equipment and accumulated remeasurement gains and losses on retirement liability - net.

Retained Earnings. Retained earnings 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 a standard's transitional provisions.

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 contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

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.

The following specific recognition criteria must also be met before revenue is recognized.

Sale of Goods. Revenue is recognized at point in time when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

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

Other Income. Other income is recognized when earned. Revenue is measured at the fair value of the consideration received.

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 consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the

Company recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Contract Balances

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

Trade Receivables. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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 at December 31, 2021 and 2020, 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.

As at December 31, 2021 and 2020, the Company's estimated right of return assets and refund liabilities are not material.

Revenue Outside the Scope of PFRS 15

Interest income. Interest income is recognized as the interest accrues on a time proportion basis taking into account the principal amount outstanding and effective yield on the assets.

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

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized in the statement of comprehensive income in the period these are incurred and are measured at the fair value of the consideration paid or payable.

Leases
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.

The Company as a Lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. 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 years
Right-of-use asset - building	2 to 5 years
Right-of-use asset - machineries	2 to 3 years

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.

Pre-termination of Lease Contracts. The Company, as a lessee, reassesses whether it is reasonably certain not to exercise a termination option upon the occurrence of either a significant event or a significant change in circumstances that: (a) is within the control of the Company; and (b) affects whether the Company is reasonably certain to exercise an option not previously included in its determination of lease term, or not to exercise an option previously included in its determination of the lease term. Pre-termination of the lease will result in the derecognition of the right-of-use assets and lease liability and recognition of a pre-termination gain or loss.

The 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 statement of comprehensive income.

Past service costs are recognized in the statements of comprehensive income 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.

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 plan assets (FVPA) is based on market price information. When no market price is available, the FVPA 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 FVPA is higher than the present value of the defined benefit obligation (DBO), 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 DBO and FVPA on which the liabilities are to be settled directly. The present value of the DBO 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 financial statements do not differ materially from the amounts that would be determined at the reporting date.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

Interest expense are expensed as incurred.

Income Taxes

Income tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity or recognized in OCI.

Current Tax. Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

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 except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences 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 income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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 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 statement 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. The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

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 (1) the Company has a present legal or constructive obligation as a result of past events, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. 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 financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Earnings Per Share
The Company presents basic and diluted earnings per share rate for its shares.

Basic earnings per share (EPS) is calculated by dividing net income for the year attributable to equity holders of the Company by the weighted average number of shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any, and after giving retroactive effect to any stock dividend declarations.

Diluted EPS is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Company's stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Events After the Reporting Period
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 financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the Company's parent company 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.

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

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

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

Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

Classification of Properties. 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 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.

Estimation of ECL of Receivable from Insurance. As discussed in Note 8, the Company has an outstanding claim for typhoon damages from an insurance company. The Company is currently involved in legal proceedings to pursue the collection of the remaining balance of receivable from insurance. The determination of whether the insurance claims receivable is realizable requires management's estimate of the amount and timing of the future cash inflows from this receivable and the related EIR 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.

Receivable from insurance amounted to ₱70.2 million as at December 31, 2021 and 2020. Allowance for ECL related to receivable from insurance amounted to ₱71.5 million as at December 31, 2021 and 2020 (see Note 8).

Estimation of 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.

Description	Valuation technique	Significant unobservable inputs	Interrelationship 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	Inclusive of: ▪ Estimated future sale price of day-old chicks ▪ Estimated hatchability and mortality rate ▪ Estimated volume of production	The estimated fair value would increase (decrease) if: ▪ the estimated sale price was higher (lower); ▪ the estimated cash inflows based on

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
	valuation model also considers the hatchability rate. Due to the short hatching period, discounting is generally ignored.	▪ Estimated costs to be incurred in the hatching process	forecasted sales were higher (lower); ▪ the estimated; hatchability rate was higher (lower); ▪ the estimated volume of production was higher (lower) or ▪ the estimated costs to be incurred in the hatching process were lower (higher).
Growing broilers - These are grown from chicks for a period of 30 days	Income approach. The valuation model considers the net cash flows expected to be generated from the sale of fully-grown broilers as dressed chickens. The cash flow projections include specific estimates for the volume of harvest considering the mortality rates. Due to the short growing period of chicks into broilers, discounting is generally ignored.	Inclusive of: ▪ Estimated future sale price of dressed chicken (growing broilers) or breeder chicken (parent stock) ▪ Estimated mortality rate ▪ Estimated volume of production ▪ 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); ▪ the estimated volume of production was higher (lower);or ▪ the estimated costs to be incurred in the growing process were lower (higher).
Parent stock	Income approach. The valuation model considers the net cash flows expected to be generated from the day-old chicks that will be born. 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 parent stock,	Inclusive of: ▪ Estimated future sale price of breeder chicken (parent stock) ▪ Estimated mortality rate ▪ Estimated volume of raised breeder chicken (parent stock) ▪ 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 purchased were higher (lower); ▪ the estimated mortality rate was lower (higher);

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
	discounting is generally ignored.		▪ the estimated volume of raised breeder chicken was higher (lower);or ▪ the estimated costs to be incurred in the growing process were lower (higher).

The changes in fair value of biological assets are recognized under sales amounting to ₱55.1 million and ₱199.5 million in 2021 and 2020, respectively (see Note 16), and under cost of sales amounting to ₱78.0 million and ₱184.4 million 2021 and 2020, respectively (see Note 6).

Revaluation of Property, Plant and Equipment (excluding Transportation Equipment and CIP) and Investment Properties. The Company carries its investment properties at fair value, with changes in fair value being recognized in the statements of comprehensive income. In addition, the Company measures property, plant and equipment (excluding transportation equipment and CIP) at revalued amounts, with changes in fair value being recognized in OCI.

In determining the appraised values of the property, plant and equipment and investment properties, the Company hired independent firms of appraisers as at December 31, 2021 and 2020. 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-use property in the second-hand market; (d) age, condition, past maintenance, and present and prospective serviceability in comparison with new assets of similar kind; (e) accumulated depreciation; (f) lease rates and, (g) recent trends and development in the industry concerned.

The fair values of the land classified as part of investment properties and under property, plant and equipment were derived using the sales 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.

The fair values of property, plant and equipment (except for land) and investment properties (except for land and the Bulacan and Davao dressing plants) were arrived at using the cost reproduction approach as there is a lack of comparable market data because of the nature of the properties. 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 Company's dressing plants in Bulacan and Davao which is classified as investment properties were arrived at using the income approach. Under this approach, the value of an asset is determined by reference to the value of income, cash flow, or cost savings generated by the asset. Assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period. Although this input is subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

In 2020 and 2018, the Company's property, plant and equipment (except transportation equipment and CIP) were reappraised by an independent firm of appraisers resulting to an additional revaluation gain of ₱22.0 million and ₱90.7 million before tax effect, respectively. The carrying value of property, plant and equipment at revalued amount amounted to ₱872.0 million and ₱906.7 million as at December 31, 2021 and 2020, respectively. No revaluation was made in 2021 and 2019 (see Note 10).

In 2021 and 2020, the Company's investment properties were reappraised by independent firms of appraisers resulting to an additional fair value gain of ₱1.3 million and ₱4.1 million, respectively (see Note 11). The carrying value of investment properties amounted to ₱973.4 million and ₱931.4 million as at December 31, 2021 and 2020 respectively (see Note 11).

Estimating ECL on Trade and Other Receivables. The Company uses a provision matrix to calculate ECLs for trade 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 percentage change in gross domestic product 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., gross domestic product) 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 Notes 5 and 30.

The Company did not provide any extension or reduction in payment, except for very few customers, as a result of the COVID-19 pandemic. Management has considered the impact of the COVID-19 pandemic on its ECL calculation and assessed the impact to be not significant.

The Company recognized provision for ECL on trade and other receivables amounting to ₱10.2 million and ₱10.7 million in 2021 and 2020, respectively (see Note 20). Trade and other receivables amounting to ₱104.6 million was written-off in 2021 (nil in 2020) (see Note 5).

The carrying value of trade and other receivables amounted to ₱902.4 million and ₱815.3 million as at December 31, 2021 and 2020, respectively. Allowance for ECL on trade and other receivables as at December 31, 2021 and 2020 amounted to ₱213.3 million and ₱307.8 million, respectively (see Note 5).

Estimating Retirement Benefits. The cost of the defined benefit pension plan and the present value of the DBO 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 and mortality rates. Due to the complexities involved in the valuation and its long-term nature, the DBO 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 21.

The Company's net retirement liability amounted to ₱166.5 million and ₱132.2 million as at December 31, 2021 and 2020, respectively (see Note 21).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible 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 as well as future tax planning strategies.

No deferred tax assets were recognized on certain deductible temporary differences and carryforward benefits of MCIT as at December 31, 2021 and 2020, respectively (see Note 23). 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 ₱101.4 million and ₱137.8 million as at December 31, 2021 and 2020, respectively (see Note 22).

4. **Cash**

This account consists of:

	2021	2020
Cash on hand	**₱2,487,637**	₱2,379,620
Cash in banks	**227,208,767**	174,601,434
	₱229,696,404	₱176,981,054

Cash in banks earn interest at prevailing bank deposit interest rate of 0.1% to 1.3% in 2021 and 2020. Interest income on cash in banks amounted to ₱0.1 million and ₱0.2 million in 2021 and 2020.

5. **Trade and Other Receivables**

	December 31, 2021	December 31, 2020 (Note 24)	January 1, 2020 (Note 24)
Trade:			
Third parties	**₱565,005,765**	₱708,128,960	₱905,118,359
Related parties (Note 23)	**262,799,719**	195,651,548	228,610,377
Nontrade	**241,271,819**	151,535,626	142,403,739
Advances to officers and employees (Note 23)	**12,474,296**	12,000,448	12,276,664
Receivable from government	**4,059,611**	4,046,563	3,538,405
Others	**30,400,636**	51,245,763	28,003,726
	1,116,011,846	1,122,608,908	1,319,951,270
Allowance for ECL	**(213,307,666)**	(307,772,074)	(297,098,917)
	₱902,704,180	₱814,836,834	₱1,022,852,353

The restatement in trade and other receivables is discussed in Note 24.

Trade receivables are usually due within 30 to 90 days and are noninterest-bearing (see Note 23).

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 23).

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 to 90 days and are noninterest-bearing.

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

Trade and other receivables collected after due date earned an interest income amounting to ₱1.2 million and nil in 2021 and 2020, respectively .

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

	Trade	Others	Total
Balance as at January 1, 2021, as previously reported	**₱161,126,222**	**₱123,014,839**	**₱284,141,061**
Prior period adjustments (Note 24)	**97,718**	**23,533,295**	**23,631,013**
Balance as at January 1, 2021, as restated	**161,223,940**	**146,548,134**	**307,772,074**
Provision (Note 20)	**10,157,719**	**–**	**10,157,719**
Accounts written-off	**–**	**(104,622,127)**	**(104,622,127)**
Balance as at December 31, 2021	**₱171,381,659**	**₱41,926,007**	**₱213,307,666**

	Trade	Others	Total
Balance as at January 1, 2020, as previously reported	₱150,777,196	₱122,690,708	₱273,467,904
Prior period adjustments (Note 24)	97,718	23,533,295	23,631,013
Balance as at January 1, 2020, as restated	150,874,914	146,224,003	297,098,917
Provision (Note 20)	10,349,026	324,131	10,673,157
Balance as at December 31, 2020	₱161,223,940	₱146,548,134	₱307,772,074

6. **Inventories and Livestock**

	2021	2020
Inventories:		
At net realizable value - Finished goods	**₱184,305,798**	₱109,898,787
At cost:		
Raw materials and feeds supplements	**315,027,658**	240,102,927
Supplies and animal health products	**64,126,465**	73,190,787
Hatching eggs	**36,849,974**	31,212,283
Finished goods	**22,708,402**	6,191,253
	623,018,297	460,596,037
Livestock:		
Day-old chicks and growing broilers	**38,086,778**	42,332,467
Parent stock	**14,380,992**	–
	52,467,770	42,332,467
	₱675,486,067	₱502,928,504

Inventories
Inventories are valued at lower of cost and NRV as at December 31, 2021 and 2020. The cost of finished goods carried at NRV amounted to ₱185.2 million and ₱110.8 million as at December 31, 2021 and 2020, respectively. Inventories charged to cost of goods sold amounted to ₱7,645.0 million and ₱5,982.6 million in 2021 and 2020, respectively (see Note 17).

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

Day-old chicks and broilers	**2021**	2020
Opening balance	**₱42,332,469**	₱51,300,581
Increase due to production	**4,014,182,626**	2,888,296,655
Fair value adjustment due to production	**48,631,208**	199,489,329
Decrease due to sales, harvest and mortality	**(3,989,265,663)**	(2,912,357,524)
Fair value adjustment due to sales, harvest and mortality	**(77,793,862)**	(184,396,574)
	₱38,086,778	₱42,332,467

Parent stock	2021	2020
Opening balance	**₱–**	₱–
Increase due to purchase	**7,892,559**	–
Fair value adjustment due to growth	**6,488,433**	–
	₱14,380,992	₱–

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

	2021	2020
Balance at beginning of year	**₱896,315**	₱4,039
Provision (Note 20)	**–**	892,276
	₱896,315	₱896,315

7. Other Current Assets

This account consists of:

	2021	2020
Advances to suppliers	**₱176,344,061**	₱140,877,487
CWT	**88,608,614**	77,860,449
Prepayments	**26,382,867**	22,018,102
Input VAT	**3,488,442**	3,091,532
	294,823,984	243,847,570
Allowance for impairment losses	**(3,091,532)**	(3,091,532)
	₱291,732,452	₱240,756,038

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.

