

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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D	I	A	R	I	E	S																									

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

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Form Type	Department requiring the report	Secondary License Type, If Applicable													
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COMPANY INFORMATION

Company's Email Address agd@vitarich.com	Company's Telephone Number (044) 843-3033	Mobile Number (0918) 848 2200
No. of Stockholders 4,115	Annual Meeting (Month / Day) Last Friday of June	Fiscal Year (Month / Day) December 31

CONTACT PERSON INFORMATION

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2022**
2. Commission identification number **21134** 3. BIR Tax Identification No. **000-234-398**
4. Exact name of issuer as specified in its charter **VITARICH CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization **BULACAN**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
MARILAO-SAN JOSE ROAD, STA. ROSA I, MARILAO, BULACAN **3019**
8. Issuer's telephone number, including area code
(+632) 8843-3033
9. Former name, former address and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>Common Stock</u>	<u>3,054,334,014</u>
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 []

Annex A

SEC Number 21134

File Number

VITARICH CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

(Company's Address)

(+632) 8843-30-33

(Telephone Number)

Quarterly Consolidated
Unaudited Financial Statements

Form Type

Amendment Designation (If Applicable)

September 30, 2022

Period Ended Date

(Secondary License Type and File Number)

PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

The unaudited financial statements of Vitarich Corporation and its subsidiaries as at and for the period ended September 30, 2022 (with comparative figures as of December 31, 2021) and for the period ended September 30, 2021 and Selected Notes to Consolidated Financial Statements are filed as part of this form 17-Q as Annex "A"

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Part III, Paragraph (A) (2) (B) of "Annex C" is attached hereto as Annex "B".

PART II – OTHER INFORMATION

Vitarich Corporation and its subsidiaries may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which would otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant – **VITARICH CORPORATION**

By:



STEPHANIE NICOLE S. GARCIA
EVP, Corporate Management Services
Director/ Treasurer



ATTY. MARY CHRISTINE DABU-PEPITO
Assistant Corporate Secretary, Corporate
Information Officer and Compliance Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Vitarich Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 31, 1962 to engage primarily in manufacturing and selling of feeds and livestock. On July 23, 2018, the SEC approved the extension of its corporate life to perpetual existence. The Company's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

On October 16, 2013, the SEC approved the Company's increase in authorized capital 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%.

On June 30, 2017, the Company's stockholders approved the Company's plan to undergo a Quasi-reorganization. The Company reduced the par value of the Company share and the existing additional paid-in capital and outstanding revaluation surplus was applied to eliminate the Company deficit of ₱2.2 billion as at December 31, 2017.

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

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

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

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 ₱1.00 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 ₱1.00. Beginning January 1, 2022, BVC operated as Vitarich's wholly-owned subsidiary. Issuance and transfer of BVC shares of stock were duly completed also in January 2022.

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 Bulacan, Iloilo and Davao, and maintains satellite offices in Bicol, Bacolod, Cebu, Cagayan De Oro and General Santos.

Results of Operations

Execution drives Vitarich revenues to new highs

Vitarich Corporation (PSE: VITA) reported continued strong momentum in the third quarter, with record revenue performance despite macroeconomic uncertainties.

Revenues for the third quarter increased 17% year-on-year to P3.2 billion—its highest quarter ever. For the nine-month period, revenues grew 19% to P8.7 billion—another record, and is now poised to surpass the historical high of P9.7 billion set in 2021.

“I am pleased with our record third quarter revenues, an achievement that reflects the strength of our strategy and the execution of our committed team” said Rocco Sarmiento, President and CEO.

Cost of goods rose 19% to P7.9 billion as a result of higher sales volumes and prices of raw materials such as wheat, soybean, and corn, which surged by an average of 26%. Increases in fuel, energy, and labor costs added to cost pressures, impacting cost of goods as well as operating expenses, which rose 30%.

Gross profit grew 20% to P831.9 million and operating profit increased 5% to P276.6 million, benefiting from volume growth, pricing changes, and supply chain optimization, partially offset by sustained cost inflation and investments in technology, talent, and market-related initiatives.

Net income was P153.5 million with earnings per share of P0.05.

“We are responding to the current inflationary environment by creating value for customers, adjusting prices responsibly, and driving efficiency while also mindfully investing in growth and sustainability initiatives. Looking ahead, the fundamentals are in place for stronger margins and profitability. We are approaching 2023 with a focus on expanding our presence combined with cost discipline to perform well even if the macro backdrop continues to be volatile.”

Segment highlights

- The Foods segment reached major milestones with record revenues of P4.6 billion, up 50% y-o-y. Volume was up 25% led by demand in Luzon and Mindanao, despite a shortage of day-old chicks. Average prices increased 18%. The Foods segment comprised 53% of revenues.

In the third quarter, VITA further strengthened its retail presence nationwide. In Luzon, it opened 9 accounts and started to supply *Cook's* branded products in select branches of Puregold and South Supermarket in the Greater Manila Area. It also increased distribution in Catanduanes and Sorsogon. In the Visayas and Mindanao, a total of 18 additional accounts were opened consisting of distributors, wet markets, and HRI customers, in addition to growing its distribution in Samar.

- Feeds revenues grew 7% to P3.7 billion driven by pricing which increased 17% compared to the year-ago period versus input costs of 23%. As expected, price actions had an unfavorable impact on volume which declined 7%. The Feeds segment comprised 42% of revenues.

- Farms revenues were down 48% y-o-y to P418.4 million due to the shortage of day-old chicks. Fair value adjustments on biological assets amounting to P55.0 million was recognized as part of revenues and P70.8 million as part of cost of goods. The Farms segment comprised 5% of revenues.

Update on key strategies

In November 2021, VITA announced its strategy to transition from a commodity-oriented to a high value-add business. An update on the company's progress is provided below.

- Grow the core

VITA added several key hotel, restaurant, and institutional (HRI) customers—including some leading fast food chains—which underscores the demand for joint product development and customization. It also invested in branding and further processing to differentiate its retail products.

As of September 30, 2022, HRI increased to 107 accounts in total, while *Cook's* widened its reach and is now available in over 2,000 stores in the country.

Production capacity increased 8% to 241,800 MT for feed mills and 23% to 74,600 MT for dressing plants, while production grew 16% to 196,100 MT and 25% to 32,850 MT, respectively. As a result, utilization rates came in at 81% and 80%, excluding dressing plant facilities owned by third parties.

- Transform the cost base

To secure forward raw material purchases, VITA worked with strategic alliances to bring in dry bulk commodities, aggregating its requirements with other parties to benefit from economies of scale and achieve sourcing efficiencies. By extension, the company set up and completed two warehouses in Davao primarily for the higher inventory requirement.

At the same time, it continuously optimized efficiency between different core ingredients for feeds to manage the fluctuations in prices and availability of raw materials. It also expanded its supplier base for key raw materials to maintain flexibility and price competitiveness.

- Invest for the future

VITA invested in transformative technologies and processes aimed at enhancing risk management and building relevant digital capabilities in the areas of supply chain management, innovation, brand building, and more.

Some initiatives implemented across the company include:

- digitization of processes and workflows;
- automation of the distributor management system for ordering and monitoring of inventory, and sales order validation for faster processing and approval;
- colocation of data center as an offsite backup location and disaster recovery site;
- completion of the upgrade of the Oracle Process Manufacturing, and the Advanced Supply Chain Planning application as well as the integration of other modules;
- use of online resources such as payment systems, channels to access consumers, social media, as well as tools for internal and external communications

In Bulacan, new machinery and additional facilities for blast freezing and cold storage were installed. On the automation front, a comprehensive dressing plant management system was developed to improve the accuracy of reporting and product inventory—from receiving of live birds to inventory management and further processing.

- Create shared value for all and contribute towards UN Sustainable Development Goals

Key to its framework for responsible production, VITA successfully renewed its ISO 22000:2018 certification on food safety for its feed mills in Pavia, Iloilo and Panacan, Davao City. The certification is valid until 2025.

Subsidiaries:

Barbatos Ventures Corporation (BVC) is a private domestic corporation engaged, among others, in poultry production as well as in the processing, raising and breeding of chickens and similar stocks. Beginning January 1, 2022, BVC operated as Vitarich's wholly-owned subsidiary.

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

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

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

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

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

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

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

proposed conversion in 1998.

