COVER SHEET

2 1 1 3 4
S.E.C. Registration Number

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

(Company's Full Name)

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

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

Atty. Mary Christine Dabu-Pepito	**(+632) 8**843-30-33
Contact Person	Company Telephone Number

Last Friday of June

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

Secondary License Type. If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

SEC COVER SHEET 17-A

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2022**

2. SEC identification Number **21134**

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

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

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

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

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

8. **(+632) 8843-3033**
Registrant's telephone number, including area code

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock	**3,054,334,014**

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

Yes [√] No [ ]

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

Philippine Stock Exchange, Inc. **Common**

12. Indicate by check mark whether the registrant:

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

Yes [√] No [ ]

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

Yes [ ] No [√]

13. The aggregate market value of the voting stock by non-affiliates of the registrant total to P502,816,020.48 as of March 31, 2023.

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

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.
Yes [ ] No [✓]

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

(a) Any annual report to security holders
-

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

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

VITARICH CORPORATION

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

HISTORY

Vitarich Corporation ("Corporation" or "Vitarich" or "Company") was incorporated and organized in 1962.

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

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

By the early 1970s, the Corporation further expanded its operations and extended its vertical integration by acquiring dressing plants and cold storage facilities. In 1981, the Corporation expanded outside Luzon by setting up the Davao satellite feedmill. The following year, it increased its feedmilling capacity in Marilao, Bulacan, and at the same time, started operating its Cagayan De Oro feedmill and hatchery. Subsequent areas of expansion in the Visayas included the cities of Iloilo and Bacolod. At present, the Corporation's registered principal place of business is at Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan. The Company also has operating offices in Luzon (Bicol and Isabela), two satellite offices in the Visayas (Cebu and Bacolod), and two in Mindanao (General Santos City and Cagayan de Oro).

The Corporation's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

The Corporation underwent corporate rehabilitation from September 2006 to September 2016 so its aggregate debt of P3.2 billion could be restructured to allow the Corporation to obtain longer payment terms and lower interest rates.

On March 30, 2012, the SEC approved the extension of the Corporation's corporate life by fifty years starting on July 31, 2012. Pursuant to Section 11, paragraph 2 of the Revised Corporation Code of the Philippines, which took effect on February 23, 2019, the Corporation's corporate life is now deemed to be perpetual.

On October 16, 2013, the SEC approved the Corporation's plan to increase its authorized capital stock to P3.5 billion and the conversion of its debts, amounting to P2.4 billion to Kormasinc, Inc. ("Kormasinc"), into equity at 1 share of common stock for every P1.00 of debt. Of the converted debt, P90.0 million was applied as payment for 90,030,236 shares from unissued shares and P2.3 billion was applied as payment for additional shares from the increase in authorized capital. With the debt-to-equity conversion and significant improvement in the Corporation's operations, the Regional Trial Court of Malolos, Bulacan (the Rehabilitation Court) approved the Company's exit from Corporate Rehabilitation on September 16, 2016.

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

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

SUBSIDIARIES

Philippines' Favorite Chicken, Inc. ("PFCI") used to be a Vitarich subsidiary. PFCI, as distributor of America's Favorite Chicken Company ("AFC"), was granted the exclusive right to develop 50 Texas Chicken and 50 Popeye's Chicken restaurants in the Philippines. On October 1, 1998, the Board of Directors of PFCI approved the conversion into equity of the advances of Vitarich to PFCI amounting to ₱165 million to be applied to its unpaid subscriptions and for additional shares of stock of PFCI. Out of the ₱165 million advances to be converted into equity, ₱25 million was applied to Vitarich's unpaid shares while the remaining ₱140 million was recorded to be under a Deposit for Future Stock Subscriptions account pending the approval from the SEC of the conversion. In 2000, PFCI lost its right to develop Popeye's Chicken in the Philippines. In 2005, PFCI discontinued the operations of its Texas Chicken restaurants. Accordingly, it terminated all employees and provided full valuation allowances on all its remaining assets. On July 26, 2017, the Board and Stockholders of PFCI approved the amendment of its Articles of Incorporation to shorten its corporate life to until March 31, 2019. The SEC approved PFCI's amendment of its Articles of Incorporation. Thus, the liquidation of PFCI began on April 1, 2019. The Company deconsolidated PFCI and recognized a gain of P28.2 million on deconsolidation. On February 16, 2021, PFCI filed with the SEC a Notice of Retention of Corporate Term (until March 31, 2019).

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

On October 27, 2021, Vitarich's Board of Directors approved the terms of the Memorandum of Understanding ("MOU") between Vitarich and Luzon Agriventure Inc. ("LAVI") for the acquisition of shares owned and held by LAVI in Barbatos Ventures Corporation ("BVC"), a private domestic corporation engaged in, among other activities, 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 a neutral Net Asset Valuation. 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 a wholly-owned subsidiary of Vitarich. Issuance and transfer of BVC shares of stock were also duly completed in January 2022.

BUSINESS OF ISSUER

Business Segments and Product Distribution

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

The industry segments where the Company operates are:

a. The Foods segment is engaged in the growing, production, and distribution of chicken broilers, either live or dressed. Its products are distributed to wet markets, supermarkets, hotels, and restaurants. Its dressed chicken products are distributed and sold under the Cook's brand and under the Fresh, Freshly Frozen, and Flavor Origins variants.

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

c. The Farms segment is involved in the production, sales, and distribution of day-old chicks.

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

The relative contributions of each principal product to consolidated revenue for the years ended December 31, 2022, December 31, 2021, and December 31, 2020 are:

PHP millions

	2022	2021	Change	2020	Change
Feeds	5,199	4,695	11%	4,109	14%
Foods	6,241	4,231	48%	3,119	36%
Farms	529	778	-32%	654	19%
	11,969	**9,704**	23%	**7,882**	23%

Competition

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

Principal competitors of the Company are San Miguel Corporation (B-Meg), UNAHCO, Cargill, New Hope, CJ Feeds, CP Feeds, Philmico, Uno Feeds, and Inoza Feeds for the feed business. Key players in poultry business are San Miguel Corporation (Magnolia), Bounty, Foster, Danway, CP, Sustamina, and Leong hup.

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

Sources of Raw Materials

The raw material components of feeds represent the most significant cost components of the Company's operations. Major raw materials of the Company's feed business are corn, wheat, and soybean meal. The Company purchases these materials directly from either local or foreign traders. Imported materials originate from Australia, North and South America, India, and Pakistan. The Company is not dependent on, nor has any major existing supply contracts with, any single or limited number of its suppliers for the purchase of essential raw materials.