CWT represents the amount withheld by the Company's customers in relation to its sale of goods and services. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Prepayments mainly pertain to insurance and bond premiums, among others, which are amortized within a year. The allowance for impairment losses pertain to input VAT which is no longer recoverable by the Company.

8. Receivable from Insurance

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 ₱141.6 million as at December 31, 2021. 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.

The composition of receivable from insurance are as follows:

	December 31, 2021	December 31, 2020 (Note 24)	January 1, 2020 (Note 24)
Cost	**₱141,664,583**	₱141,664,583	₱141,664,583
Allowance for ECL	**71,460,773**	71,460,773	71,460,773
	₱70,203,810	₱70,203,810	₱70,203,810

No provisions for and write off of allowance for receivable from insurance were recognized in the statement of comprehensive income for the years ended December 31, 2021 and 2020. As at January 1, 2020, the Company recognized additional provision for ECL on receivable from insurance as discussed in Note 24.

9. Investments in a Subsidiary

The components of the carrying values of investments in subsidiaries as at December 31, 2021 and 2020 that are accounted for under the cost method are as follows:

	2021		2020	
	% Interest Held	**Amount**	% Interest Held	Amount
Gromax	100%	**₱49,973,544**	100%	₱49,973,544
PFCI	–	–	–	–
		49,973,544		49,973,544
Allowance for impairment loss		**(49,973,544)**		(49,973,544)
		₱–		₱–

The Company's management has assessed that the investments in Gromax may not be recovered as the subsidiary has already discontinued its business operations. Accordingly, the investments were provided with full valuation allowance.

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. Accordingly, PFCI ceased to be a subsidiary of the Company and the Company deconsolidated PFCI.

10. **Property, Plant and Equipment**

At Revalued Amount

The composition and movements of this account are presented below:

				2021		
	Land	**Machinery and Equipment**	**Buildings**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost						
Balance at beginning of year	**₱439,712,887**	**₱569,729,900**	**₱167,127,587**	**₱29,939,642**	**₱82,558,444**	**₱1,289,068,460**
Additions	**–**	**19,891,913**	**5,554,310**	**2,228,341**	**10,159,526**	**37,834,090**
Disposals	**–**	**(3,253,425)**	**–**	**–**	**(35,000)**	**(3,288,425)**
Reclassification	**–**	**(2,186,450)**	**760,892**	**4,405,713**	**(60,675)**	**2,919,480**
Transfer to investment properties	**(5,543,000)**	**–**	**–**	**–**	**–**	**(5,543,000)**
Adjustments	**–**	**(961,950)**	**–**	**(47,698)**	**–**	**(1,009,648)**
Balance at end of year	**434,169,887**	**583,219,988**	**173,442,789**	**36,525,997**	**92,622,295**	**1,319,980,956**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**246,977,446**	**65,170,245**	**12,605,328**	**57,596,527**	**382,349,546**
Depreciation and amortization (Notes 18 and 19)	**–**	**55,155,948**	**7,081,549**	**3,280,276**	**14,809,549**	**80,327,322**
Reclassification	**–**	**(10,969,434)**	**(874,508)**	**(189,288)**	**(60,675)**	**(12,093,905)**
Disposals	**–**	**(2,607,438)**	**–**	**–**	**(6,806)**	**(2,614,244)**
Balance at end of year	**–**	**288,556,522**	**71,377,286**	**15,696,316**	**72,338,595**	**447,968,719**
Net carrying amount	**₱434,169,887**	**₱294,663,466**	**₱102,065,503**	**₱20,829,681**	**₱20,283,700**	**₱872,012,237**

				2020		
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	₱386,767,894	₱521,415,893	₱210,211,827	₱32,189,597	₱64,486,178	₱1,215,071,389
Additions	–	37,415,918	1,907,000	1,330,272	15,900,266	56,553,456
Revaluation gain	52,944,993	14,819,545	(46,872,240)	(2,913,336)	4,052,250	22,031,212
Reclassification and adjustments	–	(3,921,456)	1,881,000	(666,891)	(1,799,350)	(4,506,697)
Disposals	–	–	–	–	(80,900)	(80,900)
Balance at end of year	439,712,887	569,729,900	167,127,587	29,939,642	82,558,444	1,289,068,460
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	207,564,305	54,865,526	13,521,636	47,832,102	323,783,569
Depreciation and amortization (Notes 18 and 19)	–	46,944,675	10,054,254	3,238,253	11,964,485	72,201,667
Reclassification and adjustments	–	(7,531,534)	250,465	(4,154,561)	(2,139,385)	(13,575,015)
Disposals	–	–	–	–	(60,675)	(60,675)
Balance at end of year	–	246,977,446	65,170,245	12,605,328	57,596,527	382,349,546
Net carrying amount	₱439,712,887	₱322,752,454	₱101,957,342	₱17,334,314	₱24,961,917	₱906,718,914

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

	2021					
	Land	**Machinery and Equipment**	**Buildings**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost	**₱14,159,490**	**₱497,902,014**	**₱190,421,988**	**₱35,282,493**	**₱83,211,132**	**₱820,977,117**
Accumulated depreciation and impairment	**–**	**(266,429,519)**	**(62,608,559)**	**(12,641,339)**	**(65,220,773)**	**(406,900,190)**
Net carrying amount	**₱14,159,490**	**₱231,472,495**	**₱127,813,429**	**₱22,641,154**	**₱17,990,359**	**₱414,076,927**

	2020					
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost as at year end	₱19,702,490	₱484,411,926	₱184,106,786	₱28,696,138	₱73,147,281	₱790,064,621
Accumulated depreciation and impairment	–	(230,714,608)	(54,063,595)	(9,452,634)	(52,946,926)	(347,177,763)
Net carrying amount	₱19,702,490	₱253,697,318	₱130,043,191	₱19,243,504	₱20,200,355	₱442,886,858

The Company's property, plant and equipment (except transportation equipment and construction in-progress) was appraised in 2020 and 2018.

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, 2020. The fair value measurement for property, plant and equipment has been categorized as level 3 (significant unobservable inputs).

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

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.

			Range	
	Valuation Technique	Significant Unobservable Inputs	**2021**	2020
Land	Sales Comparison Approach	Price per square meter	**₱1,493-₱1,857**	₱1,493-₱1,857
		Value adjustments	**35%-48%**	35%-48%

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

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.

	Valuation Technique	Significant Unobservable Inputs	Remaining economic life
Machinery and Equipment	Cost Reproduction Approach	Replacement cost less accrued depreciation	3 - 5 years remaining economic life
Buildings	Cost Reproduction Approach	Replacement cost less accrued depreciation	7 - 25 years remaining economic life
Land Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining economic life
Office Furniture, Fixtures and Equipment	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining economic life
Leasehold Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	2 - 4 years remaining economic life

This approach is applied by estimating the amount that currently would be required to construct a substitute asset of comparable utility.

Significant increases (decreases) in the replacement cost in isolation would result in a significantly higher (lower) fair value on a linear basis.

At Cost

The composition and movements of this account are presented below:

	2021		
	Transportation Equipment	**CIP**	**Total**
Cost			
Balance at beginning of year	**₱51,158,960**	**₱17,510,838**	**₱68,669,798**
Additions	**–**	**36,202,504**	**36,202,504**
Reclassification	**–**	**(15,013,385)**	**(15,013,385)**
Disposals	**(2,998,000)**	**–**	**(2,998,000)**
Balance at end of year	**₱48,160,960**	**₱38,699,957**	**₱86,860,917**
Accumulated Depreciation, and Amortization			
Balance at beginning of year	**38,955,653**	**–**	**38,955,653**
Depreciation and amortization (Notes 18 and 19)	**4,922,099**	**–**	**4,922,099**
Disposals	**(2,998,000)**	**–**	**(2,998,000)**
Balance at end of year	**40,879,752**	**–**	**40,879,752**
Net carrying amount	**₱7,281,208**	**₱38,699,957**	**₱45,981,165**

	2020		
	Transportation Equipment	CIP	Total
Cost			
Balance at beginning of year	₱57,894,027	₱14,787,329	₱72,681,356
Additions	1,054,340	12,796,052	13,850,392
Reclassification	(2,234,513)	(10,072,543)	(12,307,056)
Disposals	(5,554,894)	–	(5,554,894)
Balance at end of year	₱51,158,960	₱17,510,838	₱68,669,798

(Forward)

	2020		
	Transportation Equipment	CIP	Total
Accumulated Depreciation and Amortization			
Balance at beginning of year	₱39,095,330	₱–	₱39,095,330
Depreciation and amortization (Notes 18 and 19)	7,692,669	–	7,692,669
Reclassification	(2,277,452)	–	(2,277,452)
Disposals	(5,554,894)	–	(5,554,894)
Balance at end of year	38,955,653	–	38,955,653
Net carrying amount	₱12,203,307	₱17,510,838	₱29,714,145

In 2021 and 2020, the Company sold property, plant and equipment for a cash consideration of ₱1.0 and nil, resulting to a loss on disposal amounting to ₱1.0 million and ₱2.3 million, respectively.

Construction in-progress represents cost incurred in the construction of the Company's offices, cabling installation, piping, bagging system installation, and other developments. Costs primarily include raw materials procurement, general construction works and installation costs.

As at December 31, 2021 and 2020, there are no significant contractual commitments entered into by the Company.

Depreciation and amortization expense follow:

	2021	2020
Property, plant and equipment:		
At revalued amount	**₱80,327,323**	₱72,201,667
At cost	**4,922,099**	7,692,669
Right-of-use asset (Note 12)	**17,079,097**	79,038,348
Computer software (Note 12)	**3,678,102**	3,678,102
	₱106,006,621	₱162,610,786

11. **Investment Properties**

Investment properties comprise of the Company's hatchery buildings, and 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, 2021		
	Land	**Building**	**Total**
Balance at beginning of year	**₱554,272,573**	**₱377,103,407**	**₱931,375,980**
Gain (loss) on fair value changes	**7,830,673**	**(6,562,540)**	**1,268,133**
Additions	–	**43,610,106**	**43,610,106**
Transfer from property, plant and equipment	**5,543,000**	–	**5,543,000**

(Forward)

	December 31, 2021		
	Land	**Building**	**Total**
Disposals	**(₱1,870,779)**	**₱–**	**(₱1,870,779)**
Write-offs	**(6,493,688)**	**–**	**(6,493,688)**
Balance at end of year	**₱559,281,779**	**₱414,150,973**	**₱973,432,752**

	2020		
	Land	Building	Total
Balance at beginning of year	₱545,128,167	₱257,138,422	₱802,266,589
Gain on fair value changes	3,992,855	60,377	4,053,232
Additions	5,398,766	119,904,608	125,303,374
Disposals	(247,215)	–	(247,215)
Balance at end of year	₱554,272,573	₱377,103,407	₱931,375,980

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

	2021	2020
Cost	**₱597,716,371**	₱556,927,732
Cumulative gain on fair value changes	**375,716,381**	374,448,248
	₱973,432,752	₱931,375,980

Rental income earned from the dressing plant in Bulacan amounted to ₱11.1 million and ₱11.9 million for the years ended December 31, 2021 and 2020, respectively (see Note 19). Direct costs related to properties that generate rental income amounted to ₱0.9 million and ₱0.6 million in 2021 and 2020, respectively.

Fair Value Measurement

Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal reports are at December 31, 2021. The Company recognized fair value gain of ₱1.3 million and ₱4.1 million in 2021 and 2020, respectively. The fair value measurement for investment properties has been categorized as Level 3 (significant unobservable inputs).

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

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.

			Range	
	Valuation Technique	Significant Unobservable Inputs	**2021**	2020
Land	Sales Comparison Approach	Price per square meter	**₱200-12,000**	₱200-₱12,000
		Value adjustments	**5%-21%**	5%-21%

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.

	Valuation Technique	Significant Unobservable Inputs	Remaining economic life
Improvements	Cost Reproduction Approach	Replacement cost less accrued depreciation	7 - 33 years remaining economic life

Income approach
Income approach is a form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon.

	Valuation Technique	Significant Unobservable Inputs
Bulacan and Davao dressing plants	Income Approach	Price per square meter, value adjustments, discount rate, lease rates, escalation rate, and vacancy and bad debt allowance

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.

Discount rate: This was arrived at by summing up the risk-free rate and management /liquidity rate. Management/liquidity rate refers to the estimated premium to compensate for the burden of management and the ease with which an investment can be sold.

Lease rates: estimated rental rates prevailing in the real estate market depending on the location of the properties.

Escalation rate: adjustments are made to account for the increase in rental rates in the subsequent periods.

Vacancy and bad debt allowance: adjustments made to consider that the properties may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling, maintenance). Collection losses can result from a tenant's inability or refusal to pay rent.

Significant increases (decreases) in estimated price per square meter, value adjustments, discount rates, lease rates, escalation rate, and vacancy and bad debt allowance in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in discount rates and vacancy and bad debt allowance in isolation would result in a significantly lower (higher) fair value on a linear basis.