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

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

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

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

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

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

In 2005, PFCI discontinued operations of its Texas Manok's Restaurants. Accordingly, it terminated all its employees and provided full valuation allowances on all its remaining assets. On July 26, 2017, the BOD and Stockholders of PFCI approved the shortening of the corporate life of PFCI until March 31, 2019. PFCI which ceased operations since 2005 and was placed under the liquidation process. The Company deconsolidated PFCI and recognized a gain of 28.2 million on deconsolidation.

Financial Condition

Unaudited balance sheet as at September 30, 2022 vs. audited December 31, 2021.

The Company's consolidated total assets as at September 30, 2022 is at ₱5,114 million higher than December 31, 2021 level of ₱4,135 million. Total current assets increased from ₱2,100 million as at December 31, 2021 to ₱2,944 million as at September 30, 2022 due to higher cash levels and inventories.

Strong collection efforts and higher COD sales drove cash balances higher to ₱280 million as at September 30, 2022 from ₱230 million as at December 31, 2021, while trade and other receivables decreased to ₱863 million as at September 30, 2022 from ₱902 million as at December 31, 2021.

Inventories ended at ₱1,248 million as at September 30, 2022 increased from ₱675 million as at December 31, 2021, while other current assets ended higher at ₱553 million as at September 30, 2022 as compared to ₱292 million as at December 31, 2021. The significant increase in inventories and other current assets was attributable to the higher raw material prices in the market, increased feeds volume

requirements and expansion of poultry and livestock operations.

Other non-current assets slightly contracted by ₱3.5 million as compared to ₱35.1 million as at December 31, 2021, due to amortization of computer software.

Total current liabilities as at September 30, 2022 amounted to ₱2,959 million, up by 40% as compared to its balance as at December 31, 2021, in relations to higher inventories from local and imported supply.

Stockholders' equity increased from ₱1,617 million to ₱1,771 million, related to posted nine months net income.

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

	Unaudited September 2022	Unaudited September 2021
Revenue (₱ million)		
Sale of goods	₱8,667	₱7,039
Fair value adjustment on biological assets	55	271
Cost Contribution (₱ million)		
Cost of goods sold	7,820	6,323
Fair value adjustment on biological assets	71	295
Gross Profit Rate (%)	10%	9%
Operating Income (₱ million)	277	262

1) Sales Volume, Price, and Revenue Growth

Consolidated revenue composed of feeds, day old chicks, chicken, and animal health products sales amounted to ₱8,667 million for the nine months period ended September 30, 2022, which is higher from the same period of last year by ₱1,628 million, mainly because of increased sales volume and higher selling price of chicken in the market. Fair value adjustments on biological assets are ₱55 million as at September 30, 2022.

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 decision in cost reduction and efficiency measures.

3) Gross Profit Rate

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

4) Operating Margin

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

VITARICH CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited Sep 2022	Audited December 2021
ASSETS		
Current Assets		
Cash (Note 6)	P280,197,534	P230,015,919
Trade and other receivables (Note 7)	862,561,619	902,390,653
Inventories and livestock (Note 8)	1,248,237,789	675,486,067
Other current assets (Note 9)	552,670,930	291,732,449
Total Current Assets	2,943,667,872	2,099,625,088
Noncurrent Assets		
Receivable from insurance (Note 10)	70,203,810	70,203,810
Property, plant and equipment - net (Note 11)		
At revalued amount	846,993,215	872,012,237
At cost	122,946,694	45,981,165
Investment properties (Note 12)	1,051,365,052	973,432,752
Right-of-use assets (Note 13)	46,931,667	38,921,635
Other noncurrent assets (Note 13)	31,635,462	35,120,487
Total Noncurrent Assets	2,170,075,900	2,035,672,086
TOTAL ASSETS	P5,113,743,772	P4,135,297,174
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	P2,094,423,881	P1,692,447,486
Loans payable (Note 15)	848,943,533	406,754,258
Current portion of lease liabilities (Note 27)	15,648,112	17,808,894
Total Current Liabilities	2,959,015,526	2,117,010,638
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	80,669,642	98,297,470
Cash bond deposits (Note 16)	54,085,966	48,052,089
Lease liabilities - net of current portion (Note 27)	27,920,167	24,196,376
Net retirement liability (Note 22)	165,099,830	166,461,260
Deferred tax liabilities - net (Note 23)	56,319,921	64,180,551
Total Noncurrent Liabilities	384,095,526	401,187,746
Total Liabilities	3,343,111,052	2,518,198,384
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	288,555,652	135,021,722
Other comprehensive income (Notes 11, 22 and 25)	319,959,284	319,959,284
Total Equity	1,770,632,720	1,617,098,790
TOTAL LIABILITIES AND EQUITY	P5,113,743,772	P4,135,297,174

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Nine Months Ended

	Unaudited Jul-Sep 2022	Unaudited Jan-Sep 2022	Unaudited Jul-Sep 2021	Unaudited Jan-Sep 2021
REVENUE				
Sale of goods, net of discount (Notes 17 and 24)	₱3,214,728,513	₱8,667,240,376	₱2,630,852,209	₱7,039,321,301
Fair value adjustment on biological assets (Notes 4 and 17)	(18,614,685)	55,047,542	94,711,983	271,001,245
	3,196,113,828	8,722,287,918	2,725,564,192	7,310,322,546
COST OF GOODS SOLD				
Cost of goods sold (Note 18)	(2,940,467,263)	(7,819,582,906)	(2,564,287,434)	(6,323,233,716)
Fair value adjustment on biological assets (Notes 4 and 17)	(15,609,646)	(70,805,175)	(121,815,967)	(295,096,772)
	(2,956,076,909)	(7,890,388,081)	(2,686,103,401)	(6,618,330,488)
GROSS PROFIT	240,036,919	831,899,837	39,460,791	691,992,058
Operating expenses (Note 19)	(215,227,076)	(585,110,105)	(165,851,198)	(450,702,768)
Other operating income (Note 20)	9,944,818	29,839,102	6,660,839	21,026,797
	(205,282,258)	(555,271,003)	(159,190,359)	(429,675,971)
OPERATING PROFIT	34,754,661	276,628,834	119,729,568	262,316,087
OTHER INCOME (EXPENSES)				
Interest expense (Notes 15 and 27)	(8,649,452)	(31,668,284)	(6,040,162)	(15,781,401)
Interest income (Notes 6 and 7)	506,385	1,709,703	515,379	611,234
Other charges - net (Note 21)	(23,303,849)	(38,799,520)	(5,242,019)	(19,800,388)
	(31,446,916)	(68,758,101)	(10,766,802)	(34,970,555)
INCOME BEFORE INCOME TAX	3,307,745	207,870,733	(130,496,370)	227,345,534
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)				
Current	7,276,699	62,197,433	(28,994,326)	58,750,328
Deferred	(9,909,549)	(7,860,630)	(5,027,817)	(11,868,725)
	(2,632,850)	54,336,803	(34,022,143)	46,881,603
NET INCOME	5,940,595	153,533,930	(96,474,227)	180,463,931
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items not to be reclassified to profit or loss:</i>				
Actuarial gain (loss) - net of deferred income tax (Note 22)	-	-	-	-
Revaluation increase on property, plant and equipment - net of deferred income tax (Note 11)	-	-	-	-
	-	-	-	-
TOTAL COMPREHENSIVE INCOME	₱5,940,595	₱153,533,930	(₱96,474,227)	₱180,463,931
EARNINGS PER SHARE - BASIC AND DILUTED				
(Note 26)	₱0.002	₱0.050	(₱0.032)	₱0.059

See accompanying Notes to Consolidated Financial Statements

VITARICH CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2022, SEPTEMBER 30, 2021 AND DECEMBER 31, 2021

	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, 2021	₱1,160,646,925	₱1,470,859	₱135,021,722	₱319,959,284	₱1,617,098,790
Net income	–	–	153,533,930	–	153,533,930
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	153,533,930	–	153,533,930
Balances at September 30, 2022	₱1,160,646,925	₱1,470,859	₱288,555,652	₱319,959,284	₱1,770,632,720
	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	₱1,160,646,925	₱1,470,859	₱41,157,542	₱318,948,233	₱1,522,223,559
Net income	–	–	180,463,931	–	180,463,931
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	180,463,931	–	180,463,931
Balances at September 30, 2021	₱1,160,646,925	₱1,470,859	₱221,621,473	₱318,948,233	₱1,702,687,490
	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	1,160,646,925	1,470,859	41,157,542	318,948,233	1,522,223,559
Net income	–	–	89,411,614	–	89,441,614
Other comprehensive loss	–	–	–	5,433,617	5,433,617
Total comprehensive income	–	–	89,411,614	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