Customers

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

Trademarks, Royalty, and Patents

As of 2022, the Company continued to use the following trademarks, devices, and logos, which were previously registered with the Intellectual Property Office on the dates opposite to its names:

Trademark	Date Filed	Date Registered
Vitarich Premium Plus	November 23, 2017	September 2, 2018
Vitarich Advantage Plus	November 23, 2017	September 2, 2018
Vitarich Professional	March 2, 2018	June 2, 2019
Advantage sa Mabilisang Paglaki, Plus sa Mabilisang Kita	June 25, 2018	November 21, 2019
The Breakthrough Innovation in Professional Hog Raising	June 25, 2018	June 2, 2019
With Premium Quality comes Premium Performance	June 25, 2018	May 23, 2019
Forging Livelihood, Nourishing Lives	October 17, 2019	March 14, 2020
Leadership with Integrity, Excellence, Care for Others	October 17, 2019	March 14, 2020
Vitarich LPP Lifetime Profitable Partnership	June 6, 2020	April 9, 2021
Freshly Frozen	July 22, 2020	October 3, 2021
Cook's	January 15, 2021	May 21, 2021
Vitarich Corporation	January 15, 2021	May 21, 2021
Alagang Vitarich Alagang Panalo	January 19, 2021	May 21, 2021
Building Partnerships. Growing Business	January 22, 2021	May 21, 2021
Rich in History, Rich in Excellence	January 22, 2021	May 21, 2021
Cook's Premium Whole Chicken - The Healthylicious Option	February 17, 2021	August 22, 2021
Gromax	February 17, 2021	March 5, 2022
Vitarich Poultry Advantage	August 25, 2021	December 9, 2021
Electcee	August 30, 2021	December 9, 2021
Gromaxicillin	August 30, 2021	November 7, 2021
Cook's Flavor Origins	August 11, 2022	January 23, 2023

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

Certifications

The Company's Quality Management Systems ("QMS") enable it to establish procedures that cover all key processes in the business, including monitoring processes to ensure that they are effective, keeping adequate records, checking output for defects with appropriate corrective actions, and regularly reviewing individual processes and the quality system itself for effectiveness, thus facilitating continual improvement.

In 2007, the Company's commitment toward consistent product quality and safety was further strengthened when the International Organization for Standardization (ISO) certified the Company-owned feed mill facilities in the Visayas and Mindanao with ISO 22000:2005 Food Safety and Management Systems (FSMS) for quality and feed safety management systems. Vitarich has adopted and implemented preventive approaches to product safety that address physical, chemical, and biological hazards in various aspects of feeds manufacturing along with the process and product inspections. The Company continuously complies and maintains the requirements of these standards for its Iloilo and Davao Feed Mill plants. In 2021, its Iloilo and Davao Feed Mill plants received their respective ISO 22000:2018 Food Safety Management System Certifications.

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

Government Regulations and Approval

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

Compliance with environmental laws enhances good community and industry relationships and provides assurance to employees and the community where the Company operates of their health and safety, thereby securing the Corporation from violations and penalties.

Aside from complying with environmental laws, to ensure that only safe and wholesome products reach consumers, the Company also seeks government approval for its principal products and services as well as for the registration of its feed mill, the accreditation of its chemical laboratory, the accreditation of its meat plant, and cold storage, from the Bureau of Animal Industry ("BAI") and the National Meat Inspection Services ("NMIS"), accordingly. The Corporation is also required to secure all applicable permits from the Environmental Management Bureau ("EMB") of the Department of Environment and Natural Resources ("DENR") for its feed mill plants, dressing plants, and rendering plants.

The Company has obtained all necessary permits, licenses, and government approvals to manufacture and sell its products. It has no knowledge of any recent or impending legislation which can result in any material adverse effect on its business or financial condition.

Research and Development

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

- Product Quality and Innovations
- Research and Development
- Advanced Animal Nutrition

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

- Advanced Animal nutrition
- Diagnostic Laboratory Services
- Feeds and Feeds Quality Control
- Poultry Genetic Research
- New Product Development
- Technical Extension Services for contract breeders, growers, and sales clients

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

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

To ensure that its edge in the reliability and accuracy of its analysis is kept, it continuously upgrades its equipment, e.g., the LECO protein analyzer, which is based on combustion, a faster way of analyzing crude protein in feedstuff; the LECO Bomb Calorimeter, which is used to measure Gross Energy in Feedstuff; and the Atomic Absorption Analyzer for macro and trace minerals, including heavy metals. The acquisition of the ICP (Inductively Coupled Plasma) allows the Company to analyze complex minerals and heavy metals simultaneously. The Gas Chromatograph is capable of accurately determining fatty acid as well as Volatile Fatty Acids and Hormones. The NIR (Near InfraRed System) is capable of performing proximate analysis, including amino acids, in a very short amount of time. The Company also upgraded its Fat Extractor, Kjel Dahl Protein Analyzer, and the Ankom Fiber Analyzer Unit. Active Water and Moisture Analyzer units are used for the stability testing of the finished product as well as the maintenance of quality for raw materials. UV-Vis equipment is used for mineral and enzyme analysis. Additional serological tests, including for Avian Influenza virus and ELISA-based Swine serology, were instituted to serve the growing expectations of the consumers.

For research and development activity, the Corporation spent P10.6 million in 2022, P6.0 million in 2021, and P10.8 million in 2020.

Cost and Effects of Compliance with Environmental Laws

Vitarich complies with all environmental laws and regulations implemented by the EMB-DENR and invests appropriately to ensure its compliance. To ensure that its facilities stay compliant with existing environmental laws, the Company implemented the following activities:

1. Stack Emission Testing of boilers to ensure that all the gases being emitted during the operation of boilers and power generators are within the Standards of the Clean Air Act of the Philippines. For the Davao plant, a 3rd-party tester (Berksman) has been tapped for emissions testing of the 2 boiler units for Plant 1, the 2 boiler units for Plant 2, and the single-unit power generator for Plant 2. The most recent test was conducted on December 16-21, 2022 at a cost of Two Hundred Eighty-Two Thousand Two Hundred Forty Pesos (P282,240.00). The Vitarich Davao plant passed all the parameters and earned a satisfactory rating. The result was used for the renewal of the Permit to Operate Air Pollution Sources and Control Installations ("POA"). The cost for the issuance of the POA was Seventy-One Thousand Three Hundred Forty Pesos (P71,340.00) with validity of 5 years.