12. **Right-of-Use and Other Noncurrent Assets**

Right-of-use Assets

Movements in right-of-use assets are as follows:

	December 31, 2021		
	Building	**Transportation Equipment**	**Total**
Cost			
Balance at beginning of year	**₱12,065,912**	**₱71,138,213**	**₱83,204,125**
Additions	**–**	**23,194,616**	**23,194,616**
Reclassification	**–**	**254,756**	**254,756**
Balance at end of year	**12,065,912**	**94,587,585**	**106,653,497**
Accumulated Amortization			
Balance at beginning of year	**5,550,319**	**45,102,446**	**50,652,765**
Depreciation	**2,895,819**	**14,183,278**	**17,079,097**
Balance at end of year	**8,446,138**	**59,285,724**	**67,731,862**
Net carrying value	**₱3,619,774**	**₱35,301,861**	**₱38,921,635**

	December 31, 2020			
	Building	Transportation Equipment	Machineries	Total
Cost				
Balance at beginning of year	₱21,455,220	₱73,847,259	₱174,905,773	₱270,208,252
Pre-termination of lease contract (see Note 26)	(9,389,308)	–	(174,905,773)	(184,295,081)
Disposals	–	(2,709,046)	–	(2,709,046)
Balance at end of year	12,065,912	71,138,213	–	83,204,125
Accumulated Amortization				
Balance at beginning of year	6,426,192	32,390,718	43,726,443	82,543,353
Depreciation	7,226,572	14,379,852	57,431,924	79,038,348
Pre-termination of lease contract (see Note 26)	(8,102,445)	–	(101,158,367)	(109,260,812)
Disposals	–	(1,668,123)	–	(1,668,123)
Balance at end of year	5,550,319	45,102,447	–	50,652,766
Net carrying value	₱6,515,593	₱26,035,766	₱–	₱32,551,359

Other Noncurrent Assets

	2021	2020
Project development costs	**₱31,368,395**	₱31,368,396
Security deposits	**15,459,460**	9,729,018
Computer software	**19,661,027**	6,349,023
	66,488,882	47,446,437
Allowance for impairment losses	**(31,368,395)**	(31,368,396)
	₱35,120,487	₱16,078,041

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, 2021 and 2020.

Security deposits represent rental and other deposits paid by the Company and will be returned at the end of the lease term (see Note 26).

Movements in computer software are as follows:

	2021	2020
Cost		
Balance at beginning of year	**₱26,354,542**	₱23,867,955
Additions	**16,990,106**	2,486,587
Balance at end of year	**43,344,648**	26,354,542
Accumulated Depreciation and Amortization		
Balance at beginning of year	**20,005,519**	16,327,417
Depreciation and amortization	**3,678,102**	3,678,102
Balance at end of year	**23,683,621**	20,005,519
Net Book Value	**₱19,661,027**	₱6,349,023

Computer software is amortized over the economic life of three years with an average remaining useful life of two to three years.

13. Trade and Other Payables

	2021	2020
Trade payables		
Third parties	**₱1,170,645,926**	₱1,202,401,796
Related parties (Note 23)	**89,707,830**	41,918,534
Accrued expenses		
Selling and administrative	**218,454,340**	79,318,075
Outside services	**31,336,924**	77,195,148
Others	**66,319,172**	40,985,958
Nontrade payables	**88,002,512**	145,102,863
Customers' deposits	**12,035,187**	27,670,921
Statutory liabilities	**15,945,595**	19,887,934
	₱1,692,447,486	₱1,634,481,229

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

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 social security premiums payable and other statutory liabilities. These are normally settled within a month.

14. **Loans Payable**

This account consists of the following:

	2021	2020
Short-term loans	**₱381,932,829**	₱132,023,529
Long-term loans	**123,118,899**	147,940,328
	₱505,051,728	₱279,963,857

	2021	2020
Short-term loans	**₱381,932,829**	₱132,023,529
Current portion of long-term loans	**24,821,429**	24,821,429
Current portion	**406,754,258**	156,844,958
Noncurrent portion of long-term loans	**98,297,470**	123,118,899
	₱505,051,728	₱279,963,857

Total availment of loans payable amounted to ₱540.7 million and ₱457.5 million in 2021 and 2020, respectively. Total payments of loans payable amounted to ₱315.6 million and ₱709.9 million in 2021 and 2020, respectively.

Interest expense on loans payable amounted to ₱20.7 million and ₱23.4 million in 2021 and 2020, respectively.

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

Short-Term Loans
In 2021 and 2020, the Company obtained unsecured Peso-denominated short-term loans from local banks to finance working capital requirements. The Company's short-term loans bear interest at rates ranging from 6.00% to 6.50%.

In 2020, the Company also obtained short-term loan amounting to ₱87.4 million from one of its stockholders bearing an interest rate of 3% per annum (see Note 23). The carrying value of this short-term loan as at December 31, 2020 is ₱76.6 million. This short-term loan was fully paid in 2021.

Long-Term Loans
Long-term loans of the Company have remaining terms of five years. The Company's long-term loans bear interest at repriced interest rates ranging from 6.13% to 6.25%.

a. ₱86.9 million promissory note
   On October 31, 2018, the Company entered into an aggregate of ₱86.9 million, eight-year loan with China Bank Savings, Inc. ("CBS") payable in 28 quarterly installments with an interest rate of 7.875% per annum, repriced annually. Debt issue cost related to the promissory note pertaining to documentary stamp tax of ₱0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

b. ₱86.9 million promissory note
   On December 6, 2018, the Company entered into an aggregate of ₱86.9 million, eight-year loan with CBS payable in 28 quarterly installments with an interest rate of 8.125% per annum, repriced annually. Debt issue cost related to the promissory note pertaining to documentary

stamp tax of ₱0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

15. Cash Bond Deposits

Cash bond deposits amounting to ₱48.1 million and ₱40.1 million as at December 31, 2021 and 2020, 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.

16. Revenue

This account consists of:

	2021	2020
Sales:		
Feeds	**₱4,821,057,084**	₱4,218,925,663
Foods	**4,236,179,697**	3,133,270,647
Farms	**742,624,261**	462,852,599
Sales discount, returns and allowances	**(150,699,234)**	(132,617,951)
	9,649,161,808	7,682,430,958
Changes in fair values of biological assets	**55,119,641**	199,489,329
	₱9,704,281,449	₱7,881,920,287

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

	2021	2020
Day-old chicks and broilers	**₱48,631,208**	₱199,489,329
Parent stock	**6,488,433**	–
	₱55,119,641	₱199,489,329

17. Cost of Goods Sold

	2021	2020
Inventories used (Note 6)	**₱7,645,035,746**	₱5,982,643,379
Outside services	**712,164,921**	785,219,089
Contractual services	**258,517,601**	92,865,024
Depreciation (Notes 10 and 11)	**72,016,730**	128,319,828
Salaries and employee benefits (Note 18)	**38,472,730**	63,574,816
Communication, light and water	**31,797,494**	45,151,999
Repairs and maintenance	**8,216,556**	25,618,917
Others	**3,731,648**	2,331,110
	₱8,769,953,426	₱7,125,724,162

18. **Operating Expenses**

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

	2021	2020
Selling and distribution expenses	**₱452,654,119**	₱275,792,670
Administrative expenses	**248,272,613**	260,967,587
	₱700,926,732	₱536,760,257

The details of operating expenses by nature are shown below:

	2021	2020
Salaries and employee benefits (see Note 21)	**₱209,487,866**	₱146,160,261
Transportation, travel and freight and handling	**207,879,032**	193,871,823
Depreciation and amortization (see Notes 10 and 11)	**33,989,891**	34,290,958
Publications and subscriptions	**38,877,116**	921,458
Advertising and promotions	**30,852,722**	17,087,198
Professional fees	**29,894,725**	22,931,396
Representation and entertainment	**24,959,164**	5,243,696
Commissions	**21,476,608**	9,748,116
Contractual services	**20,517,627**	20,539,027
Taxes and licenses	**17,764,542**	14,632,394
Rentals	**8,526,711**	21,106,429
Communications, light and water	**8,374,622**	8,774,538
Supplies	**7,437,118**	4,629,887
Insurance	**4,383,834**	4,364,799
Repairs and maintenance	**4,121,943**	8,272,443
Others	**32,383,211**	24,185,834
	₱700,926,732	₱536,760,257

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

Employee Benefits

Costs and expenses recognized as employee benefits are presented below:

	2021	2020
Salaries and wages	**₱218,104,366**	₱182,391,552
Retirement benefits (Note 21)	**16,993,091**	14,327,563
Other short-term benefits	**12,863,139**	13,015,962
	₱247,960,596	₱209,735,077

Salaries and employee benefits are allocated as follows:

	2021	2020
Cost of goods sold (Note 17)	**₱38,472,730**	₱63,574,816
Operating expenses:		
Administrative expenses	**166,331,166**	105,090,755
Selling and distribution expenses	**43,156,700**	41,069,506
	209,487,866	146,160,261
	₱247,960,596	₱209,735,077

Depreciation and Amortization

Depreciation and amortization are allocated as follows (see Notes 10 and 11):

	2021	2020
Cost of goods sold (Note 17)	**₱72,016,730**	₱128,319,828
Operating expenses:		
Administrative expenses	**16,680,045**	16,996,891
Selling and distribution expenses	**17,309,846**	17,294,067
	33,989,891	34,290,958
	₱106,006,621	₱162,610,786

Depreciation and amortization expense follow:

	2021	2020
Property, plant and equipment:		
At revalued amount	**₱80,327,323**	₱72,201,667
At cost	**4,922,099**	7,692,669
Right-of-use asset (see Note 12)	**17,079,097**	79,038,348
Computer software (see Note 12)	**3,678,102**	3,678,102
	₱106,006,621	₱162,610,786

19. Other Operating Income

	2021	2020
Sale of scrap materials	**₱17,467,801**	₱19,449,045
Tolling services	**–**	12,626,140
Rentals (Note 23)	**11,096,406**	11,895,676
	₱28,564,207	₱43,970,861

20. Other Income (Charges)

	2021	2020
Deficiency tax settlement	**(₱10,000,000)**	(₱15,073,202)
Impairment losses on:		
Receivables (see Note 5)	**(10,157,719)**	(10,673,157)
Inventory (see Note 6)	–	(892,276)
Foreign exchange gain (loss)	**(5,714,952)**	2,455,497
Gain on pre-termination of lease contracts	**–**	3,424,542
Loss on disposal of property, plant and equipment, and investment property	**(1,060,988)**	(2,269,651)
Loss on chicken mortalities	**(7,024,740)**	–
Others - net	**(8,943,089)**	(355,848)
	(₱42,901,488)	(₱(75,802,976)

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

21. **Net Retirement Liability**

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, 2021.

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

	2021	2020
Current service costs	**₱11,956,045**	₱9,321,592
Interest expense	**5,187,339**	5,215,260
Interest income	**(150,293)**	(209,289)
	₱16,993,091	₱14,327,563

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

	2021	2020
Present value of the DBO	**₱170,439,444**	₱136,150,631
FVPA	**(3,978,184)**	(3,944,702)
	₱166,461,260	₱132,205,929

Movements in the present value of the DBO are as follows:

	2021	2020
Balance at beginning of year	**₱136,150,631**	₱95,342,964
Remeasurement loss recognized in OCI	**23,014,388**	28,310,195
Current service costs	**11,956,045**	9,321,592
Interest expense	**5,187,339**	5,215,260
Benefits paid	**(5,868,959)**	(2,039,380)
Balance at end of year	**₱170,439,444**	₱136,150,631

Movements in the FVPA are presented below:

	2021	2020
Balance at beginning of year	**₱3,944,702**	₱3,826,125
Interest income	**150,293**	209,289
Remeasurement loss	**(116,811)**	(90,712)
	₱3,978,184	₱3,944,702

Remeasurement loss on retirement liability, net of tax presented in the statements of comprehensive income for the years ended December 31 were are follows:

	2021	2020
Remeasurement loss (gain)	**₱23,131,199**	₱28,400,907
Deferred income tax effect		
Current year	**(5,782,800)**	(8,520,272)
Impact of CREATE	**409,587**	–
	(5,373,213)	(8,520,272)
Remeasurement loss (gain)	**₱17,757,986**	₱19,880,635

Actual returns on plan assets amounted to ₱33,482 and ₱118,577 in 2021 and 2020, respectively. The categories of plan assets of the Company are as follows:

	2021	2020
Cash and cash equivalents	**₱1,992,275**	₱1,631,262
Equity instruments	**502,047**	501,924
Debt instruments	**1,487,840**	1,801,697
Others	**(3,978)**	9,819
	₱3,978,184	₱3,944,702

There are no expected future contributions in the plan in 2022.

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

	2021	2020
Less than one year	**₱18,757,732**	₱8,067,134
Between one and five years	**46,202,735**	41,849,209
Over five years	**103,855,449**	74,331,793
	₱168,815,916	₱124,248,136

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

	2021	2020
Discount rate	**5.07%**	3.81%
Expected rate of salary increase	**5.00%**	5.00%
Average remaining working life of an employee retiring at the age of 60:		
Male	**39**	39
Female	**34**	34

The weighted average duration of the present value of defined benefit obligation is 9.1 and 9.8 years in 2021 and 2020, respectively.