VITARICH CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	Unaudited September 2022	Unaudited September 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱207,870,733	₱227,345,534
Adjustments for:		
Depreciation and amortization (Notes 11, 13 and 19)	78,256,974	77,563,704
Interest expense (Notes 15 and 27)	31,668,284	15,781,401
Gain on fair value of biological assets (Note 17)	(15,757,633)	–
Retirement benefit expense (Note 22)	6,114,750	2,580,650
Impairment loss on trade and other receivables	–	5,211,587
Loss (gain) on disposal of property, plant and equipment (Notes 11, and 21)	848,745	470,988
Interest income (Notes 6 and 7)	(1,709,703)	(611,234)
Operating income before working capital changes	307,292,150	328,342,629
Decrease (increase) in:		
Trade and other receivables	41,466,498	7,703,150
Inventories and livestock	(556,994,089)	(295,537,952)
Other current assets	(260,938,481)	(83,764,453)
Other noncurrent assets related to operations	(14,032,415)	(4,638,266)
Increase (decrease) in:		
Trade and other payables	401,976,395	46,468,822
Cash bond deposits	6,033,877	5,182,387
Net cash generated from operations	(75,196,065)	3,756,317
Income tax paid	(62,197,433)	(52,604,207)
Retirement benefits paid (Note 22)	(7,476,180)	(4,816,146)
Interest received	72,239	115,899
Net cash provided by (used in) operating activities	(144,797,439)	(53,548,137)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment (Note 11)	(121,744,818)	(56,294,788)
Investment properties (Note 12)	(77,932,300)	(24,346,946)
Proceeds from sale of property, plant and equipment	200,000	175,000
Net cash used in investing activities	(199,477,118)	(80,466,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans (Note 15)	1,181,115,300	325,765,319
Payments of loans (Note 15)	(735,052,865)	(208,426,768)
Interest paid	(31,668,284)	(15,781,401)
Payments of principal lease liabilities (Note 27)	(19,937,979)	(12,769,018)
Net cash provided by (used in) financing activities	394,456,172	88,788,132
NET INCREASE (DECREASE) IN CASH	50,181,615	(45,226,739)
CASH AT BEGINNING OF YEAR	230,015,919	177,304,767
CASH AT END OF YEAR	₱280,197,534	₱132,078,028

See accompanying Notes to Consolidated Financial Statements

VITARICH CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM 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:

	Line of Business	Percentage	
		2022	2021
Barbatos Ventures Corporation	Manufacturing	100%	—
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.

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 in January 2022.

As at September 30, 2022 and December 31, 2021, Kormasinc ownership interest is at 48.47%.

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 Bicol, Isabela, Bacolod, Cebu, Cagayan De Oro and General Santos.

The interim consolidated financial statements were authorized for issue by the Board of Directors (BOD) on November 4, 2022.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The interim 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 interim 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 interim 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 interim consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at September 30, 2022 and 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 interim 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 interim 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 in the interim 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 interim 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.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the interim 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.

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 interim 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 interim 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 interim 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 September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021.

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.

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 interim 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 interim consolidated statement of comprehensive income.

As at September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021.

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 interim 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 interim 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.

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 interim 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 interim 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 interim 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 interim 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 interim consolidated statement of comprehensive income.

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained earnings" under the "Equity" section in the interim 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:

<u>Asset Type</u>	<u>Number of Years</u>
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 interim 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 interim 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 interim 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 interim 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 interim 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 interim 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 September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, 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 interim 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:

<u>Asset Type</u>	<u>Number of Years</u>
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

interim 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 interim consolidated 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 interim 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 interim consolidated financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the interim consolidated 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 interim consolidated financial statements. These are disclosed in the notes to interim 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 period events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the interim consolidated financial statements. Post period events that are non-adjusting events are disclosed in the notes to interim 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, 2022.

The adoption of these amended standards did not have an impact on the Company's interim consolidated financial statements.

- 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*

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 interim consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

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 interim 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 interim 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 interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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 September 30, 2022 and December 31, 2021. Allowance for ECL related to receivable from insurance amounted to ₱71.5 million as at September 30, 2022 and December 31, 2021 (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 chicks. The cash flow projections include specific estimates for the hatching period. The valuation model also considers the hatchability rate. Due to the short hatching period, discounting is generally ignored.	Inclusive of: <ul style="list-style-type: none"> ▪ Estimated future sale price of day-old chicks ▪ Estimated hatchability and mortality rate ▪ Estimated volume of production ▪ Estimated costs to be incurred in the hatching process 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ▪ 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).

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
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: <ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> ▪ 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, discounting is generally ignored.	Inclusive of: <ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> ▪ 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); ▪ 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 ₱55.0 million and ₱271.0 million for the period ended September 30, 2022 and 2021, respectively, and under cost of sales amounting to ₱70.8 million and ₱295.1 million for the period ended September 30, 2022 and

2021, 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 interim 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 ₱847.0 million and ₱872.0 million as at September 30, 2022 and December 31, 2021, respectively. No revaluation was made in 2021 and 2019 (see Note 11).

In 2021, the Company's investment properties were reappraised by independent firms of appraisers resulting to an additional fair value gain of ₱1.3 million (see Note 12). The carrying value of investment properties amounted to ₱1,051 million and ₱973.4 million as at September 30, 2022 and December 31, 2021, 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 ₱1.3 million and ₱10.2 million for the nine months period ended September 30, 2022 and year ended December 31, 2021, respectively (see Note 21). Trade and other receivables amounting to nil and ₱104.6 million was written-off in 2022 and 2021, respectively (see Note 7).

The carrying value of trade and other receivables amounted to ₱862.6 million and ₱902.4 million as at September 30, 2022 and December 31, 2021, respectively. Allowance for ECL on trade and other receivables as at September 30, 2022 and December 31, 2021 amounted to ₱214.6 million and ₱213.3 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 ₱165.1 million and ₱166.5 million as at September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, 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 ₱105.9 million and ₱101.4 million as at September 30, 2022 and December 31, 2021, 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):

	Unaudited September 30, 2022					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	₱4,636,267	₱3,667,622	₱363,351	₱-	₱-	₱8,667,240
Fair value adjustment on biological assets	-	-	55,048	-	-	55,048
	4,636,267	3,667,622	418,399	-	-	8,722,288
COST AND OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME						
Cost of goods sold excluding depreciation	₱4,093,724	₱3,350,171	₱397,327	₱-	₱-	₱7,841,222
Operating expenses excluding depreciation	82,326	128,378	9,122	336,193	-	556,019
Depreciation and amortization	4,920	55,261	-	18,076	-	78,257
Other operating income	-	(24,762)	-	(5,077)	-	(29,839)
	4,180,970	3,509,048	406,449	349,192	-	8,445,659
SEGMENT OPERATING PROFIT (LOSS)						
	₱455,297	₱158,573	₱11,950	(₱349,192)	₱-	₱276,629
Other charges -net						(68,758)
Income before income tax						207,871
Tax expense						(54,337)
Net income						₱153,534
ASSETS AND LIABILITIES						
Segment assets	₱1,913,472	₱1,434,473	₱186,435	₱1,579,364	₱-	₱5,113,744
Segment liabilities	₱1,251,116	₱937,925	₱121,899	₱1,032,171	₱-	₱3,343,111
OTHER INFORMATION						
Capital expenditures	₱77,932	₱112,651	₱-	₱9,094	₱-	₱199,677
Non-cash expenses other than depreciation and impairment losses	₱-	₱-	₱-	₱6,115	₱-	₱6,115