   For Iloilo, the Permit to Operate ("PTO") for the boiler was issued on November 22, 2022, with five years of validity until April 8, 2027. The Boiler Stack Emission Testing Fee was One Hundred Sixty-Five Thousand Pesos (P165,000.00), while the Permit Processing Fee was Ninety-Seven Thousand Pesos (P97,000.00). Annual Boiler Servicing and Emissions Testing will be carried out subject to inspection and approval by the DOLE and EMB-DENR.

2. Regular Monitoring of the final discharge of wastewater from the Corporation's plants, ensuring that water discharge from the operations are within the regulatory standards set by the Clean Water Act. The Iloilo Plant's Wastewater Discharge Permit was issued on May 26, 2022 after passing all the test parameters for Wastewater Discharges and after submission of all relevant documents. The cost of the Laboratory Analysis fee amounted to Seven Thousand Five Hundred Pesos (P7,500.00) and the fee for the permit for processing Waste Water Discharge was Two Thousand Five Hundred Pesos (P2,500.00). For the Davao plant, the Waste

Water Discharge permit was issued in January 2021 with validity coverage of 5 years. The cost of acquiring the permit was Fourteen Thousand Forty Pesos (P14,040.00).

3. In view of the warehouse expansion projects, for its Iloilo warehouse, the Company sought an Environmental Compliance Certificate (ECC-EPRMP) from the EMB of the DENR Region 6 on August 15, 2018. Processing cost was Ten Thousand Pesos (P10,000.00). Meanwhile, the Davao plants were issued an ECC for Expansion (incorporating the 2 existing ECCs of the Davao Feed Mill and the DSFC Feed Mill). The New ECC (#ECC-OL-R11-2020-0069) issued on January 20, 2020 is still in effect and covers compliance with the Clean Air Act, Clean Water Act, Waste Management Act, and all other regulatory compliance legislation. Processing cost incurred was around Ten Thousand pesos (P10,000.00). Furthermore, the Corporation's Dressing Plant in Marilao, Bulacan, was issued an amended ECC on November 8, 2021. The cost for the amendment of the ECC was Fifty-Two Thousand Thirty pesos (P52,030.00).

4. Regular Repair and Maintenance of all facilities, including attached pollution control facilities, ensure good operating conditions and thereby prevent or control pollution coming from the plants.

5. Continuous Improvement of pollution control devices and/or equipment to meet regulatory standards.

6. Annual renewal of permits from DENR-EMB is secured. Cost varies for each plant ranging from One Thousand Pesos (P1,000.00) to Ten Thousand Pesos (P10,000.00).

The Company acquired an additional permit to transport hazardous material (used oil) for the Davao plant at a cost of One Thousand Forty Pesos (P1,040.00). VDAP Certificate for the production of veterinary products cost Six Thousand Pesos (P6,000.00).

Manpower Complement

As of December 31, 2022, total headcount was 855 employees, including 619 regular and 236 contractual employees from reputable service provider. As of March 12, 2023, total headcount stood at 867 employees – including 631 regular and 236 contractual workers. The Corporation's CBA was signed in May 2021 and is in effect until July 31, 2025.

The Federation of Free Workers - Vitarich Corporation Employees / Workers Union Chapter (FFW – VEWU) is the duly authorized collective bargaining agent that represents all rank-and-file employees of the Corporation.

Pension Costs/Retirement Benefits

The Company maintains a partially funded, non-contributory 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 (1-1/4) month's salary for every year of continuous service.

The plan is exposed to interest rate risk 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 of December 31, 2022.

Financial Risk Management

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

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

Foreign Currency Risk

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

Interest Rate Risk

As of December 31, 2022 and 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.

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

The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. When available at a reasonable cost, external credit ratings and/or reports of 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 coverage is maintained. In addition, to minimize credit risk, the Company requires collateral, generally real estate property, from its customers.

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects probability-weighted outcomes, 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.

Liquidity Risk

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

Price Risk

The Company is exposed to commodity price risk as the raw materials of its main products are subject to price swings. The Company's management actively seeks means to minimize exposure to such risk by optimizing both local sourcing as well as direct importation from foreign traders, among others.

Item 2. PROPERTIES

The Corporation operates and/or leases numerous production facilities, which include feed mills, dressing plants, and hatcheries. As of December 31, 2022, these facilities include:

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

The Corporation will only consider a project that is critical to its continued operations and that will likewise generate substantial cost savings and higher returns on investment.

Item 3. LEGAL PROCEEDINGS

In 2014, Vitarich filed a case against Charter Ping An Insurance Corporation ("Charter Ping An") before the Regional Trial Court ("RTC") of Malolos City, Bulacan, to claim insurance proceeds of Three Hundred Sixteen Million Five Hundred Sixty One Thousand, One Hundred Fifty Eight and 81/100 Pesos (P316,561,158.81) as indemnity for the damages and losses suffered by the Corporation due to typhoon Ondoy in 2009. The case was docketed as Civil Case No. 662-M-2014 and was raffled to Branch 15 of the RTC of Malolos City. Vitarich was partially paid the amount of fifty-eight million pesos (P58M) in 2016 when the court granted Vitarich's Motion for Summary Judgment concerning the amount admitted by Charter Ping An.

For the remaining Two Hundred Forty-Seven Million Six Hundred Twenty Thousand Five Hundred Fifty-Five Pesos (P247,620,555.00), not including interest, the claim is still pending before the Court. Vitarich completed the presentation of its evidence on 10 November 2022. On the other hand, Charter Ping An concluded the presentation of its evidence on 09 March 2023.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the calendar year covered by this report other than those made during the Annual General Meeting of the Stockholders held on June 24, 2022. The results of the AGM were disclosed to the Philippine Stock Exchange via the PSE Edge portal on June 24, 2022 and posted on the Company's website. A copy of the draft of the Minutes of the meeting is also posted on the Company's website.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's common equity is principally traded in the Philippine Stock Exchange (PSE). The high and low sales prices for every quarter ended are:

	2021		2022	
	High	Low	High	Low
1st Quarter	0.84	0.81	0.74	0.55
2nd Quarter	0.88	0.87	0.67	0.55
3rd Quarter	0.79	0.76	0.65	0.56
4th Quarter	0.74	0.72	0.62	0.50

The closing price of the Corporation's common shares as of the last trading date, December 31, 2022, was P0.60 per share.

As of March 31, 2023, the latest trading date prior to the completion of this annual report, price per share of the common stock was P0.64/share.

No securities have been issued in connection with an acquisition, business combination, or other re-organization within the last two fiscal years.