A quantitative sensitivity analysis for changes in assumptions as at December 31, 2021 and 2020 are shown below (amounts in thousands):

	Change in Assumptions	Impact on Defined Benefit Obligation **2021**	2020
Discount rate	+100 bps	**(₱14,073)**	(₱12,335)
	-100 bps	**16,277**	14,346
Salary rate	+100 bps	**16,122**	14,026
	-100 bps	**(14,207)**	(12,314)

22. Provision for (Benefit from) Income Tax

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

	2021	2020	2019
RCIT (25% in 2021; 30% in 2020 and 2019)	**₱28,700,502**	₱–	₱28,333,100
MCIT (1% in 2021; 2% in 2020 and 2019)	–	11,629,665	–
Impact of CREATE Act on current income tax	**(2,907,407)**	–	–
Deferred income tax expense (benefit)	**5,371,040**	4,509,242	(14,469,008)
	₱31,164,135	₱16,138,907	₱13,864,092

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

	2021	2020	2019
Income tax expense at statutory tax rate	**₱30,151,438**	₱7,628,103	₱42,954,040
Change in unrecognized deferred tax assets	**(3,700,188)**	6,146,121	(14,977,843)
Tax effects of:			
Nondeductible expenses	**3,966,426**	4,310,507	35,410,668
Depreciation on investment properties at cost	**(5,145,889)**	(1,885,133)	–
Adjustment on CREATE Act for 2020 recognized in 2021	**5,928,920**	–	–
Income already subjected to final tax	**(36,572)**	(60,691)	(65,596)
Nontaxable income	**–**	–	(49,966,013)
Reversal of deferred tax asset	**–**	–	508,836
	₱31,164,135	₱16,138,907	₱13,864,092

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

	2021	2020
Deferred tax assets:		
Allowance for impairment loss on:		
Trade and other receivables	**₱47,419,163**	₱86,420,270
Project development costs	**7,842,099**	9,410,519
Property, plant and equipment	**4,494,042**	5,392,850
Inventory	**224,079**	268,895
Retirement liability	**40,617,264**	39,075,932
Excess of lease liability over right-of-use asset	**770,909**	(2,775,761)
	101,367,556	137,792,705
Deferred tax liabilities:		
Revaluation reserve on property, plant and equipment	**(114,483,826)**	(139,149,616)
Changes in fair value of investment properties	**(50,952,993)**	(71,838,070)
Changes in fair value of biological assets	**(111,288)**	(9,451,797)
Gain on pre-termination of contract	**–**	(1,027,362)
	(165,548,107)	(221,466,845)
Net deferred tax liabilities	**(₱64,180,551)**	(₱83,674,140)

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	Ending Balance	Valid Until
2020	₱6,146,121	₱–	(3,700,188)	₱–	2023
2020 CREATE impact	(2,445,933)	–	–	–	2023
2018	3,346,948	–	(3,346,948)	–	2021
2016	11,630,895	–	(11,630,895)	–	2019
	₱18,678,031	₱–	(₱18,678,031)	₱–	

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.

	2021		2020	
	Amount	**Tax Effect**	Amount	Tax Effect
Allowance for ECL on:				
Receivable from insurance	**₱71,460,773**	**₱17,865,193**	₱71,460,773	₱21,438,232
Trade and other receivables	**23,631,013**	**5,907,753**	19,704,509	5,911,353
Retirement liability	**3,992,203**	**998,051**	3,992,203	1,197,661
MCIT	**–**	**–**	6,146,121	6,146,121
	₱99,083,989	**₱24,770,997**	₱101,303,606	₱34,693,367

23. **Related Parties**

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 is 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 69.2% to 71.90% (see Notes 1 and 24).

Due to and from related parties
Trade Receivables. The Company sells animal feeds, raw materials, feed supplements and dressed chicken to related parties, which are due within 90 days and are noninterest bearing (see Note 5).

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

Trade Payable. The Company buys raw materials, hogs, and breeder flocks from related parties. These are noninterest-bearing and are generally on a 90-day credit term (see Note 13).
Operating leases - the Company as lessor. The Company is a lessor to related party leases covering the lease of a dressing plant, ice plant and rendering plant in Bulacan (i.e., dressing and rendering), which has a remaining lease term of around 3 years.

Summarized below are the outstanding accounts arising from these transactions (see Notes 5, 13 and 26):

		2021		2020	
Related Parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	**₱1,426,066,299**		₱1,072,194,796	
	Collections	**(1,358,918,127)**	**₱262,799,719**	(1,105,153,625)	₱195,651,548
Trade and other payables					
Entities under common control	Purchases	**₱1,744,904,273**		1,429,424,720	
	Payments	**(1,697,114,977)**	**89,707,830**	(1,481,354,755)	41,918,534
Operating lease					
Entities under common control	Rental income	**11,096,406**		11,895,676	
	Collection	**(5,835,411)**	**5,260,993**	(11,895,676)	–

The Company also availed of interest-bearing advances from a shareholder which are payable within a year. On September 28, 2020 to November 27, 2020, the Company was granted a series of advances (term: 90 day; interest rate: 3% per annum) amounting to ₱89.9 million from one of the Company's stockholders.

		2021		2020	
Related Party	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Stockholder	Advances for working capital	**₱–**		₱89,905,000	
	Interest	–	**₱–**	407,532	₱76,633,329

Advances to Officers
The Company grants unsecured, noninterest-bearing advances to its officers which are normally collected within one year through salary deduction (see Note 5). Certain officers also pay operating expenses on behalf of the Company which are payable upon demand (see Note 13). Shown below are the movements in the accounts.

		2021		2020	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Advances to officers	Net transactions	**₱473,848**	**₱12,474,296**	(₱137,572)	₱12,008,448

Compensation of Key Management Personnel
The compensation includes the following:

	2021	2020
Short-term employee benefits	**₱43,561,950**	₱41,524,264
Retirement benefits	**5,872,830**	2,984,183
Others	**2,784,789**	2,303,769
	₱52,219,569	₱46,812,216

24. Equity

Capital Stock
As of December 31, 2021, the Company has authorized capital stock of 3.5 billion shares at ₱0.38 par value equivalent to ₱1.3 billion. Details of authorized and issued and outstanding shares are as follows:

	2021	2020
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	3,500,000,000	267,836,113
October 16, 2013	3,500,000,000	2,286,497,901
February 9, 1989	200,000,000	200,000,000
August 11, 1986	200,000,000	200,000,000
December 5, 1982	33,000,000	33,000,000
December 5, 1977	45,000,000	45,000,000
October 31, 1974	7,000,000	7,000,000
May 2, 1973	10,000,000	10,000,000
October 2, 1972	5,000,000	5,000,000

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share. Consequently, Kormasinc's ownership interest increased from 69.2% to 71.90% (see Notes 1 and 23).

The following summarizes the information on the Company's issued and outstanding shares as at December 31, 2021 and 2020:

	2021		2020	
	Number of shares issued and outstanding	**Percentage of shares**	Number of shares issued and outstanding	Percentage of shares
Issued and outstanding	**3,054,334,014**	**100.00%**	3,054,334,014	100.00%
Listed shares:				
Owned by related parties	**2,186,198,604**	**71.58%**	2,178,892,604	71.34%
Owned by public	**787,146,032**	**25.77%**	799,289,412	26.17%
Owned by directors and officers	**80,989,378**	**2.65%**	76,151,998	2.49%
Total	**3,054,334,014**	**100.00%**	3,054,334,014	100.00%

Of the total shares owned by the public, 120 million and 121.7 million shares are foreign-owned as at December 31, 2021 and 2020.

The total number of shareholders of the Company is 4,126 and 4,131 as at December 31, 2021 and 2020.

Other Comprehensive Income

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

	Revaluation Reserve (Note 10)	Accumulated Actuarial Loss (Note 21)	Total
Balance as at January 1, 2021	**₱324,682,440**	**(₱5,734,207)**	**₱318,948,233**
Actuarial loss, net of tax	**–**	**(17,348,399)**	**(17,348,399)**
Impact of change in tax rate	**23,191,602**	**(409,586)**	**22,782,017**
Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax	**(4,422,564)**	**–**	**(4,422,564)**
Balance as at December 31, 2021	**₱343,451,478**	**(₱23,492,192)**	**₱319,959,286**
Balance as at January 1, 2020	₱313,024,168	₱14,146,428	₱327,170,596
Revaluation increase on property, plant and equipment, net of deferred income tax	15,421,851	–	15,421,851
Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax	(3,763,579)	–	(3,763,579)
Actuarial loss, net of tax	–	(19,880,635)	(19,880,635)
Balance as at December 31, 2020	₱324,682,440	(₱5,734,207)	₱318,948,233

As of December 31, 2021, there are no available amounts for dividend declaration based on the Company's balances.

Prior Period Adjustments
The Company has receivables that are carried at amortized cost. In 2021, the Company conducted a detailed review of these receivables and has discovered that certain receivables were already credit-impaired as at January 1, 2019 but no provision for ECL has been recognized and for certain receivables, the probability-weighted outcome was not considered in recognizing the ECL as at January 1, 2019.

The effects of the prior period adjustments on the Company's financial statements are as follows:

	December 31, 2020	January 1, 2020
Statements of financial position	(in millions)	
Decrease in:		
Trade and other receivables:		
Trade		
Third parties	₱35.1	₱35.1
Nontrade receivables	54.7	54.7
	89.8	89.8
Increase in:		
Allowance for impairment losses - trade and other receivables	23.6	23.6
	113.4	113.4
Increase in:		
Allowance for impairment losses - receivable from insurance	31.7	31.7
Decrease in:		
Total assets	145.1	145.1
Impact on equity - retained earnings	145.1	145.1

	December 31, 2020	January 1, 2020
Statements of changes in equity	(In millions)	
Decrease in:		
Retained earnings	₱145.1	₱145.1

Based on the detailed review performed by the Company in 2021, the following prior period adjustments have been made:

- Additional provision for ECL amounting to ₱23.6 million related to credit-impaired trade and other receivables and write off of trade and other receivables amounting to ₱89.8 million; and
- Additional provision for ECL on receivable from insurance amounting to ₱31.7 million.

The prior period adjustments have no impact on the Company's statements of comprehensive income, statements of cash flows and basic and diluted earnings per share in 2020.

25. Earnings Per Share

Basic and diluted earnings per share were computed as follows:

	2021	2020
Net income for the year	**₱94,758,038**	₱9,288,106
Divided by the weighted average number of outstanding shares	**3,054,334,014**	3,054,334,014
Earnings per share - basic and diluted	**₱0.031**	₱0.003

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

26. Significant Agreements

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 two to three 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 ₱11.1 million and ₱11.9 million in 2021 and 2020, respectively, and are shown as part of "Other operating income" account in the statements of comprehensive income (see Note 19).

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

	2021	2020
Within one year	**₱6,298,929**	₱9,806,597
After one year but not more than five years	**1,127,321**	14,644,000
	₱7,426,250	₱24,450,597

Company as Lessee - Short-term or lease of Low-value Assets

The Company leases its warehouses under operating lease agreements. The terms of the lease contracts are not exceeding one year and renewable upon mutual agreement by the parties. Security deposits amounted to ₱15.5 million and ₱9.7 million as at December 31, 2021 and 2020, respectively (see Note 12). Rent expense amounted to ₱8.5 million and ₱21.1 million in 2021 and 2020, respectively (see Note 18).

Company as Lessee - Finance lease agreement

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, the details of the finance lease liabilities follow:

	2021	2020
Current	**₱14,482,439**	₱15,557,762
Noncurrent	**23,316,602**	12,933,963
	₱37,799,041	₱28,491,725

Lease Liabilities

The following are the amounts recognized in the statements of comprehensive income:

	2021	2020
Depreciation expense of right-of-use assets	**₱17,079,097**	₱79,038,348
Interest expense on lease liabilities	**2,385,774**	11,098,247
Expenses relating to short-term leases (see Note 18)	**8,526,711**	21,106,429
Total amount recognized in the statement of comprehensive income	**₱27,991,582**	₱111,243,024

The rollforward analysis of lease liabilities follows:

	2021	2020
As at January 1	**₱35,637,457**	₱193,935,562
Additions	**23,208,300**	–
Interest expense	**2,385,774**	11,098,247
Payments	**(19,226,261)**	(90,937,541)
Pre-termination of lease contract	**–**	(78,458,811)
As at December 31	**₱42,005,270**	₱35,637,457

As at December 31, 2021 and 2020, the details of the lease liabilities follow:

	2021	2020
Current	**₱17,808,894**	₱18,497,266
Noncurrent	**24,196,376**	17,140,191
	₱42,005,270	₱35,637,457

Future minimum lease payments under these lease agreements as of December 31, 2021 and 2020 are as follows:

	2021	2020
Within one year	**₱17,808,894**	₱18,908,405
More than one year but not more than five years	**24,196,376**	17,342,279
	₱42,005,270	₱36,250,684

Tolling Agreements

The Company has 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.

Total payments for this type of arrangements amounted to ₱712.2 million and ₱423.3 million in 2021 and 2020, respectively, and is recorded as part of "Cost of goods sold" account under "Outside services" in the statements of comprehensive income.

Usufruct Agreement

In 2018, the Company entered into a usufruct agreement with Barbatos Ventures, Corporation (BVC) authorizing the latter to the right of usufruct over the Company's Davao dressing plant for a period of five (5) years beginning January 2018 in consideration for the capital investment by BVC for the additional dressing line and improvements amounting to approximately ₱68.0 million.

In 2019, the dressing plant ceased operations by virtue of a closure order by the local government unit of Davao City, and to avoid any conflict, both parties agreed to terminate the memorandum of agreement. Considering the abrupt termination, the Company agreed to pay BVC the amount of ₱11.6 million in 2020 for final and full settlement of all claims and obligations.