Unaudited September 30, 2021						
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	₱3,099,324	₱3,412,001	₱527,996	₱-	₱-	₱7,039,321
Fair value adjustment on biological assets	-	-	271,001	-	-	271,001
	3,099,324	3,412,001	798,997	-	-	7,310,322
COST AND OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME						
Cost of goods sold excluding depreciation	₱2,925,779	₱2,972,185	₱672,772	₱-	₱-	₱6,570,736
Operating expenses excluding depreciation	60,782	84,812	9,898	265,242	-	420,734
Depreciation and amortization	3,354	61,258	-	12,952	-	77,564
Other operating income	-	(12,559)	-	(8,468)	-	(21,027)
	2,989,915	3,105,695	682,670	269,726	-	7,048,006
SEGMENT OPERATING PROFIT (LOSS)						
	₱109,410	₱306,306	₱116,327	(₱269,726)	₱-	₱262,316
Other charges -net						(34,971)
Income before income tax						227,346
Tax expense						(46,882)
Net income						₱180,464
ASSETS AND LIABILITIES						
Segment assets, as restated	₱574,078	₱1,607,199	₱610,376	₱1,415,269	₱-	₱4,206,923
Segment liabilities	₱321,931	₱901,285	₱342,287	₱793,654	₱-	₱2,359,158
OTHER INFORMATION						
Capital expenditures	₱24,347	₱56,295	₱-	₱-	₱-	₱80,642
Non-cash expenses other than depreciation and impairment losses	₱-	₱-	₱-	₱800	₱-	₱800

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

	Unaudited September 2022	Audited December 2021
Cash on hand	₱3,268,900	₱2,487,637
Cash in banks	276,928,634	227,528,282
	₱280,197,534	₱230,015,919

Cash in banks earn interest at prevailing bank deposit interest rates of 0.1% to 1.3% in September 30, 2022 and December 31, 2021. Interest income on cash in banks amounted to ₱0.07 million and ₱0.1 million in September 30, 2022 and December 31, 2021, respectively.

7. Trade and Other Receivables

	Unaudited September 2022	Audited December 2021
Trade:		
Third parties	₱726,033,963	₱565,508,598
Related parties (Note 24)	182,424,598	262,799,719
Nontrade	128,130,617	241,271,819
Advances to officers and employees (Note 24)	14,726,012	12,474,296
Receivable from government	3,783,605	4,059,611
Others	22,047,863	29,584,276
	1,077,146,658	1,115,698,319
Allowance for ECL	(214,585,039)	(213,307,666)
	₱862,561,619	₱902,390,653

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 ₱1.6 million, and nil million in September 30, 2022 and 2021, respectively.

Movements in the allowance for ECL account as at September 30, 2022 and December 31, 2021 are shown below:

	Trade	Others	Total
Balance as at January 1, 2022,	₱171,381,659	₱41,926,007	₱213,307,666
Provision (Note 21)	1,277,373	-	1,277,373
Balance as at September 30, 2022	₱172,659,032	₱41,926,007	₱214,585,039
	Trade	Others	Total
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

8. Inventories and Livestock

	Unaudited	Audited
	September 2022	December 2021
Inventories:		
At net realizable value - Finished goods	273,219,795	P184,305,798
At cost:		
Raw materials and feeds supplements	646,744,192	315,027,658
Supplies and animal health products	83,929,984	64,126,465
Hatching eggs	56,711,477	36,849,974
Finished goods	78,667,648	22,708,402
	1,139,273,096	623,018,297
Livestock:		
Day-old chicks and growing broilers	90,667,503	38,086,778
Parent stock	18,297,190	14,380,992
	108,964,693	52,467,770
	P1,248,237,789	P675,486,067

Inventories

Inventories are valued at lower of cost and NRV as at September 30, 2022 and December 2021. The cost of finished goods carried at NRV amounted to P274.1 million and P185.2 million as at September 30, 2022 and December 31, 2021, respectively. Inventories charged to cost of goods sold amounted to P6,845.3 million and P5,490.3 million in September 30, 2022 and 2021, respectively (see Note 18).

Livestock

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

	Unaudited	Audited
	September 2022	December 2021
Day-old chicks and broilers		
Opening balance	P38,086,778	P42,332,469
Increase due to production	3,846,365,257	4,014,182,626
Fair value adjustment due to production	72,398,544	48,631,208
Decrease due to sales, harvest and mortality	(3,931,137,256)	(3,989,265,663)
Fair value adjustment due to sales, harvest and mortality	64,954,180	(77,793,862)
	P90,667,503	P38,086,778

	Unaudited	Audited
	September 2022	December 2021
Parent stock		
Opening balance	P14,380,992	P-
Increase due to purchase	21,267,200	7,892,559
Fair value adjustment due to growth	(17,351,002)	6,488,433
	P18,297,190	P14,380,992

Movements in the allowance for inventory obsolescence account as at September 30, 2022 and December 31, 2021 are shown below:

	Unaudited September 2022	Audited December 2021
Balance at beginning of year	₱896,315	₱896,315
	₱896,315	₱896,315

9. Other Current Assets

This account consists of:

	Unaudited September 2022	Audited December 2021
Advances to suppliers	₱430,945,126	₱176,344,063
CWT	55,657,557	88,608,614
Prepayments	59,533,092	26,382,862
Input VAT	9,626,687	3,488,442
	555,762,461	294,823,981
Allowance for impairment losses	(3,091,532)	(3,091,532)
	₱552,670,930	₱291,732,449

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 as at September 30, 2022 and December 31, 2021 are as follows:

Cost	₱141,664,583
Allowance for ECL	71,460,773
	₱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 September 30, 2022, and September 30, 2021.

11. Property, Plant and Equipment

At Revalued Amount

The composition and movements of this account are presented below:

Unaudited September 30, 2022						
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	₱434,169,887	₱583,219,988	₱173,442,789	₱36,525,997	₱92,622,295	₱1,319,980,956
Additions	-	13,637,711	180,000	3,953,074	10,658,033	28,428,818
Disposals	-	(4,964,322)	-	-	(87,547)	(5,051,869)
Reclassification	-	175,000	3,790,141	1,010,000	(1,361,268)	3,613,873
Balance at end of year	434,169,887	592,068,377	177,412,930	41,489,071	101,831,513	1,346,971,778
Accumulated Depreciation and Amortization						
Balance at beginning of year	-	288,556,522	71,377,286	15,696,316	72,338,595	447,968,719
Depreciation and amortization (Notes 18 and 19)	-	40,837,557	5,440,480	2,634,421	7,821,160	56,733,618
Reclassification	-	-	-	-	(775,990)	(775,990)
Disposals	-	(3,915,577)	-	-	(32,207)	(3,947,784)
Balance at end of year	-	325,478,502	76,817,766	18,330,737	79,351,558	499,978,563
Net carrying amount	₱434,169,887	₱266,589,875	₱100,595,164	₱23,158,334	₱22,479,955	₱846,993,215

Audited December 31, 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
Revaluation gain	-	(3,253,425)	-	-	(35,000)	(3,288,425)
Reclassification and adjustments	-	(2,186,450)	760,892	4,405,713	(60,675)	2,919,480
Disposals	(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

Audited December 31, 2021

	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Reclassification and adjustments	-	(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	P434,169,887	P294,663,466	P102,065,503	P20,829,681	P20,283,700	P872,012,237

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

Unaudited September 30, 2022

	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost	P14,159,490	P499,659,272	P190,601,988	P37,228,053	P92,217,356	P833,866,159
Accumulated depreciation and impairment	-	(309,329,090)	(68,049,041)	(15,068,453)	(72,616,428)	(465,063,012)
Reclassification		175,000	3,790,141	1,010,000	(2,137,259)	2,837,882
Net carrying amount	P14,159,490	190,505,182	126,343,088	23,169,600	17,463,669	371,641,029

Audited December 31, 2021

	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost as at year end	P14,159,490	P497,902,014	P190,421,988	P35,282,493	P83,211,132	P820,977,117
Accumulated depreciation and impairment	-	(266,429,519)	(62,608,559)	(12,641,339)	(65,220,773)	(406,900,190)
Net carrying amount	P14,159,490	P231,472,495	P127,813,429	P22,641,154	P17,990,359	P414,076,927

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.

Valuation Technique	Significant Unobservable Inputs	Range	
		September 2022	December 2021
Land	Price per square meter	P1,493-P1,857	P1,493-P1,857
	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:

	Unaudited September 30, 2022		
	Transportation Equipment	CIP	Total
Cost			
Balance at beginning of year	₱48,160,960	₱38,699,957	₱86,860,917
Reclassification	–	8,236,910	8,236,910
Additions	236,297	71,578,713	71,815,010
Balance at end of year	₱48,397,257	₱118,515,580	₱166,912,836
Accumulated Depreciation, and Amortization			
Balance at beginning of year	40,879,752	–	40,879,752
Depreciation and amortization (Notes 18 and 19)	3,086,390	–	3,086,390
Balance at end of year	43,966,142	–	43,966,142
Net carrying amount	₱4,431,115	₱118,515,579	₱122,946,694

Audited December 31, 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

In September 30, 2022 and December 31, 2021, the Company sold property, plant and equipment for a cash consideration of ₱0.2 million and 1.0 million, resulting to a loss on disposal amounting to ₱0.8 million and ₱1.0 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 September 30, 2022 and December 31, 2021, there are no significant contractual commitments entered into by the Company.