Holders

The Corporation has only one class of shares, i.e., common shares. The total number of stockholders as of December 31, 2022 was 4,113 with the total number of shares outstanding on that date of three billion fifty-four million three hundred and thirty-four thousand and fourteen shares (3,054,334,014).

	Dec 2022	Dec 2021
Number of Issued & Outstanding Shares	3,054,334,014	3,054,334,014
Number of Stockholders	4,113	4,126
Number of Shareholders owning at least one board lot each	3,111	3,124

The Company's foreign equity ownership as of December 31, 2022 is:

	No. of Shares	% Ownership
Shares owned by Filipinos	2,938,596,572	96%
Shares owned by Foreigners	115,737,442	4%
Total	**3,054,334,014**	**100%**

The top 20 stockholders of the Corporation as of December 31, 2022:

	Name of Stockholders	Number of Shares	Percent to Total Outanding Shares
1	PCD NOMINEE CORPORATION (FILIPINO)	2,919,303,240	95.58%
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	114,900,942	3.76%
3	YAZAR CORPORATION	1,402,520	0.05%
4	JOSE M. SARMIENTO	1,305,320	0.04%
5	MA. LUZ S. ROXAS	1,305,320	0.04%
6	MA. VICTORIA M. SARMIENTO	1,305,320	0.04%
7	GLICERIA M. SARMIENTO	690,000	0.02%
8	NELIA CRUZ	527,850	0.02%
9	ROGELIO M. SARMIENTO	290,000	0.01%
10	ANTONIO S. RAAGAS	270,000	0.01%
11	BETINA ANGELINA I. SARMIENTO	228,510	0.01%
12	NORBERTO T. HOFELENA	220,778	0.01%
13	GLADY Y. LAO	215,000	0.01%
14	BERNAD SECURITIES, INC.	203,000	0.01%
15	DANIEL J. ADVINCULA	200,000	0.01%
16	ORLANDO P. CARVAJAL	185,000	0.01%
17	TERESITA Y. SARMIENTO	164,000	0.01%
18	LORENZO S. SARMIENTO	141,134	0.00%
19	BIENVENIDO LIM	140,000	0.00%
20	GEORGE CHUA	111,000	0.00%
	Others	11,225,080	0.37%
Total Shares Issued and Outstanding		**3,054,334,014**	**100.00%**

<u>Dividends</u>

The Corporation has not declared dividends since 1996.

<u>Sales of Unregistered Securities</u>

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

<u>Description of Shares</u>

The securities of the Company consist entirely of common stock with a par value of P0.38 per share. All shares are equally eligible to receive dividends and repayment of capital and each share is entitled to one vote at the shareholders' meeting of the Company.

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

<u>Management's Discussion and Analysis</u>

Fiscal Year 2022 compared to Fiscal Year 2021

The Company achieved historic revenues of P12.0 billion, in 2022, an increase of 23% year-over-year, marking the first time in the company's 60-year history that annual revenues exceeded P10 billion. All business segments were profitable with strong momentum in the Foods segment.

Rocco Sarmiento, President and CEO, said, "2022 brought many challenges to families and businesses particularly as inflation intensified and food prices rose by double digits. Despite this difficult environment, our team at VITA worked tirelessly and delivered solid revenue growth and improved net income."

Cost of goods accelerated 23% to P10.9 billion following higher sales volumes and input costs. Key raw materials including wheat, soybean, and corn, which comprised about 70% of feed costs, soared an average of 25%. In addition, price increases in fuel, energy, and labor exerted further pressure on handling costs and the return of some post-pandemic operating costs, such as travel costs.

Gross profit grew 24% to P1.1 billion and operating profit increased 21% to P223.2 million. The impact of cost inflation was partially offset by volume growth, pricing changes, and efficiencies.

Net income reached P129.0 million with earnings per share of P0.042, up 44% over the prior year.

Looking ahead, the company expects another year of strong revenue growth as well as better margins in 2023, encouraged by an expansion in its sales channels and the positive reception of the recently launched value-added products. At the same time, it remains alert in assessing the risks of persistent higher input costs and supply chain disruptions.

Segment highlights

- Revenues from the Foods segment amounted to P6.2 billion, an all-time high on 48% growth, as the more robust recovery in food services and restaurants lifted demand and the company's value-added products that were unveiled in November provided some additional support. Volume was up 22% led by demand in Luzon and Mindanao while average prices increased 19%, reflecting significant cost inflation. The Foods segment comprised 52% of overall revenues.

  During the year, the segment widened its operations in various areas nationwide—in Luzon: Isabela and Bicol; in Visayas: Samar and Leyte; in Mindanao: Zamboanga City, Bukidnon, Marawi, Sultan Kudarat, and Saranggani. It also launched *Cook's* Flavor Origins in November as part of its growth strategy at the retail level. Product offering includes differentiated items such as French Roast, Mediterranean Roast, and South African Roast.

  .
- Feeds revenues grew 11% to P5.2 billion driven by pricing which increased 18% compared to the year-ago period versus input costs of 23%. As expected, price actions had an unfavorable impact on volume which declined 6%. The Feeds segment comprised 44% of revenues.

  The segment made significant progress towards operational milestones by increasing the number of distributors, megadealers, and retail feed outlets across Capiz, Aklan, and Central Negros over the course of the year. It also began its multiyear campaign that will establish the brand as "The Specialist in Animal Nutrition." Another highlight of the year is the introduction of further initiatives that address sustainability opportunities. This included the transition to reusable woven feed sacks from laminated bags in order to manage its product design and lifecycle.

- Farms revenues were down 32% to P529.0 million due to the shortage of day-old chicks. A fair value adjustments on biological assets amounting to P12.1 million was recognized as part of revenues and P1.1 million as part of cost of goods. The Farms segment comprised 4% of revenues.

Fiscal Year 2021 compared to Fiscal Year 2020

Vitarich Hits Record High Revenues of P9.7 billion in 2021

The Company reports an all-time revenue record of P9.7 billion, up 23% year-over-year driven by growth in all three business segments.

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

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

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

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

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

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

Segment Highlights

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

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

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

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

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

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

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

The Farms segment is involved in the production, sales and distribution of day-old chicks.

Outlook

The Company continues to execute on the factors it can control, including new products, improved customer satisfaction scores, enhanced processes, and engaged stakeholder relationships.

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

PHP millions, except per share data

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

Fiscal Year 2020 compared to Fiscal Year 2019

Consolidated sales of goods decreased by 9% to P7.7 billion in 2020 from P8.4 billion in 2019 mainly because of unfavorable chicken prices in the market brought about by the COVID-19 pandemic and the spread of African Swine Fever (ASF).