27. Note to Statements of Cash Flows

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

	January 1, 2021	**Proceeds/ Additions**	**Payments**	**Interest expense**	**December 31, 2021**
Loans payable	**₱279,963,857**	**₱540,681,912**	**(₱315,594,041)**	**–**	**₱505,051,728**
Accrued interest payable	**1,451,680**	**–**	**(23,051,290)**	**26,254,939**	**4,655,329**
Lease liabilities	**35,637,457**	**23,208,300**	**(16,840,487)**	**–**	**42,005,270**
Total liabilities from financing activities	**₱317,052,994**	**₱563,890,212**	**(₱355,485,818)**	**₱26,254,939**	**₱551,712,327**

	January 1, 2020	Proceeds/ Additions	Payments	Interest expense	Pre-termination of lease contract	December 31, 2020
Loans payable	₱532,335,177	₱457,507,642	(₱709,878,962)	₱–	₱–	₱279,963,857
Accrued interest payable	2,325,176	–	(35,328,078)	34,454,582	–	1,451,680
Lease liabilities	193,935,562	–	(79,839,294)	–	(78,458,811)	35,637,457
Total liabilities from financing activities	₱728,595,915	₱457,507,642	(₱825,046,334)	₱34,454,582	(₱78,458,811)	₱317,052,994

The Company's additions to lease liabilities and right-of use assets amounted to ₱23.2 million and ₱198.3 million for the years ended December 31, 2021 and 2020, respectively.

28. Contingencies

There are outstanding warranty and legal claims against the Company. 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.

29. Fair Value Information

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

	2021		2020	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets at Amortized Cost				
Cash in banks	**₱227,208,767**	**₱227,208,767**	₱174,601,434	₱174,601,434
Trade and other receivables*	**890,229,884**	**890,229,884**	802,836,386	802,836,386
Security deposits	**15,459,460**	**15,459,460**	9,729,018	9,729,018
Receivable from insurance	**70,203,810**	**70,203,810**	70,203,810	70,203,810
	₱1,203,101,921	**₱1,203,101,921**	₱1,057,370,648	₱1,057,370,648
Financial Liabilities at Amortized Cost				
Trade and other payables**	**₱1,676,501,891**	**₱1,676,501,891**	₱1,609,271,258	₱1,609,271,258
Loans payable	**505,051,728**	**512,144,709**	279,963,857	279,963,857
Cash bond deposits	**48,052,089**	**48,052,089**	40,097,279	40,097,279
	₱2,229,605,708	**₱2,236,698,689**	₱1,929,332,394	₱1,929,332,394

**Excluding advances to officers and employees amounting to ₱12.5 million and ₱12.0 million as at December 31, 2021 and 2020, respectively*
***Excluding statutory liabilities amounting to ₱15.9 million and ₱19.8 million as at December 31,2021 and 2020, 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, 2021, the discount rates used ranged from 3.8% to 4.2% while as at December 31, 2020, the fair value of long-term debt approximates its carrying value as they carry interest rates of comparable instruments in the market.

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, 2021 and 2020.

Cash in banks, trade and other receivables, security deposits, and trade and other payables. As at December 31, 2021 and 2020, the carrying amounts of these financial instruments approximate their fair values due to the short-term nature of these accounts.

As at December 31, 2021 and 2020, 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 2021 and 2020.

30. 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, 2021 and 2020, 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
Credit risk arises because the counterparty may fail to perform its obligations. With respect to credit risk arising from the financial assets of the Company, the exposure to credit risk arises from default of the counterparty.

Gross Maximum Exposure to Credit Risk
Generally, the maximum credit risk exposure of the financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to the financial statements) as summarized below.

	2021	2020
Cash in banks	**₱227,208,767**	₱174,601,434
Trade and other receivables	**890,229,884**	802,836,386
Security deposits	**15,459,460**	9,729,018
Receivable from insurance	**70,203,810**	70,203,810
	₱1,203,101,921	₱1,057,370,648

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.

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the Company's credit rating system as at December 31, 2021 and 2020:

	2021				
	General Approach			**Simplified**	
	Stage 1	**Stage 2**	**Stage 3**	**Approach**	**Total**
Cash in banks	**₱227,208,767**	**₱–**	**₱–**	**₱–**	**₱227,208,767**
Trade and other receivables	**264,663,067**	**–**	**23,631,013**	**827,707,766**	**1,116,001,846**
Security deposits	**15,459,460**	**–**	**–**	**–**	**15,459,460**
Receivable from insurance	**–**	**141,664,583**	**–**	**–**	**141,664,583**
	₱507,331,294	**₱141,664,583**	**₱23,631,013**	**₱827,707,766**	**₱1,500,334,656**

	2020				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash in banks	₱174,925,147	₱–	₱–	₱–	₱174,925,147
Trade and other receivables	195,295,105	–	23,631,013	904,175,811	1,123,101,929
Security deposits	9,729,018	–	–	–	9,729,018
Receivable from insurance	–	141,664,583	–	–	141,664,583
	₱379,949,270	₱141,664,583	₱23,631,013	₱904,175,811	₱1,449,420,677

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:

	2021								
	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%**	**0.01%**	**0.04%**	**0.07%**	**0.10%**	**5.43%**			
Estimated total gross carrying amount at default	**₱489.7**	**₱99.6**	**₱18.2**	**₱13.3**	**₱14.6**	**₱23.1**	**₱658.5**	**₱169.7**	**₱828.2**
Expected credit loss	**₱0.0**	**₱0.0**	**₱0.0**	**₱0.2**	**₱0.2**	**₱1.3**	**₱1.7**	**₱169.7**	**₱171.4**

	2020								
	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	₱620.4	₱114.0	₱12.2	₱6.6	₱2.3	₱7.4	₱762.9	₱160.6	₱904.3
Expected credit loss	₱0.01	₱0.01	₱0.00	₱0.00	₱0.00	₱0.4	₱0.4	₱160.6	₱161

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 approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's BOD 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, 2021 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*	**₱1,676,501,891**	**₱–**	**₱–**	**₱–**
Loans payable	**394,343,543**	**12,410,715**	**98,297,470**	**–**
Lease liabilities	**8,904,447**	**8,904,447**	**24,196,376**	**–**
Cash bond deposits	**–**	**–**	**48,052,089**	**–**
Future interest on long term debt	**3,774,947**	**3,425,303**	**13,221,623**	**–**
	₱2,083,524,828	**₱24,740,465**	**₱183,767,558**	**₱–**

**Excluding statutory liabilities amounting to ₱15.9 million as at December 31, 2021*

As at December 31, 2020 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*	₱1,609,271,258	₱–	₱–	₱–
Loans payable	144,434,244	12,410,714	98,297,470	24,821,429
Lease liabilities	9,248,633	9,248,633	17,342,279	–
Cash bond deposits	–	–	40,097,279	–
Future interest on long term debt	5,799,413	5,357,690	25,575,391	–
	₱1,768,753,548	₱27,017,037	₱181,312,419	₱24,821,429

**Excluding statutory liabilities amounting to ₱19.8 million as at December 31, 2020*

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.

31. **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.

The Company's liabilities and equity are shown below:

	2021	2020 (Note 24)
Total liabilities	**₱2,518,198,384**	₱2,206,059,891
Total equity	**1,617,092,805**	1,516,901,150

32. New and Amended Standards and Interpretations

<u>Adoption of Amendments to Standards and Interpretation</u>
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2021. The adoption of these amended standards did not have an impact on the Company's financial statements.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

<u>Standard and Amendments to Standards Issued but Not Yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a First-time Adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 Per Cent' Test for Derecognition of Financial Liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

33. Subsequent Event

In January 2022, the Company consolidated 100% ownership of BVC. On January 11, 2022, it entered into a subscription agreement with BVC to acquire 43,242 shares of the latter's capital stock. On January 31, 2022, it acquired the remaining 25 million shares of stock held by other stockholders. Corresponding shares of stock were duly issued on the said dates after payment of the corresponding documentary stamp taxes. The Company has assessed that it has control over BVC on the date of acquisition. As at April 12, 2022, the initial accounting for the business combination is still incomplete since the Company is still in the process of quantifying the added value, synergy and efficiency that will reflect the fair value of the assets acquired and liabilities assumed in the business combination.

34. Supplementary Information Required by the Bureau of Internal Revenue

On November 25, 2010, the BIR issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses paid or accrued during the year.

The Company reported and/or paid the following types of taxes for the year:

VAT

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT registered individuals or corporations are subject to input VAT.

Details of the Company's net sales/receipts, output VAT and input VAT accounts follow:

a. Output VAT

	Gross Amount of Revenues	Output VAT
Exempt Sales	₱9,605,951,631	₱–
Sales subject to 12% VAT	71,774,382	8,612,926
Total	₱9,677,726,013	₱8,612,926
Applied Input VAT		(8,256,906)
VAT payments		(356,020)
		₱–

b. Input VAT

	Amount
Beginning balance	₱–
Add: Current year's domestic purchases / payments for:	
Goods other than capital goods	8,653,816
Domestic purchase of services	–
Claims for tax credit / refund and other adjustments	–
Applied against Output VAT	(8,256,906)
Balance at the end of the year	₱396,910

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees:

Business permits	₱9,649,312
Real property tax	4,230,345
Fringe benefit tax	583,667
Documentary stamp tax	1,617,714
	₱16,081,038

The above local and national taxes (except fringe benefits tax) are classified under "Taxes and licenses" in "Operating expenses." Fringe benefits tax is presented as part of "Salaries and employee benefits" under "Operating expenses" account in the statement of comprehensive income.

Withholding Taxes
The amount of withholding taxes paid/accrued for the year amounted to:

	Paid	Accrued
Expanded Withholding Tax	₱87,564,539	₱12,482,309
Withholding tax on compensation	19,429,697	944,800
	₱106,994,236	₱13,427,109

Tax Assessment
The Company received Letter of Authority No. AUDM20-116-2021-004671 dated September 22, 2021. No final assessment was made as of December 31, 2021.

Tax Cases
The Company has no pending tax case in courts or other regulatory bodies outside of the BIR as at and for the year ended December 31, 2021.

2021 SUSTAINABILITY REPORT

2021 SUSTAINABILITY REPORT
VITARICH CORPORATION

Contextual Information

Company Details	
Name of Organization	Vitarich Corporation (PSE: VITA)
Location of Headquarters	Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan
Location of Operations	Principal Office: Marilao-San Jose Road, Sta. Rosa I, Bulacan Other offices: Zone 4, San Isidro, Magarao, Camarines Sur Brgy. Mali-ao, Pavia, Iloilo Luzuriaga Ext., Reclamation Area, Brgy. 13, Bacolod City Jabbe Properties and Warehouse No. 10, Maciano Quizon St., Brgy. Alang Alang, Mandaue City, Cebu Km. 14, Panacan, Davao City Unit A, Warehouse 3, Neo Central Arcade, Cugman, Cagayan De Oro City Block 14, Lot 1, Door 1, DARBCI Homes Subdivision, General Santos City Feed Mill Plants owned and operated by VITA: Brgy. Mali-ao, Pavia, Iloilo Km. 14, Panacan, Davao City VITA has also operations with its Toll Mill Partner in 105 Barrio Bagbaguin, Sta. Maria, Bulacan
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Having no subsidiaries during the reporting period, the report covers only VITA and the feed mill plants it operates, except as otherwise stated in the report. Except as otherwise stated and/or reported, this report excludes the operations in VITA's dressing plants in Marilao, Bulacan and Tugbok, Davao City as they are being operated by third parties/business partners.
Business Model, including Primary Activities, Brands, Products, and Services	Please see Annex "A"

Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	Atty. Mary Christine C. Dabu-Pepito (Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer)

**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]
The data and information needed were collated from the different departments of VITA. Based on these existing data, the material topics for the report were analyzed using the Materiality Matrix. Per assessment, the following are the topics material to Vitarich: (a) All topics under Economic Sustainability in the SEC-provided template. (b) Resource Management except Reduction of Energy Consumption and Ecosystems and Biodiversity (the Corporation does not operate within or adjacent to protected areas and areas of high biodiversity value outside protected areas) (c) Environmental Impact Management (d) Environmental Compliance (e) Employee Management (f) Workplace Conditions, Labor Standards and Human Rights, except Supply Chain Management (g) Relationship with Community, except those pertaining to IPs (h) Customer Management, except Customer Privacy However, while the same were assessed to be material, some disclosure topics have limited available data because VITA is still in the early stage in integrating sustainability in its business model. The topics that are not material were left in blank/unanswered.

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

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	9,704,281,449.00	PhP
Direct economic value distributed:		
a. Operating costs	8,847,927,288.00 (direct costs)	PhP
b. Employee wages and benefits	247,960,596.00	PhP
c. Payments to suppliers, other operating costs	700,926,732.00 (other opex)	Php
d. Dividends given to stockholders and interest payments to loan providers	Dividends – none Interests – 23,051,290.00	PhP
e. Taxes given to government	123,431,294.00 (includes national and local taxes and licenses and permits)	PhP
f. Investments to community (e.g. donations, CSR)	1,391,075.00	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
VITA generated a total revenue of Php9,704,281,449.00 as a result of its business operations, strategies and other operating and passive income. With this amount, it was able to fund its operating costs and pay the salaries of its employees. It was also able to contribute to the government in the form of taxes and license fees. In addition, it 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. Its generated revenue has an impact on the country's revenue through the taxes it paid for 2021. It also has an impact on the labor	Government, employees, creditors, suppliers, community.	VITA has a Lifetime Profitable Partnership program designed to create long term growth not only of VITA but also of its partners. The monthly results of operations as well as the projections for the succeeding months are reported to the Board of Directors every month. Changes in the business strategies are constantly made if necessary in order to adapt to the COVID-19 situation and regulations in place in the country. VITA maintained the additional sales channels it made in 2020 and continuously looked for additional sales channels in 2021. It also renegotiated its contracts with some of its suppliers and customers

sector through job creation and retention as well as in food production and distribution.		for mutually beneficial amended contracts. It complied with the terms of its contracts or re-negotiated contracts. VITA also maintained its COVID-19 Crisis Management Team to ensure the health and safety of its employees and business continuity in order to avoid disruptions in the operations. To avoid disruptions in operations due to temporary closure of its offices and plants because of COVID-19 infections, VITA followed all public health standards imposed and recommended by the government, provided transportation to its employees, allowed telecommuting even if it is allowed to operate on-site at 100% capacity. VITA likewise paid its creditors in accordance with the terms of the loan in order to avoid penalties and law suits. VITA commits to continue improving its operations and business strategies.
What are the Risk/s Identified?		
The COVID-19 pandemic and the several lockdowns in 2021 continued to pose financial risks as it affected not only the operations but also the customers' demands for VITA's products. The African Swine Flu also continued to pose risks not only to VITA's operations but also to its customers' operations.		
What are the Opportunity/ies Identified?		
The availability of multiple sales channels for VITA's products helped the innovations made in its business strategies.		