Depreciation and amortization expense follow:

	Unaudited September 2022	Unaudited Sep 2021
Property, plant and equipment:		
At revalued amount	₱56,733,618	₱60,815,867
At cost	3,086,390	1,171,458
Right-of-use asset (Note 13)	13,490,956	12,817,802
Computer software (Note 13)	4,946,010	2,758,577
	₱78,256,974	₱77,563,704

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:

Unaudited September 30, 2022			
	Land	Building	Total
Balance at beginning of year	₱559,281,779	₱414,150,973	₱973,432,752
Adjustment	(311)		(311)
Additions	–	77,932,611	77,932,611
Balance at end of year	₱559,281,468	₱492,083,584	₱1,051,365,052

Audited 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

The composition of investment properties as at September 30, 2022 and December 31, 2021 are as follows:

	Unaudited September 2022	Audited December 2021
Cost	₱675,648,671	₱597,716,371
Cumulative gain on fair value changes	375,716,381	375,716,381
	₱1,051,365,052	₱973,432,752

Rental income earned from the dressing plant in Bulacan amounted to ₱4.1 million and ₱5.6 million for the periods ended September 30, 2022 and 2021, respectively (see Note 20). Direct costs related to properties that generate rental income amounted to ₱1.9 million and ₱0.8 million for the periods ended September 30, 2022 and 2021, 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 nil, and ₱1.3 million in 2022, and, 2021, 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	
			2022	2021
Land	Sales Comparison Approach	Price per square meter Value adjustments	₱200-12,000 5%-21%	₱200-₱12,000 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:

	Unaudited September 30, 2022		
	Building	Transportation Equipment	Total
Cost			
Balance at beginning of year	₱12,065,912	₱94,587,585	₱106,653,497
Additions	–	21,500,988	21,500,988
Balance at end of year	12,065,912	116,088,573	128,154,485
Accumulated Amortization			
Balance at beginning of year	8,446,138	59,285,724	67,731,862
Depreciation	2,171,864	11,319,092	13,490,956
Balance at end of year	10,618,002	70,604,816	81,222,818
Net carrying value	₱1,447,910	₱45,483,757	₱46,931,667

	Audited 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

Other Noncurrent Assets

	Unaudited September 2022	Audited December 2021
Project development costs	₱31,368,395	₱31,368,395
Security deposits	16,899,960	15,459,460
Computer software	14,735,502	19,661,027
	63,003,857	66,488,882
Allowance for impairment losses	(31,368,395)	(31,368,395)
	₱31,635,462	₱35,120,487

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 P31.4 million was provided with full valuation allowance as at September 30, 2022 and December 2021.

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:

	Unaudited September 2022	Audited December 2021
Cost		
Balance at beginning of year	P43,344,648	P26,354,542
Additions	20,485	16,990,106
Balance at end of year	43,365,133	43,344,648
Accumulated Depreciation and Amortization		
Balance at beginning of year	23,683,621	20,005,519
Depreciation and amortization	4,946,010	3,678,102
Balance at end of year	28,629,631	23,683,621
Net Book Value	P14,735,502	P19,661,027

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

	Unaudited September 2022	Audited December 2021
Trade payables		
Third parties	P1,628,818,395	P1,170,645,926
Related parties (Note 24)	6,096,972	89,707,830
Accrued expenses		
Selling and administrative	279,299,958	218,454,340
Outside services	65,480,410	31,336,924
Others	26,728,189	66,319,172
Nontrade payables	52,322,429	88,002,512
Customers' deposits	15,759,897	12,035,187
Statutory liabilities	19,917,631	15,945,595
	P2,094,423,881	P1,692,447,486

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:

	Unaudited September 2022	Audited December 2021
Short-term loans	₱848,943,533	₱381,932,829
Long-term loans	80,669,642	123,118,899
	₱929,613,175	₱505,051,728

	Unaudited September 2022	Audited December 2021
Short-term loans	₱824,122,103	₱381,932,829
Current portion of long-term loans	24,821,430	24,821,429
Current portion	848,943,533	406,754,258
Noncurrent portion of long-term loans	80,669,642	98,297,470
	₱929,613,175	₱505,051,728

Total availment of loans payable amounted to ₱1,181.1 million and ₱540.7 million in September 30, 2022 and December 31, 2021, respectively. Total payments of loans payable amounted to ₱735.0 million and ₱315.6 million in September 30, 2022 and December 31, 2021, respectively.

Interest expense on loans payable amounted to ₱31.7 million and ₱15.8 million in September 30, 2022 and September 30, 2021, respectively.

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

Short-Term Loans

In September 30, 2022 and December 31, 2021, 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 5.5% to 8.8%.

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 5.0% 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 ₱54.1 million and ₱48.1 million as at September 30, 2022 and December 31, 2021, 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

	Unaudited September 2022	Unaudited September 2021
Sales		
Feeds	₱3,745,449,617	₱3,510,519,134
Foods	4,652,251,097	3,102,892,896
Farms	367,439,223	544,459,072
Sales discount, returns and allowances	(97,899,561)	(118,549,801)
	8,667,240,376	7,039,321,301
Changes in fair values of biological assets	55,047,542	271,001,245
	₱8,722,287,918	₱7,310,322,546

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

	Unaudited September 2022	Unaudited September 2021
Day-old chicks and broilers	₱72,398,544	₱295,096,772
Parent stock	(17,351,002)	(24,095,527)
	₱55,047,542	₱271,001,245

18. Cost of Goods Sold

	Unaudited September 2022	Unaudited September 2021
Inventories used (Note 8)	₱6,845,351,382	₱5,490,317,842
Outside services	628,912,306	539,601,623
Contractual services	224,470,474	188,064,290
Changes in fair values of biological assets (see Note 17)	70,805,175	295,096,772
Depreciation (Notes 11 and 13)	49,166,346	47,314,445
Salaries and employee benefits (Note 19)	32,561,388	28,961,571
Communication, light and water	28,927,926	22,445,907
Repairs and maintenance	10,193,084	6,528,037
	₱7,890,388,081	₱6,618,330,488

19. Operating Expenses

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

	Unaudited September 2022	Unaudited September 2021
Administrative expenses	P234,841,120	P278,190,296
Selling and distribution expenses	350,268,985	172,512,472
	P585,110,105	P450,702,768

The details of operating expenses by nature are shown below:

	Unaudited September 2022	Unaudited September 2021
Transportation, travel and freight and handling	P183,762,132	P129,873,541
Salaries and employee benefits (Note 24)	174,025,199	142,284,837
Other corporate expenses	31,218,942	15,419,533
Depreciation and amortization (Notes 11 and 13)	29,090,628	30,249,259
Publications and subscriptions	27,704,008	16,002,245
Professional fees	25,721,360	21,297,673
Commissions	21,318,033	15,657,905
Contractual services	18,866,213	15,547,243
Taxes and licenses	17,835,024	12,035,325
Advertising and promotions	16,867,847	21,084,197
Communications, light and water	7,340,063	6,099,124
Representation and entertainment	5,618,775	3,575,973
Supplies	4,297,486	4,117,311
Bank charges	2,550,319	169,355
Repairs and maintenance	3,447,127	3,481,113
Rentals (Note 27)	6,194,298	6,696,760
Insurance	3,923,056	3,347,420
Others	5,329,595	3,763,954
	P585,110,105	P450,702,768

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

Employee Benefits

Breakdown of employee benefits is presented below:

	Unaudited September 2022	Unaudited September 2021
Salaries and wages	P194,731,543	P162,713,416
Retirement benefits (Note 22)	6,114,750	2,580,650
Other short-term benefits	5,740,294	2,580,650
	P206,586,587	P171,246,408

Salaries and employee benefits is allocated as follows:

	Unaudited September 2022	Unaudited September 2021
Cost of goods sold (see Note 18)	₱32,561,388	₱28,961,571
Operating expenses:		
Administrative expenses	125,051,998	102,790,857
Selling and distribution expenses	48,973,201	39,493,980
	174,025,199	142,284,837
	₱206,586,587	₱171,246,408

Depreciation and Amortization

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

	Unaudited September 2022	Unaudited September 2021
Cost of goods sold (Note 18)	₱49,166,346	₱47,314,445
Operating expenses:		
Administrative expenses	10,561,347	12,823,360
Selling and distribution expenses	18,529,281	17,425,899
	29,090,628	30,249,259
	₱78,256,974	₱77,563,704

20. Other Operating Income

	Unaudited September 2022	Unaudited September 2021
Miscellaneous sales	₱24,762,074	₱10,409,010
Rentals (Notes 24 and 27)	5,077,028	8,467,472
Tolling services	-	10,409,010
	₱29,839,102	₱ 21,026,797

21. Other Income (Charges)

	Unaudited September 2022	Unaudited September 2021
Foreign exchange gain (loss)	(₱14,434,015)	(3,490,355)
Penalty charges	(6,543,500)	-
Gain (loss) on disposal of property, plant and equipment	(848,745)	(470,988)
Impairment losses on:		
Receivables (Note 7)	(1,277,373)	(5,211,587)
Others - net	(15,695,887)	(10,627,456)
	(₱38,799,520)	(₱19,800,388)

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 interim consolidated statements of comprehensive income is as follows:

	Unaudited September 2022	Unaudited September 2021	Audited December 2021
Current service costs	₱6,114,750	₱9,321,592	₱11,956,045
Interest expense	–	5,215,260	5,187,339
Interest income	–	(209,289)	(150,293)
	₱6,114,750	₱14,327,563	₱16,993,091

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

	Unaudited September 2022	Audited September 2021
Present value of obligation	₱169,078,014	₱133,915,135
FVPA	(3,978,184)	(3,944,702)
	₱165,099,830	₱129,970,433

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

	Unaudited September 2022	Audited December 2021
Balance at beginning of year	₱170,439,444	₱136,150,631
Remeasurement loss recognized in OCI	–	23,014,388
Current service costs	5,298,000	11,956,045
Interest expense	–	5,187,339
Benefits paid	(6,659,430)	(5,868,959)
Balance at end of year	₱169,078,014	₱170,439,444

Movements in the FVPA are presented below:

	Unaudited September 2022	Audited December 2021
Balance at beginning of year	₱3,978,184	₱3,944,702
Interest income	-	150,293
Remeasurement loss	-	(116,811)
	₱3,978,184	₱3,978,184

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	(P14,073)	(P12,335)
	-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 interim consolidated statements of comprehensive income are as follows:

	Unaudited September 2022	Unaudited September 2021
RCIT (25% in 2022; 30% in 2021)	P62,197,433	P58,750,328
Deferred income tax expense (benefit)	(7,860,630)	(11,868,725)
	P54,336,803	P46,881,603

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

	Unaudited September 2022	Unaudited September 2021
Income tax expense at statutory tax rate	P60,084,121	P56,836,383
Change in unrecognized deferred tax assets	–	(6,146,121)
Tax effects of:		
Nondeductible expenses	138,138	38,202
Depreciation on investment properties at cost	(5,867,396)	(3,694,053)
Income already subjected to final tax	(18,060)	(152,808)
	P54,336,803	P46,881,603

The components of the recognized net deferred tax assets and liabilities as at September 30, 2022 and December 31, 2021 are as follows:

	Unaudited	Audited
	September 2022	December 2021
<i>Deferred tax assets:</i>		
Allowance for impairment loss on:		
Trade and other receivables	₱47,738,507	₱47,419,163
Project development costs	7,842,099	7,842,099
Property, plant and equipment	4,494,042	4,494,042
Inventory	224,079	224,079
Retirement liability	42,145,952	40,617,264
Excess of lease liability over right-of-use asset	3,467,978	770,909
	105,912,657	101,367,556

	Unaudited	Audited
	September 2022	December 2021
<i>Deferred tax liabilities:</i>		
Revaluation reserve on property, plant and equipment	(₱115,107,706)	(₱114,483,826)
Changes in fair value of investment properties	(50,952,993)	(50,952,993)
Changes in fair value of biological assets	3,828,121	(111,288)
	(162,232,578)	(165,548,107)
Net deferred tax liabilities	(₱56,319,921)	(₱64,180,551)

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 September 30, 2022 and December 31, 2021 which the related deferred tax assets have not been recognized are shown below.

	Unaudited		Audited	
	September 2022		December 2021	
	Amount	Tax Effect	Amount	Tax Effect
Allowance for ECL on:				
Receivable from insurance	₱71,460,773	₱17,865,193	₱71,460,773	₱17,865,193
Trade and other receivables	23,631,013	5,907,753	23,631,013	5,907,753
Retirement liability	3,992,203	998,051	3,992,203	998,051
	₱99,083,989	₱24,770,997	₱99,083,989	₱24,770,997

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):

Related Parties	Nature of Transactions	Unaudited September 2022		Audited December 2021	
		Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	₱376,080,133		₱1,426,066,299	
	Collections	(456,455,252)	₱182,424,598	(1,358,918,127)	₱262,799,719
Trade and other payables					
Entities under common control	Purchases	₱966,427,629		₱1,744,904,273	
	Payments	(1,050,038,487)	₱6,096,972	(1,697,114,977)	₱89,707,830
Operating lease					
Entities under common control	Rental income	₱13,392,433		₱11,096,404	
	Collection	(4,471,836)	14,181,590	(5,835,411)	5,260,993

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.

	Nature of Transactions	Unaudited September 2022		Audited December 2021	
		Amount of Transactions	Outstanding Balances	Amount of Transactions	Outstanding Balances
Advances to officers	Net transactions	₱2,251,715	₱14,726,011	₱473,848	₱12,474,296

Compensation of Key Management Personnel

The compensation includes the following:

	Unaudited September 2022	Audited December 2021
Short-term employee benefits	₱58,497,714	₱43,561,950
Retirement benefits	8,533,346	5,872,830
Others	3,776,033	2,784,789
	₱70,807,093	₱52,219,569

25. Equity

Capital Stock

As of September 30, 2022, 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:

	Unaudited September 2022	Unaudited December 2021
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	No. of Shares	
	Authorized 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 September 30, 2022 and December 31, 2021:

	Unaudited September 30, 2022		Audited December 31, 2021	
	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%	2,186,198,604	71.58%
Owned by public	785,650,032	25.72%	787,146,032	25.77%
Owned by directors and officers	82,485,378	2.70%	80,989,378	2.65%
Total	3,054,334,014	100.00%	3,054,334,014	100.00%

Of the total shares owned by the public, 117 million and 120 million shares are foreign-owned as at September 30, 2022 and December 31, 2021.

The total number of shareholders of the Company is 4,115 and 4,126 as at September 30, 2022 and December 31, 2021.

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, 2022	₱343,451,478	(₱23,492,194)	₱319,959,284
Balance as at September 30, 2022	₱343,451,478	(₱23,492,194)	₱319,959,284
Balance as at January 1, 2021	₱324,682,440	(₱5,734,209)	₱318,948,231
Actuarial loss, net of tax	–	(17,348,399)	(17,348,399)
Impact of change in tax rate	23,191,604	(409,586)	22,782,018
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	(₱23,492,194)	₱319,959,284

As of September 30, 2022, there are no available amounts for dividend declaration based on Parent Company balances.

26. Earnings Per Share

Basic and diluted earnings per share were computed as follows:

	Unaudited September 2022	Unaudited September 2021	Audited December 2021
Net income for the period	₱153,533,930	₱180,463,931	₱89,441,614
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	₱0.050	₱0.059	₱0.029

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 ₱4.1 million and ₱5.6 million for the nine months period ended September 30, 2022, and 2021, respectively, and are shown as part of “Other operating income” account in the interim consolidated statements of comprehensive income (see Note 20).

Future minimum rentals receivable under non-cancellable operating leases as at September 30, 2022 and December 31, 2021 are as follows:

	Unaudited September 2022	Audited December 2021
Within one year	₱2,682,679	₱6,298,929
After one year but not more than five years	-	1,127,321
	₱2,682,679	₱7,426,250

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 ₱16.9 million and ₱15.5 as at September 30, 2022 and December 31, 2021, respectively.