The Company recognized a fair value adjustment on biological assets of P199.5 million in 2020 from P479.6 million in 2019.

Sales of goods per business segment:

- Foods sales dropped by 23% to P3.1 billion in 2020 from P4.0 billion in 2019 due to unfavorable selling prices of chicken brought about by the COVID-19 pandemic starting April 2020 and towards the end of the year.

- Feeds revenues increased by 4% to P4.1 billion in 2020 from P3.9 billion in 2019, despite the pandemic and ASF, due to strong sales in Visayas and Mindanao as well as higher sales from the Feeds Tie-up program in Luzon and some regions of Mindanao.

- Farms segment sales edged down by 2% to P455.0 million in 2020 from P466.1 million in 2019 as the poultry industry was badly affected by the unfavorable chicken prices related to the pandemic.

Cost of Goods Sold decreased 8% to P7.1 billion in 2020 from P7.7 billion in 2019 versus lower sales volume and lower raw material costs. There was a fair value adjustment on biological assets of P184.4 million in 2020 from P471.4 million in 2019.

Gross profit for 2020 amounted to P571.8 million, lower by 20%, or P145 million, from P717.5 million in 2019. Lower gross profits were mainly due to unfavorable selling prices for chicken brought about by the COVID-19 pandemic and the closure of HRI accounts.

Operating expenses decreased by 9% to P536.8 million in 2020 from P588.3 million in 2019 thanks to operational efficiency and cost reduction measures. Other operating income of P44 million in 2020 increased by 50% versus 2019 primarily due to rendered tolling services.

Other charges, which includes interest expenses, decreased by 67% to P57.8 million in 2020 from P176.6 million in 2019 due to lower tax settlements, interest expenses, and provisions for impairment losses on receivables. Other income recognized went down by 97% to P4.2 million in 2020 from P160.7 million in 2019 because of lower gains on fair value changes of investment properties.

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

The Company posted Net Income of P9.3 million, despite being adversely affected by the pandemic and the spread of African Swine Fever in Luzon. This was down P119.5 million or 93% compared to 2019 Net Income of P128.8 million. First quarter performance provided ample buffer for net losses in the second and third quarters.

Fiscal Year 2019 compared to Fiscal Year 2018

Consolidated sales increased by 2% to P8.4 billion in 2019 from P8.3 billion in 2018, mainly because of favorable chicken prices in the market during the second half of the year.

Sales by business segment are:

- Foods revenues increased to P4.0 billion in 2019 by 5% from P3.8 billion in 2018 on favorable selling prices of chicken towards the second half of the year.

- Feeds top line sales stayed flat at P3.9 billion in 2019 and 2018. Several hog farm customers were affected by African Swine Fever during the last quarter of the year, yet the Company was still able to sustain its whole year sales.

- Farms segment sales fell by 18% to P466.1 million in 2019 from P570.1 million in 2018 as the poultry industry was badly hit by unfavorable chicken prices during the first half of the year.

Cost of Goods Sold increased by 1% to P7.7 billion in 2019 from P7.6 billion in 2018 due to higher costs of raw materials and day-old-chicks.

Gross profits for 2019 amounted to P717.5 million hiking up 17% or P106 million from P611.8 million in 2018. Increased gross profits were mainly due to improved efficiencies in the poultry and feed operations plus favorable chicken prices in the market during the second half of the year.

Operating expenses increased by 1% to P588.3 million in 2019 from P584.9 million in 2018 due to higher administrative, selling and distribution expenses. Other operating income of P29.4 million in 2019 came down by 4% versus 2018 primarily due to lower rental income.

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

Tax expenses went up by 158% to P13.9 million in 2019 from P5.4 million in 2018.

For 2019, the Company posted Net Income of P128.8 million in 2019 which was 98% (P63.7 million) higher than 2018 of P65.2 million.

Fiscal Year 2018 compared to Fiscal Year 2017

Consolidated sales soared by 27% to 8.3 billion in 2018 from 6.5 billion in 2017 driven by strong performance across all product lines.

Sales per business segment:

- Foods sale rose by 39% to P3.8 billion in 2018 from P2.8 billion in 2017 on higher sales volume and better selling prices for chicken, except in the last quarter of the year.

- Feeds revenues went up by 16% to P3.9 billion in 2018 from P3.3 billion in 2017 due to the expansion of several farm customers.

- Farms segment sales were higher by 38% to P570.1 million in 2018 from P412 million registered in 2017 due to the successful recruitment of additional farm breeding and broiler partners.

Cost of Goods Sold increased by 32% to P7.6 billion in 2018 from P5.8 billion in 2017 due to higher costs for raw materials and day-old chicks. Despite better efficiency y-o-y in the last quarter, the overall industry experienced an oversupply of chicken, resulting in gross profits of P611.8 million, lower by 15% or P110 million.

Operating expenses increased by 6% to P584.9 million in 2018 from P551 million in 2017 resulting from higher administrative, selling, and distribution expenses. Other operating income of P35 million in 2018 lowered by 3% versus 2017 primarily due to lower rental income.

Other charges decreased by 84% to P9.1 million in 2018 from P55 million in 2017 because no tax compromise settlement or liquidated damages were recognized this year and the Company is due to gain on fair value changes of investment properties.

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

Vitarich posted Net Income of P65.2 million in 2018 which is down 47% or P57.2 million to P122.4 million in 2017.

Financial Condition

The Company's consolidated total assets as of December 31, 2022 was P5.2 billion, up from P4.1 billion on December 31, 2021. Total current assets increased to P2.9 billion on December 31, 2022 up 35% from P2.1 billion as of December 31, 2021 because of higher cash, receivables, inventories, and other current assets.

Non-current assets increased by 18% from a year earlier at P2.4 billion as of December 31, 2022.

Current liabilities increased by 41% to P3.0 billion as of December 31, 2022 from P2.1 billion on December 31, 2021, mainly due to increases in short-term loans payable and trade payables related to higher production volume requirements and higher prices of raw materials.

Non-current liabilities slightly decreased by 3% to P389.6 million as of December 31, 2022 from P401.2 million on December 31, 2021, mainly due to partial payments of long-term debt.

Stockholders' equity stood at P1.9 billion as of December 31, 2022, up 15% over December 31, 2021 when it was P1.6 billion.