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			

[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.

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 President and/or department heads report to the Board of Directors how floods or extreme weather conditions affect or impact VITA's business as well as the measures undertaken to minimize the impacts.	VITA is exposed to the following risks due to climate change: i. Physical Risk. Being an agribusiness, it is exposed to physical risks of drought and extreme rains/extreme weather condition and flooding. ii. Operational Risk. Climate change poses the risk of disrupting VITA's operations. iii. Credit and Liquidity Risks. Climate change could affect VITA's financial performance and access to capital. For tropical countries like the Philippines, the global warming effect of climate change gives VITA the opportunity to use solar energy technology. Since global warming tends to produce less clouds in the atmosphere, the intensity and duration of sunlight exposure increases. Thus, the opportunity of converting this into	VITA identifies and assesses climate-related risks through any or all of the following methods: (a) continuous analysis of its business processes and finding the factors that could affect its processes and targeted goals; (b) reviewing past negative experiences or negative results and finding out the root cause; and/or (c) continuous research and benchmarking with other companies in the same industry.	VITA's metrics in assessing its climate-related risk management and strategy are: (a) cost efficiency of its strategy; (b) quality of feeds and poultry; (c) ability to meet customers' demands; and (d) customer satisfaction.

	solar energy and using the same in its business operations.		
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. It makes the appropriate adjustments in its strategies. Any climate-related issue that affects or may potentially affect VITA's business operations are likewise discussed to the Board, together with measures undertaken or to be undertaken to address the climate-related issues.	Drought and extreme rains/extreme weather condition and flooding cause disruptions in crop production and also affects the quality of raw materials. In addition, all the identified risks have the following impacts/potential impacts on its business operations: a. Higher costs due to insufficiency or scarcity of raw materials or because of disruptions in the crop production. b. Decrease in demand for feeds from animal raisers/growers since drought and extreme rains and flooding adversely affect the growth efficiency of farm animals, especially poultry.	To manage the climate-related risks, VITA re-formulates its feeds using alternative materials and changing parameters in processing to attain the specified quality for a specific feed type. VITA also benchmarks and conducts continuous consultations and research and development to maintain the quality of feeds despite using alternative raw materials. Likewise, VITA's locally sourced materials are supported by importations and frame contract to manage and mitigate impacts of climate-related risks. VITA has also an ongoing solar energy	VITA's target in managing its climate-related risk management and strategy is to continue to deliver on time the agreed volume or agreed reduced volume of feeds and chicken to its customers without sacrificing quality, and without incurring too much costs.

	c. Disruption in the breeding cycles of imported poultry breeding stocks, thus, disrupting the supply chain considering that limited breeding stocks result in scarcity of day old chicks. d. Exposure to all sorts of risks posed by international supply chain should corn importations increase to more than 50% of the corn supply due to decrease in local corn produce and producers. e. Disruptions in poultry growing. f. Delays in delivery brought about by delays in payment to suppliers. On the other hand, converting the increased intensity of sunlight exposure brought about by global warming into solar energy could drastically lower VITA's GHG emissions, in addition to lowering electricity costs. Lowering the electricity cost for the farm would have an immediate impact on the bottom line of the growers, making it more attractive for them to continue in the business or even consider expansion. This could also help in mitigating the impacts of other risks leading to	project in its Iloilo Feed Mill, which aims not only to minimize its negative impact to the environment but also to help improve operational efficiencies and reduce cost in order to mitigate also financial impacts of climate-related financial risks. Apart from this, VITA also regularly maintains and upgrades its equipment to comply with DENR standards.	

	less exposure to operating loss. In addition, this would also enable VITA to match its need to increase its contract growing capacities with the increase in customer demand for chickens in the market.		
	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	
	VITA's climate-related risk management continues to prove to be resilient as evidenced by: (a) its 71 years of continued existence; (b) continued financial stability; (c) increase in its net income from its 2020 level.	As can be seen above, changes and modifications are made in VITA's business processes and feed formulation to mitigate impacts of climate-related risks and adapt to constraints brought about by climate-related risks and events.	

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	Nationwide: 95.45 Luzon – 50.61 Visayas – 13.92 Mindanao – 30.92	%

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 2021, 95.45% of VITA's procurement budget was spent on local suppliers. These suppliers consisted not only of suppliers of raw and other trade materials used in the manufacture of feeds and chicken but also service providers such as consultants and contractors.	Suppliers, domestic companies, especially the MSMEs, and farmers.	VITA's procurement policies and strategies were crafted, reviewed, revised and implemented in a manner consistent with the company's vision of being the backbone of every Filipino farmer's success and mission of building partnerships with its suppliers, among others. Its procurement policies and strategies are periodically reviewed in order to continuously improve the company's buying plans, strategies and timings. VITA likewise partnered with the government in the latter's "Pilipinas Kontra Gutom" program. Through this program, VITA will procure one of its major raw materials from local farmers, thereby increasing farmer productivity and income. The contract will be implemented in 2022.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Operational risks due to supply constraints, poor quality of supplies, and delays in deliveries due to calamities or extreme weather conditions. Financial risks due to sudden or significant increase in prices of goods and services. Legal, operational, and financial risks for late or non-payment of suppliers.	In addition to the foregoing, customers, creditors, shareholders and investors.	In addition to the above, VITA makes payment allocations to suppliers, especially major raw materials suppliers in order to ensure timely deliveries of major raw materials absent calamities or extreme weather conditions.
What are the Opportunity/ies Identified?		
VITA's multiple sourcing strategy allows it to manage climate-related		

risks. The availability of reliable suppliers can ensure operational efficiencies despite extreme weather conditions. The availability of raw materials and other input goods and services all year round can minimize increase in costs despite sudden or significant increase in prices of goods and services. Continuity of operations due to on-time payment of suppliers.		

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 *See Management Approach*	%
Percentage of directors and management that have received anti-corruption training	0 *See Management Approach*	%
Percentage of employees that have received anti-corruption training	100	%

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 directly impacts VITA's business operations, supply chain, human capital, and goodwill. Its anti-corruption policies relate mostly to prohibitions on conflicts of interests, theft, and kickbacks, as	Suppliers, customers, employees, shareholders/investors, directors, officers and regulators.	In 2021, the employees were re-oriented and re-trained on the Company Rules and Regulations, which included the company's current anti-corruption policies. The internal audit department conducts regular audit of VITA's different

well as to ensuring arms-length transactions in all dealings. **What are the Risk/s Identified?** Legal, financial, operational and reputational risks brought about by conflicts of interest, theft, or kickbacks. **What are the Opportunity/ies Identified?** VITA's current anti-corruption policies present an opportunity to participate in external trainings on anti-corruption in the workplace in order to strengthen and improve its own policies in line with its core value of "integrity".		departments to ensure compliance with the company's processes, rules, regulations and internal controls. VITA also complies with all laws and regulations. It ensures that it complies with its regulators' requirements and that it has all the necessary permits and licenses. VITA also approved its Whistle Blowing Policy on 16 December 2021, which covered directors, officers, and employees. This aims to enable any concerned individual to report and provide information on any of the reportable actions specified in the policy. Consistent with its core value of integrity, VITA will draft a program to effectively communicate its anti-corruption policies to its business partners. It also commits to conduct anti-corruption training to its directors and management.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	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
Prevention of corruption directly impacts VITA's business operations, supply chain, human capital, and goodwill.	Suppliers, customers, employees, shareholders/investors, directors, officers and regulators.	In 2021, the employees were re-oriented and re-trained on the Company Rules and Regulations, which included the company's current anti-corruption policies.

What are the Risk/s Identified?		The internal audit department conducts regular audit of VITA's different departments to ensure compliance with the company's processes, rules, regulations and internal controls. VITA also complies with all laws and regulations. It ensures that it complies with its regulators' requirements and that it has all the necessary permits and licenses. VITA also approved its Whistle Blowing Policy on 16 December 2021, which covered directors, officers, and employees. This aims to enable any concerned individual to report and provide information on any of the reportable actions specified in the policy.
Legal, financial, operational and reputational risks brought about by incidents of corruption.		
What are the Opportunity/ies Identified?		
VITA's current anti-corruption policies present an opportunity to participate in external trainings on anti-corruption in the workplace in order to strengthen and improve its own policies in line with its core value of "integrity".		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (SFO)	Visayas – 4,363	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	Visayas – 12.25	GJ
Energy consumption (diesel)	Luzon – 19,500 (for forklift) Visayas – 695.75 Mindanao – 13,128.78	Liters GJ
Energy consumption (electricity)	Luzon – 1,296 Visayas – 1,657,600 Mindanao – 3,146,111	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (SFO)		GJ
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
The data was primarily based from VITA's Iloilo and Davao feed mill plants as well as from the Luzon feed mill plant being operated by VITA's business partner in so far as diesel consumption in its forklift equipment is concerned. For the electricity consumption, the data presented is for VITA's office in Luzon, office and feed mill plants in Visayas and Mindanao.	Suppliers and communities where VITA operates.	To manage its environmental impacts, VITA conducts regular preventive maintenance of equipment. In 2021, it replaced its auto-bagger and mixer and re-designed the production planning in its Davao feed mill plant in order to improve efficiency and align its production planning with the new equipment.

The impact is on the environment and the supply chain as the use of these different energy sources result in emissions and wastes that could be harmful to the environment, especially since VITA does not, for now, use renewable sources of energy. **What are the Risk/s Identified?** Climate change brought about by increase in air emissions and pollutions. Shortage or scarcity of non-renewable sources of energy. Legal and reputational risks are seen should VITA's GHG emissions and air pollution contribution increase significantly or when the same went beyond the thresholds provided by the government. **What are the Opportunity/ies Identified?** The ongoing Solar Energy Project in the Iloilo feed mill plant gives VITA the opportunity to have a more efficient and more environment friendly operations.		To further improve its efficiencies and reduce its environmental impact, VITA has also an ongoing Solar Energy Project in its Iloilo feed mill plant, which is targeted to be completed in 2022. Once the same is completed, it plans to continue this project in its Davao feed mill plant. Vivant Corporation, the parent company of Corenergy, Inc., is looking at VITA's different facilities like the breeder farms aiming to help VITA in making its facilities more energy efficient. Corenergy is VITA's electricity provider in its Luzon office.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	Visayas – 6089 Mindanao – 6,142	Cubic meters
Water consumption	Visayas – 6089 Mindanao – 6,140	Cubic meters
Water recycled and reused	Visayas - 0 Mindanao – 2.0	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
The data was based from the water consumption and withdrawal in VITA's Iloilo and Davao feed mill plants. In the Iloilo feed mill plant, water is used mainly for steam generation of its boilers. In the Davao feed mill plant, water is mainly used for steam generation. Recycled water in Davao feed mill plant is very low as water is used only to control particulate matter. The slight increase in the water consumption and withdrawal in 2021 as compared to 2020 were both production driven in the sense that when there is an increase in the pellets and crumbles, more steam is needed. Therefore, more water is needed.	The communities where VITA operates and the government.	VITA continuously improves its operational efficiencies in order to lower its water consumption. It also conducts regular preventive maintenance of its equipment and replace the same with more efficient and more technologically advanced equipment as may be necessary. VITA also complies with the requirement of putting a waste water treatment in its Luzon and Davao dressing plants. While these dressing plants are being operated by third parties, thus, not included in the data provided above, VITA completed the necessary facilities being the owner thereof.
What are the Risk/s Identified?		
An increase in water consumption may result in higher water pollution and higher waste water contributions. Water shortage or scarcity. Legal and reputational risks are seen should VITA's waste water contributions increase significantly.		
What are the Opportunity/ies Identified?		
Reduction in waste water and water pollution contributions.		

Presence of technologies that can help improve waste water treatment in the feed mills.		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	Luzon – 76,468,560 Visayas – 48,329,676.52 Mindanao – 84,128,100	kg
• non-renewable	Luzon – 1,531,440 Visayas – 2,077,707.23 Mindanao – 588,897	Kg
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
The data above was based on the raw materials for feed production – macro, micro and packaging. The non-renewable materials are the packaging used for the feeds (sacks). As can be seen, however, while VITA uses more renewable materials than non-renewable materials, it does not use recycled materials in its production. Since VITA still uses non-renewable materials, it is still contributing to waste generation and pollution.	Suppliers, communities where VITA operates, the government and customers.	As can be seen in the data, VITA heavily uses renewable materials in its operations. As for the non-renewable materials, VITA is shifting from the laminated sack to reusable woven sack for its feeds. The management is taking steps to address waste and pollution generated and contributed.
What are the Risk/s Identified?		
Shortage or scarcity of renewable or reusable materials due to increase in demand for the same.		