Rent expense amounted to ₱6.2 million, ₱6.7 million for nine months period ended September 31, 2022 and 2021 (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 September 30, 2022 and December 31, 2021, the details of the finance lease liabilities follow:

	Unaudited September 2022	Audited December 2021
Current	₱13,903,904	₱14,482,439
Noncurrent	27,920,167	23,316,602
	₱41,824,071	₱37,799,041

Lease Liabilities

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

	Unaudited September 2022	Unaudited September 2021	Audited December 2021
Depreciation expense of right-of-use assets	₱13,490,956	₱12,817,802	₱17,079,097
Interest expense on lease liabilities	2,183,151	2,381,040	2,385,774
Expenses relating to short-term leases (see Note 19)	6,194,298	3,228,807	8,526,711
Total amount recognized in the consolidated statement of comprehensive income	₱21,868,405	₱18,427,649	₱27,991,582

The rollforward analysis of lease liabilities follows:

	Unaudited September 2022	Audited December 2021
As at January 1	₱42,005,270	₱35,637,457
Additions	21,500,988	23,208,300
Interest expense	2,183,151	2,385,774
Payments	(22,121,130)	(19,226,261)
Ending balance	₱43,568,279	₱42,005,270

As at September 30, 2022 and December 31, 2021, the details of the lease liabilities follow:

	Unaudited September 2022	Audited December 2021
Current	₱15,648,112	₱17,808,894
Noncurrent	27,920,167	24,196,376
	₱43,568,279	₱42,005,270

Future minimum lease payments under these lease agreements as of September 30, 2022 and December 31, 2021 are as follows:

	Unaudited September 2022	Audited December 2021
Within one year	₱15,648,112	₱17,808,894
More than one year but not more than five years	27,920,167	24,196,376
	₱43,568,279	₱42,005,270

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 ₱628.9 million and ₱539.9 million in September 30, 2022 and December 31, 2021, 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, 2022	Proceeds/ Additions	Payments	Interest expense	September 30, 2022
Loans payable	₱505,051,728	₱1,159,614,312	(₱762,414,020)	27,361,155	₱929,613,175
Accrued interest payable	4,655,329	–	–	2,123,978	6,779,307
Lease liabilities	42,005,270	21,500,988	(22,121,130)	2,183,151	43,568,279
Total liabilities from financing activities	₱551,712,327	₱1,181,115,300	(₱784,535,149)	₱31,668,284	₱979,960,761

	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

The Company's additions to lease liabilities and right-of use assets amounted to ₱21.5 million and ₱23.2 million for the nine months ended September 30, 2022 and year ended December 31, 2021, 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 interim consolidated statements of financial position are shown below:

	September 2022 (Unaudited)		December 2021 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets at Amortized Cost				
Cash in banks	₱276,928,634	₱276,928,634	₱227,528,282	₱227,528,282
Trade and other receivables*	847,835,607	847,835,607	889,916,357	889,916,357
Security deposits	16,899,960	16,899,960	15,459,460	15,459,460
Receivable from insurance	70,203,810	70,203,810	70,203,810	70,203,810
	₱1,211,868,011	₱1,211,868,011	₱1,203,107,909	₱1,203,107,909
Financial Liabilities at Amortized Cost				
Trade and other payables**	₱2,074,506,250	₱2,074,506,250	₱1,676,501,891	₱1,676,501,891
Loans payable	929,613,175	935,537,331	505,051,728	512,144,709
Cash bond deposits	54,085,966	54,085,966	48,052,089	48,052,089
	3,058,205,391	3,064,129,547	₱2,229,605,708	₱2,236,698,689

**Excluding advances to officers and employees amounting to ₱14.7 million and ₱12.5 million as at September 30, 2022 and December 31, 2021, respectively
**Excluding statutory liabilities amounting to ₱19.9 million as at September 30, 2022 and December 31, 2021.

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 September 30, 2022, the discount rates used ranged from 5.0% to 6.25% while as at December 31, 2021, 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 September 30, 2022 and December 31, 2021.

Cash in banks, trade and other receivables, security deposits, and trade and other payables. As at September 30, 2022 and December 31, 2021, the carrying amounts of these financial instruments approximate their fair values due to the short-term nature of these accounts.

As at September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021.

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 September 30, 2022 and December 31, 2021, 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 interim consolidated statements of financial position (or in the detailed analysis provided in the notes to the interim consolidated financial statements) as summarized below.

	Unaudited September 2022	Audited December 2021
Cash in banks	₱276,928,634	₱227,528,282
Trade and other receivables	847,835,607	889,916,357
Security deposits	16,899,960	15,459,460
Receivable from insurance	70,203,810	70,203,810
	₱1,211,868,011	₱1,203,107,909

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 September 30, 2022 and December 31, 2021:

	September 30, 2022				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash in banks	P276,928,634	P-	P-	P-	P276,928,634
Trade and other receivables	544,732,727	317,828,892	214,585,039	-	1,077,146,658
Security deposits	16,899,960	-	-	-	16,899,960
Receivable from insurance	-	70,203,810	71,460,773	-	141,664,583
	P838,561,321	388,032,702	P286,045,812	P-	P1,512,639,835

	December 31, 2021				
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash in banks	P227,528,282	P-	P-	P-	P227,528,282
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
	P506,844,449	P141,664,583	P23,631,013	P828,210,599	P1,500,350,644

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:

	September 30, 2022							Accounts with full provision	Total
	Days Past Due								
	Current	<30 days	30-60 days	61-90 days	91-120 days	More than 120 days	Total		
Expected credit loss rate	0.00%	0.01%	0.04%	0.07%	0.10%	5.43%			
Estimated total gross carrying amount at default	P469.5	P84.6	P12.2	P13.3	P14.6	P23.1	P617.3	P169.7	P787.0
Expected credit loss	P0.0	P0.0	P0.0	P0.00	P0.4	P1.7	P2.1	P169.7	P171.8

	December 31, 2021							Accounts with full provision	Total
	Days Past Due								
	Current	<30 days	30-60 days	61-90 days	91-120 days	More than 120 days	Total		
Expected credit loss rate	0.00%	0.01%	0.04%	0.07%	0.10%	5.43%			
Estimated total gross carrying amount at default	P489.7	P99.6	P18.2	P13.3	P14.6	P23.1	P658.5	P169.7	P828.2
Expected credit loss	P0.0	P0.0	P0.0	P0.00	P0.2	P1.3	P1.7	P169.7	P171.4

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 fall due by maintaining sufficient cash from operations. The Company maintains cash to meet its liquidity requirements for up to 30-day periods.

As at September 30, 2022 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*	2,074,506,250	P-	P-	P-
Loans payable	836,532,819	12,410,714	80,669,643	-
Lease liabilities	6,951,952	6,951,952	29,664,375	-
Cash bond deposits	-	-	54,085,966	-
Future interest on long term debt	4,049,071	3,586,104	10,899,808	-
	2,922,040,092	22,948,770	175,319,792	P-

*Excluding statutory liabilities amounting to P19.5 million as at September 30, 2022

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*	P1,676,501,891	P-	P-	P-
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	-
	P2,083,524,828	P24,740,465	P183,767,558	P-

*Excluding statutory liabilities amounting to P15.9 million as at December 31, 2021

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:

	Unaudited	Audited
	September 2022	December 2021
Total liabilities	₱3,343,111,052	₱2,518,198,384
Total equity	1,770,632,720	1,617,098,790

33. Business Combination

Acquisition of BVC

On December 16, 2021, the Company's Board of Directors approved the acquisition of 100% of the outstanding capital stock of BVC from LAVI for a consideration of ₱1.00. Beginning January 1, 2022, BVC operated as the Company's wholly-owned subsidiary. Issuance and transfer of BVC shares of stock were duly completed also in January 2022.

BVC is a private domestic corporation engaged, among others, in poultry production as well as in the processing, raising and breeding of chickens and similar stocks. Beginning January 1, 2022, BVC operated as Vitarich's wholly-owned subsidiary. The registered principal place of business of the Company is located at Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan.