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

	2022	2021	2020
Revenue (P Million):			
Sale of goods	11,958	9,649	7,682
Fair value adjustment on biological assets	12	55	199
Cost Contribution (P Million):	10,907	8,770	7,126

Cost of Goods Sold			
Fair value adjustment on biological assets	1	78	184
Gross Profit Rate (%)	9%	9%	7%
Operating Margin (P Million)	223	184	79

1) Sales Volumes, Price, and Revenue Growth

Consolidated revenue composed of feeds, day-old chicks, and chicken and animal health products sales including fair value adjustment on biological assets, amounted to P12.0 billion, 23% higher than the previous year of P9.7 billion, mainly because of increased sales volume and favorable selling prices of chicken in the market.

2) Cost Contribution

This measures the cost efficiency of the products and trends of raw materials prices, particularly importations, which involve foreign exchange exposure. Costs are analyzed on a regular basis to assist strategic management decision making regarding cost reduction and efficiency measures.

3) Gross Profit Rate

Reviews are conducted on a regular basis to check if targets are being met based on the forecasted gross profit rate and to ensure proper and immediate action can be taken.

4) Operating Margin

Operating margin is profit after operating expenses are deducted. Reviews of operating expenses are performed on a regular basis. These are analyzed and compared against budget, previous month, and previous years to ensure that cost reduction measures are being met and implemented.

5) Plant Capacity Utilization

This determines total usage of the plant capacity. The higher the plant utilization, the better the productivity, which translates to better margins.

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

There are no material commitments for capital expenditures.

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

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

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

Item 7. FINANCIAL STATEMENTS

The Consolidated Audited Financial Statement of the Corporation for the year-ended December 31, 2022 including the applicable schedules listed in the accompanying index to financial statements and supplementary schedules are filed as part of this form 17-A.

Item 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

Audit and Audit-Related Fees

The work of SyCip Gorres Velayo & Co. consisted of an audit of the financial statements of the Company to enable them to express an opinion on the fair presentation, in all material respects, of the Company's statement of financial position, statement of comprehensive income, statement of changes in equity, and statement of cash flows in accordance with Philippine Financial Reporting Standards. For the year 2022, audit fees amounted to P4.25 million, exclusive of VAT and out of pocket expenses.

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

Prior to the engagement of the external auditor, the Audit, Risk Oversight and Related Party Transactions Committee reviewed and confirmed the terms of engagement and the scope of services of the external auditor as endorsed by the management of the Company. Its approval policies and procedures for external auditors are:

1. Statutory audit of the Company's annual financial statements

    a. The Audit, Risk Oversight, and Related Party Committee ensures that the services of the external auditor conform with the provision of the company's manual of corporate governance specifically articles 2.3.4.1, 2.3.4.3 and 2.3.4.4
    b. The Audit, Risk Oversight, and Related Party Committee makes an assessment of the quality of the prior year audit work services, scope, and deliverables and makes a determination of the reasonableness of the audit fee based on the proposed audit plan for the current year.

2. For services other than annual F/S audit:

    a. The Audit, Risk Oversight, and Related Party Committee evaluates the necessity of the proposed services presented by management taking into consideration the following:

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

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

For 2022, the Company's independent public accountant was SyCip Gorres Velayo & Co. The audit of the financial statements of the Company was handled and certified by the engagement partner, Mr. Erwin A. Paigma. The firm complied with the Revised SRC Rule 68, paragraph 3 (b) (iv) re: seven (7) years rotation requirement for the external auditor.

Pursuant to SRC Rule 68.1 (Qualification and Reports of Independent Auditors), the Company engaged SyCip Gorres Velayo & Co. for the audit of the Company's financial statements effective calendar year 2022. The engagement of

SyCip Gorres Velayo & Co. and the engagement partner was approved by the Board of Directors and the stockholders of the Company.

There was no event in the last two fiscal years where the previous and current external auditors or previous and current engagement partners had any disagreements regarding any matter relating to accounting principles or practices, financial statement disclosures, or auditing scope or procedure. There were no disagreements with the external auditor of the Company on any matter of accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

Pursuant to the Company's Amended Articles of Incorporation dated March 25, 2021, its Board of Directors has nine (9) members, two (2) of whom are independent directors.

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

Officers are elected by the newly elected Board of Directors at the organizational meeting held right after the annual meeting of the stockholders. The Board also elects during its organizational meeting the chairman and members of the Audit, Risk Oversight, and Related Party Transactions Committee as well as the chairman and members of the Nominations, Remunerations, and Corporate Governance Committee. The officers shall be subject to removal at any time by the Board of Directors, but all officers, unless removed, shall hold office for a term of one (1) year until their successors are appointed. If any vacancy shall occur among the officers of the Corporation, such vacancy shall be filled by the Board of Directors.

Directors and Officers

The following are the directors and officers of the Corporation for the term June 25, 2022 to June 24, 2023 and until the successors shall have been elected and qualified:

Jose Vicente C. Bengzon III, Filipino, 65 years old
Director/Chairman of the Board

Mr. Bengzon has been Vitarich's Chairman of the Board of Directors since 2012. He has been the President & CEO of Torres Trading Company, Inc. since January 2021 and an Independent Director of Upson International Corp. since 2022. He has been the Vice Chairman & Chairman of the Executive Committee of Commtrend Construction Corp. since 2014; Director and Treasurer of Inception Technology Philippines Corp. since 2019; and Senior Adviser to the Board of Malayan Bank since 2018. He was Director & Chairman of the Risk Management Committee of Rizal Microbank from 2010 to 2020. He was a Consultant at SGV from 1982-1985 and Financial Planning and Projects Manager for Reuters America from 1988 to 1990. From 1991 to 1996, he was with Dole Philippines and served in various capacities as Assistant to the Country Manager, Manager in the Financial Planning Group, and Financial Analyst. He was also an Entrepreneur of Westborough Food Corporation from 1993 to 2001. Mr. Bengzon was Director of the Philippine Quality Awards Foundation from 1998 to 2011; on the Board of Trustees at the Philippine Quality and Productivity Movement, Davao Chapter, from 1998 to 1999; on the Board of Trustees of the Davao City Chamber of Commerce and Industry from 1999 to 2000; President of the Productivity Development Council in Mindanao from 1999 to 2000; and President of Abarti Artworks Corporation from 2001 to 2004. In 2005, Mr. Bengzon was the Chief Privatization Officer of the Department of Finance and Director of Panaro Minerals Phils. and the Philippine Al Amanah Islamic Bank. He was President of the Duma Group of Companies from 2006 to 2011; President of UPCC Holdings Corp until 2020; acting Chairman at the Philippine National Construction Corp. from 2012 to 2013 and its Board Member from 2005 to 2011; Director of Manila North Tollways Corp. from 2012 to 2013; Director of the

South Luzon Tollways Corp. from 2011 to 2012; an Independent Director of Bermaz Auto Phil's Inc. (2017); and Director & Chairman of the Audit Committee of Century Peak Mining Corp. from 2016 to 2018. He is a Certified Public Accountant and a graduate of De La Salle University having obtained his Bachelor of Science degree in Commerce and Bachelor of Arts degree in Economics in 1980 therefrom. He earned his Master of Business Administration at the J. L. Kellogg School of Management at Northwestern University in 1988.