The continuous demand for non-renewable materials increases VITA's contribution to pollution and waste. Legal and reputational risks are also seen considering that the thrust now is for companies to operate in a more environment friendly manner, if not 100% environment friendly manner.		
What are the Opportunity/ies Identified?		
Reduction in waste and pollution contribution. In addition, there is still opportunity to use more renewable, reusable and recyclable materials in the production of feeds.		

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
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

[4] International Union for Conservation of Nature

linked to impacts through its business relationship)		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	Visayas – 0.079 MT/year Mindanao (CO emission only for broilers 1 and 2, respectively) – 2.6 tonnes/year and 1.6 tonnes/year, respectively.	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	0	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
The data was based on the emission testing conducted by a DENR-EMB accredited third party company on VITA's Iloilo and Davao feed mill plants.	The communities where VITA operates, the government and the public in general.	VITA regularly conducts preventive maintenance on its equipment. It also conducts regular repair of its facilities, including pollution control facilities, to ensure not only good operating conditions

While VITA neither has indirect GHG emissions nor ozone depleting substances emissions, its feed mill operations in Iloilo and Davao contribute to GHG emissions as a necessary consequence of its operations, albeit in a low level only. The use of special fuel oils in the Iloilo feed mill plant contributed to the low emissions from the said plant.		but also compliance with environmental laws and regulations. In 2021, VITA upgraded its feed mill machinery in its Davao feed mill plant to maintain operational efficiencies and minimize GHG emissions. It likewise ensures that its operations are efficient in order to keep its emissions not only within DENR-EMB standards but also to keep the emissions low. VITA also operates within the bounds of its Environmental Compliance Certificate ("ECC").
What are the Risk/s Identified?		
Climate change brought about by continuous GHG emissions and continuous contribution to air pollution. Health risks on the communities where VITA operates as well as the public in general due to the continuous GHG emissions. Legal and reputational risks should VITA's GHG emissions significantly increase or even went beyond DENR-EMB standards.		
What are the Opportunity/ies Identified?		
Decrease in GHG emissions and air pollution contributions. Decrease in health risks on the communities where it operates as well as the public in general. Avoidance of unnecessary penalties imposed for non-compliance with environmental laws and regulations.		

Air pollutants

Disclosure	Quantity	Units
NO_x	Visayas – 350 Mindanao Boiler 1-A – 29.3 Boiler 1-B – 30.2 Boiler 2-B – 39.4 Genset – 290.4	Mg/Ncm Kg
SO_x	Visayas – 618 (as SO2) Mindanao Boiler 1-A – 5.1 Boiler 1-B – 3.2 Boiler 2-B – 3.7	Mg/Ncm Kg
Persistent organic pollutants (POPs)	0	Kg
Volatile organic compounds (VOCs)	0	Kg
Hazardous air pollutants (HAPs)	0	Kg
Particulate matter (PM)	Visayas – 62.6 Mindanao Boiler 1-A – 32.3 Boiler 1-B – 8.9 Boiler 2-B – 8.6	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 data was based on the emission testing conducted by a DENR-EMB accredited third party company on VITA's Iloilo and Davao feed mill plants. For 2021, the lower NO_X and SO_X emissions from the Company's boilers in its Davao feed mill resulted from the replacement of its equipment. VITA invested in a more environment friendly and efficient equipment. **What are the Risk/s Identified?**	The communities where VITA operates, the government and the public in general.	VITA regularly conducts preventive maintenance on its equipment. It also conducts regular repair of its facilities, including pollution control facilities to ensure not only good operating conditions but also compliance with environmental laws and regulations. In 2021, VITA upgraded its feed mill machinery in its Davao feed mill plant to maintain operational efficiencies and minimize GHG emissions. It likewise ensures that its operations are efficient in order to keep its emissions not only within DENR-EMB standards but also to keep the emissions

Climate change brought about by continuous contribution to air pollution. Health risks on the communities where VITA operates as well as the public in general due to the continuous air pollution contribution. Legal and reputational risks should VITA's air pollutant emissions significantly increase or even went beyond DENR-EMB standards.		low. VITA also operates within the bounds of its ECC.
What are the Opportunity/ies Identified?		
Decrease in air pollutants emissions, thereby decreasing air pollution contributions. Decrease in health risks on the communities where VITA operates as well as the public in general. Avoidance of unnecessary penalties imposed for non-compliance with environmental laws and regulations.		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	Visayas – 1,700/month Mindanao – 2,500/month	kg
Reusable	Visayas – 300/month Mindanao – 500/month	kg
Recyclable	Visayas – 250/month Mindanao – 300/month	kg

Composted	Visayas – 150/month Mindanao – 700/month	kg
Incinerated	Visayas – 0 Mindanao – 0	kg
Residuals/Landfilled	Visayas – 1000/month Mindanao – 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 data was based on the monthly solid waste collected by VITA's third party solid waste collectors from the Iloilo and Davao feed mill plants. These solid wastes relate to feed production in the said feed mill plants. The total solid wastes generated for both feed mill plants in 2021 are the same as that in 2020.	The employees, the communities where VITA operates, the public in general, and the government.	VITA has a Materials Recovery Facility in its plants for the proper segregation, storage and disposal of these wastes. It also hired a third party solid waste collector to properly dispose its solid wastes. In addition, VITA continuously reiterated and strengthened its campaign and practice for proper waste segregation. It collects sweepings (assorted wastes collected through the process of sweeping) to be reprocessed/included in the 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. It regularly evaluates the sweepings to make sure that it would not cause infections. VITA also provides the employees with PPEs and biosecurity measures in place are strictly implemented. VITA will explore partnering with host LGUs to increase its composting capability.
What are the Risk/s Identified?		
Increase in pollution due to increase in residual solid wastes. Health risks on the employees, communities where VITA operates and the public in general. Legal and reputational risks brought about by significant increase in residual solid waste generated or by improper solid waste disposal.		
What are the Opportunity/ies Identified?		

Decrease in pollution due to decrease in residual solid wastes. Minimize health risks on the employees, the communities where VITA operates and on the public in general. Avoidance of unnecessary imposition of penalties due to non-compliance with environmental laws and regulations. There is continuous funding available from the national government for bio-composter for Local Government Units (LGUs). This presents an opportunity for VITA to partner with host LGUs to increase its composting capability. VITA can also seek the assistance of the DOST to avail of bio-composters at reasonable price.		

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	Visayas: Used oil – 350/year Busted lamps – 61/year Mindanao: Used oil – 1000/year Busted lamps – none	 liters kg liters
Total weight of hazardous waste transported	Visayas: 0 Mindanao: 1,000	 liters

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 hazardous wastes generated by VITA for both feed mill plants are low or minimal only. The data was based on the hazardous waste generated and transported as indicated on the Iloilo feed mill plant inventory and on the Davao feed mill plant inventory as well as the hazardous waste collected and transported by VITA's third party hazardous waste transporter. For the Iloilo feed mill plant, since the volume of hazardous waste is still minimal, there is no need yet to transport the same as there is also no hazardous waste transporter that would cater at the minimal volume.	The employees, the communities where VITA operates, the public in general, and the government.	The Company has a designated Materials Recovery Facility 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. It continuously improves its preventive maintenance program/schedule in order to minimize used oil. It continuously converts all lights into LED lamps/bulbs, which have a higher life span, to minimize busted lamps.
What are the Risk/s Identified?		**Management Approach**
Improper disposal may lead to environmental risks as well as health risks on the employees, the communities where VITA operates and the public in general. It may also lead into fire and pollution as well as legal and reputational risks against VITA.		In addition to the foregoing, VITA monitors the 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 with PPEs, which they are also required to wear within the premises.
What are the Opportunity/ies Identified?		
Reduction or elimination of environmental and health risks. Avoidance of fire and decrease in contribution to pollution.		

Avoidance of unnecessary penalties or expenses due to non-compliance with disposition of hazardous waste or accidents caused by hazardous wastes.		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	Visayas – 66/month Mindanao – 0	Cubic meters
Percent of wastewater recycled	Visayas – 0 Mindanao – 4.12	%

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 data was based on the water discharges and recycled in the Iloilo and Davao feed mill plants. While there was an increase in the water discharge in Iloilo feed mill in 2021, the same is still considered minimal. 95% of the water consumption is used for its feeds production and 5% goes to domestic use – handwashing, cleaning and flushing toilets. This 5% waste water goes directly to the septic tanks. In the Davao feed mill plant, the 4.12% of wastewater recycled was supposed to be part of the water discharge but instead of being discharged, the same went into being recycled to control the particulate matter.	The communities where VITA operates, and the government.	VITA monitors the final discharge of waste water to ensure that its operations are within regulatory standards. It complies with the proper waste water disposal prescribed under the law and regulations. As disclosed above, VITA complies with the requirement of putting a waste water treatment in its Luzon and Davao dressing plants. While these dressing plants are being operated by third parties, thus, not included in the data provided above, VITA completed the necessary facilities being the owner thereof.

This water discharge impacts the environment, particularly the water bodies.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	
Shortage or scarcity of water resources due to increase in effluents. Increase in water pollution contribution. Legal risks for non-compliance with environmental laws and regulations relative to cleanliness and conservation of water.	The communities where it operates, public in general and the government.	
What are the Opportunity/ies Identified?		
Conservation of water resources. Decrease in water pollution contribution. Avoidance of unnecessary penalties for non-compliance with environmental laws and regulations relative to cleanliness and conservation of water.		

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	0	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	#

<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>VITA was neither penalized nor complained for violation or non-compliance with environmental laws and regulations in 2021.

Having complied with environmental laws and regulations, VITA maintained its contribution to pollution at a minimal level.</td><td rowspan="5">The government, communities where VITA operates, business partners, customers, investors, shareholders, directors, and officers.</td><td rowspan="5">VITA strictly monitors compliance with environmental laws and regulations, including securing all permits and licenses needed for the continued operation of its business. It continuously upgrades and regularly maintains its facilities to ensure efficiencies and maintain pollution contribution to a minimum.

VITA incorporates in its contracts with suppliers and partners the obligation to comply with all existing laws and regulations. This includes the duty to comply with environmental laws and regulations. The contracts also provide for sanctions for breach of this obligation.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Legal and reputational risks as non-compliance with environmental laws and regulations will expose VITA not only to monetary fines or suspension of business but also permanent closure of business.

Environmental risks such as increase in contribution to pollution.

Possible reputational risks brought about by non-compliance with environmental laws and regulations of VITA’s partners and suppliers.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Business continuity and avoidance of fines and suspension or closure of operations.

Contribution to pollution was maintained at a minimal level.</td></tr>
</table>

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[5]	581	
a. Number of female employees	223	#
b. Number of male employees	358	#
Attrition rate[6]	1.75%	Rate
Ratio of lowest paid employee against minimum wage	None	Ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	6.20	9.64
PhilHealth	Y	2.41	2.58
Pag-ibig	Y	4.99	9.47
Parental leaves	Y	2.75	0.69
Vacation leaves	Y	32.01	50.95
Sick leaves	Y	23.06	30.29
Medical benefits (aside from PhilHealth))	Y	19.10	27.71
Housing assistance (aside from Pag-ibig)	N		
Retirement fund (aside from SSS)	Y	0.17	1.03
Further education support	N		
Company stock options	N		
Telecommuting	Y	63.44	21.69
Flexible-working Hours	Y	4.65	11.19
(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, VITA contributes to labor and employment both on localized and nationwide scopes. It helps promote local hiring in Bulacan, Iloilo, Davao and all other provinces where it holds its operations.	VITA abides by the country's labor laws and regulations and it provides additional benefits in the following forms:

[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)

It also contributes to its employees' welfare and quality of life not only through the government-mandated benefits but also through the additional benefits given to employees. 46.81% of its employees availed of medical benefits other than PhilHealth in 2021. Without these additional benefits, the employees would have spent their own money for the medical expenses and other expenses due to accidents that they or their dependents encountered.	a. Medical benefits in addition to Philhealth in the forms of Group Health Insurance Plan (GHIP) and Group Personal Accident (GPA) Insurance. Under the GHIP, the employees and their dependents (up to 3) may reimburse actual medical expenses incurred to the extent of the ceiling provided under the plan. Such ceiling depends on the employee's rank and is not limited to work related illness/medical expense. Similar to the GHIP, the GPA Insurance may be availed of even when the accident is not work-related. b. PPEs c. Uniform d. Rice Subsidy e. Seniority Pay f. When applicable, transportation and meal allowances g. Funeral assistance h. Hazard pay to qualified employees It also engaged physicians where it can refer employees for medical examinations and check-ups. Its company physicians in Visayas and Mindanao visits VITA's plants on a regular basis. It also has an employees' welfare program. Through this program, it procured COVID-19 vaccines for its employees, gave and distributed PPEs and vitamins to its employees. This program also enabled VITA to provide COVID-19 care kits to its employees and their families. As disclosed above, VITA also maintained its COVID-19 Crisis Management Team to ensure the health and safety of its employees and business continuity in order to avoid disruptions in the operations. VITA followed all public health standards imposed and recommended by the government, provided transportation to its employees, allowed telecommuting even if it is allowed to operate on-site at 100% capacity. VITA continuously conducted massive awareness campaign on COVID-19 prevention and management.

	It also has an Employee Lifetime Profitable Partnership Program ("Employee LPP") where it regularly and continuously engages with the employees to check on them and get their inputs to further improve VITA's operations. VITA has a Green Sanctuary Program, which is anchored to the core value Care for Others. Each VITA site has put up an area where employees can plant flowering and vegetable plants. Production are shared to the employees.
What are the Risk/s Identified?	**Management Approach**
The COVID-19 pandemic continued to pose health risks on the employees.	In addition to the foregoing, VITA regularly checks the laws and regulations on the minimum employee benefits set by the government as well as industry standards and benchmarks on similar companies within the industry to evaluate the need to update and increase the benefits.
What are the Opportunity/ies Identified?	
Availability of skilled workforce in the areas of operation.	