The fair values of the identifiable assets of BVC as at date of acquisition were:

	Audited
	December 2021
Current Assets	
Cash	₱2,751,245
Accounts Receivable	12,651,797
Inventory	2,256,866
Prepayments	4,049,606
Total Current Assets	<u>21,709,514</u>
Noncurrent Assets	
Property, plant, and equipment	6,969,046
Deferred tax asset	2,200,796
Total Noncurrent asset	<u>9,169,842</u>
Total Assets	<u>30,879,356</u>
Current Liabilities	
Accounts payable and accrued expenses	30,879,355

VITARICH CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2022

		Amount
Retained earnings as at beginning of year		₱135,015,735
Adjustments in previous year's reconciliation		
Deferred tax assets as of January 1, 2022		(101,367,556)
Cumulative gain on fair value changes of investment properties		(375,716,381)
Cumulative gain on fair value changes of biological assets		(445,152)
Deficit, as adjusted, at beginning of year		(342,513,354)
Add net income actually earned/realized during the year		
Net income for the nine month period closed to retained earnings	₱153,533,930	
Realized fair value changes on biological assets	(15,312,482)	
Movement in deferred tax assets	(4,545,101)	133,676,347
Deficit as adjusted as at September 30, 2022		(₱208,837,007)

VITARICH CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

Annex I: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex II: Supplementary Schedules Required by Annex 68-J

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

Annex III: Map Showing the Relationship Between and Among the Group

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

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

RATIO	FORMULA	Unaudited September 2022	Unaudited September 2021	Audited December 2021
Current Ratio				
	Current assets	2,943,667,872	2,171,367,273	2,099,625,088
	Divided by current liabilities	2,959,015,526	1,983,666,532	2,117,010,638
	Current ratio	0.99	1.09	0.99
Debt-to-equity Ratio				
	Total liabilities	3,343,111,052	2,359,157,622	2,518,198,384
	Divided by total equity	1,770,632,720	1,847,765,437	1,617,098,790
	Debt-to-equity ratio	1.89	1.28	1.56
Asset-to-equity Ratio				
	Total assets	5,113,743,772	4,206,923,059	4,135,297,174
	Divided by total equity	1,770,632,720	1,847,765,437	1,617,098,790
	Asset-to-equity ratio	2.89	2.28	2.56
Solvency Ratio				
	Net income before depreciation and amortization	231,790,904	258,027,634	195,448,235
	Divided by total liabilities	3,343,111,052	2,359,157,622	2,518,198,384
	Solvency ratio	0.07	0.11	0.08
Interest rate coverage Ratio				
	Pretax income before interest	239,539,017	243,126,935	143,657,040
	Divided by interest expense	31,668,284	15,781,401	23,051,290
	Interest rate coverage ratio	7.56	15.41	6.23
Profitability Ratio				
	Net income	153,533,930	180,463,931	89,441,614
	Divided by total equity	1,770,632,720	1,847,765,437	1,617,098,790
	Profitability ratio	9%	10%	6%

RATIO	FORMULA	Unaudited September 2022	Unaudited September 2021	Audited December 2021
Gross Profit Margin				
	Gross Profit	831,899,837	691,992,058	856,354,163
	Divided by Net Sales Revenue	8,722,287,918	7,310,322,546	9,704,281,449
	Gross Profit Margin	10%	9%	9%
Net Profit Margin				
	Net Income	153,533,930	180,463,931	89,441,614
	Divided by Net Sales Revenue	8,722,287,918	7,310,322,546	9,704,281,449
	Net Profit Margin	1.8%	2.5%	0.9%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)				
	Net Income	153,533,930	180,463,931	89,441,614
	Add: Interest Expense	31,668,284	15,781,401	23,051,290
	Add: Taxes	54,336,803	46,881,603	31,164,136
	Add: Depreciation & amortization	78,256,974	77,563,704	106,006,621
	EBITDA	317,795,991	320,690,638	249,663,661
EBITDA Margin				
	EBITDA	317,795,991	320,690,638	249,663,661
	Net Sales Revenue	8,722,287,918	7,310,322,546	9,704,281,449
	EBITDA Margin	4%	5%	3%
Price Earnings Ratio				
	Market Value per share	0.54	0.77	0.74
	Divided by Earnings per share	0.05	0.06	0.03
	Price earnings ratio	10.80	12.83	24.67
Return on Average Equity				
	Net income	153,533,930	186,147,596	89,441,614
	Divided by average total equity	1,693,865,755	1,757,533,473	1,569,661,175
	Return on Average Equity	9%	11%	6%

RATIO	FORMULA	Unaudited September 2022	Unaudited September 2021	Audited December 2021
Quick Ratio				
	Quick assets	1,142,759,153	1,048,380,326	1,132,406,572
	Divided by current liabilities	2,959,015,526	1,983,666,532	2,117,010,638
	Quick ratio	0.39	0.53	0.53
Debt to EBITDA				
	Total liabilities	3,343,111,052	2,359,157,622	2,518,198,384
	Divided by EBITDA	317,795,991	320,690,638	249,663,661
	Debt-to-EBITDA	10.52	7.36	10.09
Receivable Days Turnover				
	Average accounts receivable	698,602,078	677,040,335	866,290,923
	Multiply by Number of Days	273	271	365
	Divided by Net sales	8,722,287,918	7,310,322,546	9,704,281,449
	Receivable Days Turnover	22	26	33
Inventory Days Turnover				
	Average inventory	961,861,928	650,697,480	589,207,286
	Multiply by Number of Days	273	271	365
	Divided by Cost of goods sold	7,819,582,906	6,323,233,716	8,769,953,425
	Inventory Days Turnover	34	28	25
Accounts Payable Days				
	Average accounts payable	1,447,634,562	1,279,229,198	1,252,337,044
	Multiply by Number of Days	273	271	365
	Divided by Credit Purchases	8,392,334,628	7,624,628,676	8,937,427,873
	Accounts Payable Days	47	46	51
Cash Conversion Cycle				
	Days inventory outstanding	34	28	25
	Add: Days sales outstanding	22	26	33
	Less: Days payable outstanding	47	46	51
	Cash Conversion Cycle	8	9	7

VITARICH CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6
PART II OF
REVISED SRC RULE 68
Audited
SEPTEMBER 30, 2022

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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)
SEPTEMBER 30, 2022
(In Thousands)

<u>Name and Designation of Debtor</u>	Balance at beginning of Year	Additions	Deductions		Ending Balance		Balance as at September 30, 2022
			Collected	Written Off	Current	Noncurrent	
Advances to Officers and Employees:							
Rey D. Ortega, Senior Vice-President and General Manager	129	57	78	-	108	-	108
Peter Andrew Dompok, Sales Manager	30	-	-	-	30	-	30
Adriano Barrameda, Sales Manager	99	16	41	-	74	-	74
Oliver Lupiba, Sales Manager	398	30	51	-	377	-	377
Cruz, Aaron, Sales Manager	158	1	32	-	127	-	127
Others*	11,660	17,898	15,548	-	14,010	-	14,010
	₱12,474	₱18,002	₱15,750	₱-	₱14,726	₱-	₱14,726

*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
SEPTEMBER 30, 2022
(In Thousands)

<u>Related Party</u>	Balance at beginning of year	Additions	Deductions			Ending Balance		Balance as at September 30, 2022
			Collections	Write Off	Amounts written off	Current	Noncurrent	
Amounts Due from Related Parties								
Gromax, Inc.	P41,598	P-	P-	P-	P-	P41,598	P-	P41,598
Barbatos Ventures Corp.	P-	P78,235	P3,511	P-	P-	P74,724	P-	P74,724

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS – OTHER ASSETS
SEPTEMBER 30, 2022
(In Thousands)

<u>Description</u>	Beginning balance	Additions	Charged to cost and expense	Charged to other accounts	Other changes additions (deductions)	Balance as at September 30, 2022
Computer software	P43,345	P21	P28,630	P-	P-	P14,736

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
SEPTEMBER 30, 2022
(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	₱52,746	₱12,411	₱40,335	6.25%	28 quarterly payments	Monthly	October 30, 2026
Fixed	Chinabank Savings	52,745	12,410	40,335	6.25%	28 quarterly payments	Monthly	November 30, 2026
		₱105,491	₱24,821	₱80,670				

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER
September 30, 2022
(In Thousands)

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the statement of financial position caption	Number of shares reserved for options, warrants, conversion & other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Public
Common stock – P0.38 par value per share						
Authorized - 3,500,000,000 shares	3,500,000	3,054,334	–	2,186,199	82,485	785,650

VITARICH CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP
September 30, 2022