Ricardo Manuel M. Sarmiento, Filipino, 46 years old
Director/President & Chief Executive Officer

Mr. Sarmiento is the President and Chief Executive Officer of Vitarich Corporation. He brings with him almost two decades of hands-on experience with the company. He is responsible for the overall success of the organization with primary responsibilities in setting corporate objectives and strategy, driving growth, and managing company operations towards achievement of goals.

He began his career with the company in 2005 as the Acting General Manager of Gromax and, eventually, as its General Manager. He later became its President in 2010. This was followed by his role as Vitarich's Sales and Marketing Director and his eventual promotion to Executive Vice-President and Chief Operating Officer in 2012. He is likewise the Treasurer of Precisione International Research and Diagnostic Laboratory, Inc., a position he has held since 2008.

Mr. Sarmiento is an active member of the Rotary Club of Manila, Upsilon Sigma Phi, and the Young President's Organization (YPO Philippines Chapter). He has been a panelist in various business forums including the Philippine Summit of The Asset and the Economic Forum of BusinessWorld. His team was recognized as the Executive Leadership Team of the Year and a Circle of Excellence Awardee at the Asia CEO Awards 2022. Mr. Sarmiento holds a bachelor's degree in tourism from the University of the Philippines, Diliman.

Stephanie Nicole M. Sarmiento-Garcia, Filipino, 43 years old
Director/Executive Vice-President, Chief Sustainability Officer (CSO)/Corporate Management Services Director/Treasurer

Ms. Garcia is the Executive Vice President - Chief Sustainability Officer and Corporate Management Services Director of Vitarich Corporation. She carries with her almost two decades of solid hands-on experience in the integrated feeds and foods businesses of the company. In addition to her integral role in the corporation, Ms. Garcia also oversees the external activities of Vitarich Corporation and manages its various partnerships with key stakeholders and the government. She is likewise the President of Precisione International Research & Diagnostic Laboratory, Inc. Due to her deep knowledge in the poultry and feeds business, she is recognized by the Philippine Department of Agriculture as a technical resource person and is often invited to share her expertise with the government and private sector groups. She is one of the leaders of Pilipinas Kontra Gutom - a national and multi-sectoral anti-hunger movement, which aims to bring public and private organizations together on various programs with a common goal: 1 million fewer hunger Filipinos by 2022. Ms. Garcia served as the President of the Philippine Association of Feed Millers, Inc. (PAFMI) from February 2020 to February 2021. Prior to Vitarich, she was a Store Manager at *Le Pain Quotidien,* an international chain of café-style restaurants, specializing in bakery items. Earlier on, she held a front desk position at the *Ritz Carlton Hotel* in San Francisco. She holds a degree in International Hospitality Management from the Glion Institute of Higher Education (formerly known as Glion Hotels School), a private, university-level Swiss hotel management school in Switzerland. Ms. Garcia joined Vitarich in October 2003.

Rogelio M. Sarmiento, Filipino, 74 years old
Director

Mr. Sarmiento served the Corporation in different capacities as director (1982 to 1991; 2003 until April 29, 2021; October 15, 2021 to present), President and Chief Executive Officer (2003 to June 24, 2016), and Chairman of the Board of Directors (2003 to June 29, 2012). He was elected on October 15, 2021 as a director to fill in the vacancy that resulted from the untimely demise of Mr. Jose M. Sarmiento. He was also the President of L.S. Sarmiento & Co., Inc., Sarmiento Industries, Inc., Fortuna Mariculture Corporation, and Sarphil Corporation from 1968 to 1981. He obtained his Bachelor of Science in Business Administration degree from the University of San Francisco and his Master of Business Administration degree from the University of Santa Clara in the United States of America. He was President of the Philippine Association of Feed Millers Inc. from 1990 to 1992 and Vice-President of the Philippine Chamber of Commerce from 1988 to 1989. Formerly a member of the Interim Batasang Pambansa, he concurrently served as Minister of State for Transportation and Communications. He also served as Deputy Director General of the National Economic and Development Authority. He was a member of the House of Representatives representing the First District of the Province of Davao del Norte from 1992 to 2001.

Benjamin I. Sarmiento, Jr., Filipino, 53 years old
Director

Mr. Sarmiento was elected as Vitarich's Director in 1998. He is a graduate of the University of San Francisco with a Bachelor of Arts degree in Economics. He is the Chief Executive Officer of Sarmiento Pacific Holdings and Equities (formerly Pacific Equities, Inc.) from 1989 to the present. He is also a Director of the following companies: M3 Ventures International, Inc. since 1991, and Ultra-Seer, Inc., Hillsdale Marketing Inc., Specialized Products & Services, Inc., Escotek, Inc., and Diversified Industrial Technology, Inc. since 2002. He is the Chief Executive Officer of Sarmiento Pacific Agribusiness.

Lorenzo Vito M. Sarmiento, III, Filipino, 48 years old
Director

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

Atty. Juan Arturo Iluminado C. De Castro, J.S.D., LL.M., Filipino, 42 years old
Director

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

Pierre Carlo C. Curay, Filipino, 44 years old
Independent Director

Mr. Curay was first elected as Independent Director on June 24, 2022. He has never been affiliated with the Corporation prior to his nomination and election as Independent Director. He has been an entrepreneur for 23 years to date and has 17 years of experience in Logistics and Supply Chain Management, in addition to being a technology professional. He is a Co-Founder and has been the CEO of Insight and Supply Chain Solutions (InsightSCS) since March

2019, a technology logistics start-up. He is also the Director of XVC Logistics, a transport and freight forwarding company serving multinational companies for their Philippine logistics needs. He concurrently serves different organizations in various capacities – Former President and currently Vice President of the Supply Chain Management Association of the Philippines; Co-Chair for Supply Chain Management of the Committee on Transport and Logistics of the Philippine Chamber of Commerce and Industry (since February 2022); Technical Consultant for the Regulatory Reform Support Program for National Development of the University of the Philippines Public Administration and Extension Services Foundation, Inc. (since March 2020); Pioneer Mentor of ASEAN Mentorship for Entrepreneurs Network (since November 2017); and Mentor for the Department of Trade and Industry (DTI) and the Department of Agriculture (DA) at GoNegosyo (since June 2016). Mr. Curay earned his Bachelor of Science degree in Management Information Systems, Information Technology from the Ateneo de Manila University in 1999. He also attended the Training Programs on Logistics Management for the Philippines and established the Logistics Qualifications System of the Association of Overseas Technical Scholarships in Japan (2010-2012) and the Entrepreneurship Acceleration Program at The Wharton School (2019).