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	1,534.00	Hours
b. Male employees	2,709.50	Hours
Average training hours provided to employees		
a. Female employees	7.4	hours/employee
b. Male employees	7.5	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
VITA's training and development programs for its employees, whether internal or external, contribute to employee's personal and professional growth and efficiency in the performance of their tasks. In 2021, it had trainings on technical topics, administrative and support, and leadership. ISO-FSMS compliance trainings, such as upskilling of workforce, supervisory training, fundamentals of sales capability training, food safety, and awareness orientation for all employees, were also conducted.	VITA has a training calendar per region. The trainings are held on a monthly basis unless otherwise requested by the concerned department. Most of the trainings are targeted and tailor fit on the employees' and departments' needs/requests. VITA conducts an over-all post-training evaluation and feedback based on how the training was conducted. It also conducts regular performance evaluation of the employees to measure their growth and improvement.

What are the Risk/s Identified?	In 2021, aside from the regular employee evaluation, VITA started getting feedback and data on the training effectiveness from the employees' supervisor two (2) months after the training was conducted. This evaluation aims to check whether there was an improvement on the employee, such as change in behavior, improvement in time management skills, or improvement in work skills. However, as this was a new procedure, there was a difficulty in getting timely reports/data from the supervisors. Thus, VITA plans to institutionalize this in 2022 to ensure timely submission of reports/evaluations of the supervisors.
Ineffective or irrelevant trainings, which, in turn, result in zero to minimal effects on productivity.	
What are the Opportunity/ies Identified?	
Availability of external training providers for employees can help VITA to continuously build new leaders and develop the organization and the management team to have better productivity and efficiency results.	

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	13.25	%
Number of consultations conducted with employees concerning employee-related policies	1 (pertains to the CBA concluded in March 2021)	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In March 2021, VITA and the union representing its rank and file employees negotiated and closed a new Collective Bargaining Agreement to retroactively apply as early as August 2020 until the next 5 years or until 2025.	In addition to the employee LPP, VITA regularly and constantly communicates with the employees and their union and upholds the terms and conditions in the CBA. It also upholds and follows labor laws and regulations.
What are the Risk/s Identified?	
Legal, reputational and operational risks may result from labor unrest or strikes should VITA fail to have a mutually beneficial CBA or should it fail to meet/comply with its obligations under the CBA and labor laws and regulations.	
What are the Opportunity/ies Identified?	
Having a mutually beneficial CBA and compliance with the CBA, the labor laws and regulations not only enables VITA to avoid all legal, reputational and operational risks but also allows it to have a	

strengthened relationship with the employees and the union representing them.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	40.62	%
% of male workers in the workforce	65.92	%
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
VITA contributes to the employment and empowerment of women, especially that of working mothers. 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, hiring and promotion of employees. Many of the top key positions are held by female employees, such as the Research and Development, Supply Chain, Chief Finance Officer positions. VITA adheres to the principle that equal opportunity for all does not mean equality in numbers but equality in rights and obligations.
What are the Risk/s Identified?	
Sex-based and gender-based discrimination among the employees in terms of opportunities, rights and obligations would result in legal and reputational risks.	
What are the Opportunity/ies Identified?	
Giving equal opportunity and equal treatment for all persons, regardless of sex and gender gives an opportunity for VITA avoid legal and reputational risks.	

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,582,560	Man-hours
No. of work-related injuries	Luzon – 0 Visayas – 0 Mindanao – 2	#
No. of work-related fatalities	Luzon – 0 Visayas – 0 Mindanao – 0	#
No. of work related ill-health	Luzon – 0	#

	Visayas – 0 Mindanao – 0	
No. of safety drills	Luzon – 0 Visayas – 0 Mindanao – 1	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In 2021, there were 2 work-related injuries, both of whom were able to claim from the SSS ECC and were able to go back to work. In its Mindanao office, a fire safety drill was conducted by the Bureau of Fire Protection ("BFP"). In the Luzon offices, none was conducted in 2021 by the BFP and in Visayas offices, the BFP did not accommodate VITA's request. VITA'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, VITA 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, VITA has an existing Safety Policy and Safety Officer in all company-owned manufacturing sites. It also promotes health and safety awareness to employees through its Safety Officer. It strictly implements all sanitary and biosecurity measures in place. In addition, VITA provides safety-related trainings and personal protective equipment to all employees. VITA commits to continuously cooperate with the BFP for the conduct of a fire safety drill. It also commits to resume conducting its earthquake drill. Moreover, since 2020, VITA has been complying with all recommended and mandatory public health standards, including awareness campaigns and vaccination program, to minimize and prevent the spread of COVID-19 virus.
What are the Risk/s Identified?	
Failure to maintain a safe and healthy workplace will result in more work-related injuries and even fatalities. These, in turn, would incur legal and reputational risks.	
What are the Opportunity/ies Identified?	
Maintaining a safe and healthy workplace gives VITA the opportunity to avoid work-related injuries and deaths. These, in turn, would translate to avoidance of legal and reputational risks.	

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. There is a need for the applicant to be of legal age.
Human Rights	Y	One human right being upheld in the Company Rules and Regulations is the right of employees against sexual harassment.

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>VITA contributes to the government's policy against forced and child labor. It also contributes to the promotion of human rights in the workplace. It contributes to the peace and order in society as well as to the employees' improved quality of life.</td><td rowspan="5">At the outset, while there is no specific provision on the Company Hiring Policy and Company Rules and Regulations prohibiting forced labor, VITA, 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, it also strictly adheres to the provisions of the labor laws and CBA.

VITA continuously and periodically revisits 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.

VITA also continuously complies with all labor laws and regulations.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>The absence of an explicit prohibition on forced labor may be misconstrued by the public and other employees that the company allows forced labor.

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.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>Continuous protection of human rights in the workplace.</td></tr>
</table>

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

____

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		
Human rights		

Bribery and corruption		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

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)
Feed mill operations	Iloilo		N	As discussed above, VITA contributes to local employment and job creation. However, in the	As mentioned above, VITA regularly conducts preventive maintenance of its equipment to minimize its
	Davao		N		

				pursuit of its operations, it is unfortunate that it also contributes to pollution through its GHG emissions, air pollutants, solid, water and hazardous wastes.	emissions. It also ensures that all wastes are properly segregated. VITA also complies with all environmental laws and regulations.

**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
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	July 2021 (Feeds only) : Product (physical appearance, bulk and price at the market) –	N

	3.58/5.0 (average – nationwide) Performance of feeds – 3.8/5 (average – nationwide) Sales, technical and marketing services provided to customers – 3.99/5 (average – nationwide) Average score for all criteria (nationwide) – 3.79/5 September 2021 (Feeds only): Product (physical appearance, bulk and price at the market) – 3.9/5.0 (average – nationwide) Performance of feeds – 4.17/5 (average – nationwide) Logistics – 3.59/5 (average – nationwide) Sales and technical services provided to customers – 3.83/5 (average – nationwide) Marketing services provided to customers – 3.44/5 (average – nationwide)	

	Average score for all criteria (nationwide) – 3.8/5	

What is the impact and where does it occur? What is the organization’s involvement in the impact?	**Management Approach**
Excellent customer service translates to customer satisfaction. Customer satisfaction, in turn, contributes not only to building a lifetime partnership with the customer and to the continuous improvement of VITA’s products, services and processes but also to the morale and productivity of the employees and to the company’s relationship with its suppliers as well. In addition to that, customer satisfaction also contributes to the financial growth of the company’s business partners. In 2021, VITA conducted 2 customer satisfaction surveys relative to its feeds products in terms of the physical product, the performance of the feeds, and the sales and marketing services provided by the Company. Both resulted in 3.79/5 and 3.8/5 ratings.	VITA has a Lifetime Profitable Partnership (“LPP”) program as well as regular customer satisfaction surveys done on farmers, retailers and distributors with respect to its feeds in order to assess how it can improve its products, services and processes. VITA is taking steps to institutionalize its customer care processes in order to further improve its customer service.
What are the Risk/s Identified?	
Poor customer service translates to poor customer satisfaction, which may result in shift to competitors and reputational risk against VITA.	
What are the Opportunity/ies Identified?	
Excellent customer satisfaction leads to good customer service and a carefully calculated growth focused on VITA’s LPP programs rather than merely increasing sales. It will 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.*

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>For 2021, there was no substantiated complaint against the health and safety of VITA's products. Thus, it was not exposed to any legal, operational, financial risks.</td><td rowspan="5">VITA takes into consideration the health and safety of its feeds for consumption of poultry and livestock. It also requires its growers to follow the best practices in growing and raising poultry.

VITA has Quality Assurance personnel to ensure the health and safety of its products. Only those who passed VITA's quality standards shall be supplied and distributed to the customers.

VITA has a Hazard Analysis Critical Control Points (HACCP) certification, an internationally recognized standard of identifying and managing food safety related risk. This means that VITA's production process and food safety program are at par and aligned with internationally recognized standards.

Moreover, VITA's Iloilo and Davao feed mill plants are FSMS ISO 22000:2018 certified, meaning that the food safety management systems in place in these plants passed internationally recognized standards.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>Since VITA is engaged in the feeds and poultry business, it is a highly regulated business. As such, it is exposed to legal, operational, reputational and financial risks should it fail to maintain the health and safety of its products.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>Keeping and ensuring the products' health and safety, to avoid legal, operational, reputational and financial risks.</td></tr>
</table>

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	None	#
No. of complaints addressed	None	#

**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 2021, there was no substantiated complaint on marketing and labelling. Thus, VITA was not exposed to legal, reputational, financial or operational risks.	VITA has Quality Assurance personnel to ensure not only the health and safety of its products but also to ensure that its products are properly packed and labelled.
What are the Risk/s Identified?	
Failure to properly pack and/or label the products may cause confusion, misinformation, and even contamination of products. Thus, VITA is exposed to legal, operational, financial and reputational risks.	
What are the Opportunity/ies Identified?	
Proper packing and labelling of the products avoid confusion, misinformation, contamination or food poisoning (chicken), thereby, reducing and even eliminating legal, operational, financial and reputational risks.	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		#
No. of customers, users and account holders whose information is used for secondary purposes		#

**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
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**

Identify the opportunity/ies related to material topic of the organization	

Data Security

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

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>For 2021, VITA did not experience data breach, leak, theft or even loss. All data regarding the its business operations, trade secrets, employees, suppliers, and customers are intact and secured. Since it was able to keep its data secured, its business operations and supply chain remained undisturbed and its business operations and supply chain were not exposed to legal, financial and operational risks.</td><td rowspan="6">VITA 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. It has also 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 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.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>Breach of data security exposes VITA, its directors, officers, and employees to legal, operational, financial and reputational risks.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>Continuously keeping VITA’s data safe and secured not only minimizes the legal, operational, financial and reputational risks of VITA, its directors, officers, and employees.</td></tr>
</table>

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 Chicken	**SDG Goal 2: Zero Hunger** 1. Continuous provision of healthy and safe feeds for animals and foods for people. 2. Partnered with government in the latter's Pilipinas Kontra Gutom program. 3. Lifetime Profitable Partnerships with its business partners, suppliers, customers and employees. **SDG Goal 8: Decent Work and Economic Growth** 1. Continued economic growth of VITA and contribution to its stakeholders' economic growth. 2. Job creation, competitive compensation packages, and career growth opportunities. 3. Full, productive, efficient, healthy and safe workplace. 4. Green Sanctuary program. **SDG Goal 12: Responsible Production and Consumption**	1. Shortage of natural resources. 2. Waste generation. 3. Pollution. 4. Contribution to Climate Change.	As disclosed in the previous topics, VITA 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 and climate change as well as to further reduce the wastes it generates/produces from its operations. It shall continue to regularly maintain and upgrade its equipment and facilities.

	1. Efficient use and management of natural resources. 2. Compliance with environmental laws and regulations. 3. Ongoing Solar Energy Project in Iloilo Feed Mill. 4. Study on shifting to reusable woven sacks for feeds packaging. 5. About 95% of procurement budget was spent on local suppliers.		

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

ANNEX "A"

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 product and services.

MISSION

- Continuously adapt **new business development programs** and **technological advancements** to enhance product and service quality
- Empower employees, trade partners, and customers through **knowledge sharing and innovations** in agribusiness
- Provide comprehensive solutions to **raise the standards of the country's agribusiness industry** through products and services
- Build partnerships with business partners and customers to achieve **long term profitability and sustainability** and increase shareholder value

Inputs	Business Activities / Processes	Outputs	Outcomes
Financial Capital Manufactured Capital Intellectual Capital Human Capital Natural Capital Social Capital	Manufacturing and distribution of various animal feeds Integration of broiler chicken from contract growing Production and distribution of dressed chicken Production and distribution of animal health products Relations with its different stakeholders	Several lines of hogs and poultry feeds for different customers Dressed chicken and branded products under the "Cook's" brand Valued relationships with institutional customers, distributors, and SMEs Animal health products for partner growers, broilers, hog raisers, and customers in the general public	**Sustainable business and partnerships** with growers, broilers, and hog raisers, as well as farmers and suppliers, and other stakeholders **where employees are engaged, product integrity is prioritized, productivity is improved, and negative impacts of our operations to the environment and social risks are reduced**. Continued contribution to the **country's economic development** through jobs, incomes, and improved competencies, as well as taxes paid to the government

CORE VALUES — **LEADERSHIP with INTEGRITY | EXCELLENCE | CARE FOR OTHERS**