Vicente Julian A. Sarza, Filipino, 70 years old
Independent Director

Mr. Sarza was first elected as Independent Director of the Corporation in 2016. He also serves as Independent Director of HC Consumer Finance Phils, Inc. (Home Credit) and the AIB Money Market Mutual Fund, Inc. He was a director and Chief Operating Officer of Mabuhay Capital until his retirement therefrom in 2020. However, he remains a consultant of Mabuhay Capital. Prior to joining Mabuhay Capital, Mr. Sarza was Senior Vice President, Head of institutional banking at Asia United Bank (AUB), a publicly listed company, which operates as a universal bank. Before moving to AUB, Mr. Sarza was a Principal, Head of Advisory Services, in KPMG Philippines. He was responsible for the significant expansion of market share and significant increase in recognition of KPMG Advisory as an advisory services firm in key industries, such as financial institutions, energy, water, infrastructure, insurance and in government and multilateral institutions. Over the years, Mr. Sarza's extensive experience included successful engagements as Director to Chief Privatization Officer, rank of Undersecretary in the Privatization and Management Office (an agency of the Department of Finance). Mr. Sarza was also a Director and Chairman of the Technical Committee on Privatization and Office for Special Concerns for the Department of Finance (Republic of the Philippines). Mr. Sarza had various roles in the successful privatization of Maynilad, International School Manila, Philippine Telecommunications Investment Corp., Energy Development Corp., and lloilo Airport. Mr. Sarza spent more than 25 years in banking, his stints spanning corporate, middle market, and consumer banking with added responsibilities in his last 8 years through involvement in senior functions such as Mancom, Asset and Liabilities Management, and Credit Committee duties, among others. Prior to the Department of Finance, Mr. Sarza spent a total of 14 years at United Coconut Planters Bank (UCPB) and UCPB Savings Banks as Manager to First Vice President-Head of the Commercial Credit Division and President and COO, respectively. Mr. Sarza holds an A.B. degree in Economics from the Ateneo De Manila University.

Executive Officers

Atty. Aison Benedict C. Velasco, Filipino, 45 years old
Corporate Secretary

Atty. Velasco was first appointed as Corporate Secretary of the Corporation last April 26, 2019. He is presently a Partner of the Angara Abello Concepcion Regala & Cruz Law Office (ACCRALAW), the firm he joined in 2003. He obtained his bachelor's degree from the Ateneo de Manila University in 1999 and his Juris Doctor law degree from the same university in 2003 graduating with Second Honors. Presently, he acts as Corporate Secretary of several companies, including AB Mauri Philippines, Inc., ELC Beauty, Inc., Smartmatic Philippines, Inc., UBS Securities Philippines, Inc., UBS Investments Philippines, Inc., Grey Philippines, Inc., Shin Clark Power Holdings, Inc., Shin Clark Power Corporation, Makesense, Inc., Commonssense Philippines, Inc. and other Philippine companies.

Atty. Mary Christine C. Dabu-Pepito, CCO, Filipino, 37 years old
Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer

Atty. Dabu-Pepito was first appointed as the Corporation's Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer on March 21, 2016. She obtained her Bachelor of Arts degree in Broadcast Communication from the University of the Philippines-Diliman and graduated *Cum Laude* in 2006. She took up her Bachelor of Laws degree at the San Beda University-Manila in 2011 and was admitted to the Bar on March 28, 2012. She practiced at Dulay, Pagunsan, & Ty Law Offices as one of its Associate Lawyers until May 2013. From June 2013 to March 2016, she was an Associate Lawyer at Dabu & Associates Law Office and was appointed as a Partner of the said firm on April 2016. Her areas of practice include civil, family, criminal, commercial, administrative, employment, and labor law litigation as well as corporate and commercial services. She is also one of the Corporation's legal counsels. She is an alumna of the 5th cohort of the Applied Sustainability Management in Asia Pacific (ASMAP 5) held on October 2019. Organized by the Center for Social Responsibility of the University of Asia and the Pacific, ASMAP is an executive training program for linking sustainability and business performance. She is a Certified Compliance Officer having completed and passed the qualifying examinations of the Certification Course for Compliance Officers administered by the Center for Global Best Practices on April 5, 2022.

Other Executive Officers

Reynaldo D. Ortega, Filipino, 53 years old
Senior Vice President and General Manager Poultry and Food Sales Division

Dr. Ortega is a Doctor of Veterinary Science and Medicine who obtained his degree at the Central Luzon State University in 1992. He also earned his degree in Bachelor of Science in Animal Husbandry in the same University in 1990. He completed his Master's Degree at the University of Asia and the Pacific in the Agribusiness Executive Program in 2018. Dr. Ortega started as Production Supervisor at Purefoods Corporation in Sto. Tomas, Batangas, and was later assigned as Veterinary Supervisor at Purefood's JMT office in Ortigas, Pasig. He joined Vitarich in 1994 as an Extension Veterinarian and, since then has handled various positions as Veterinary Services Group Head, Contract Growing Operations Head, Technical Head, and Poultry and Livestock Division Head, until his present appointment in March 2018. His training includes Poultry Tunnel Ventilation Systems, Poultry Management in Cage Systems, Immunology and Virology, and Artificial Insemination in Broiler Breeders. He attended various symposiums about Poultry production, processing, and marketing in the USA, Europe and Asia.

Alicia G. Danque, Filipino, 50 years old
Senior Vice President and General Manager of Feeds Business Unit/Alternate Corporate Information Officer

Hired in 1995, Ms. Danque handled various positions in the Company as Corporate Planning Manager, Chief of Staff, and Assistant Vice President for Animal Health Care. She was appointed Vice President & Supply Chain Director on January 1, 2020 to provide the overall direction for the supply chain and further improve productivity and efficiency and reduce costs while securing high quality materials. On October 1, 2022, she was appointed to her present role. Under her leadership and stewardship are procurement of raw materials and services, feed integrated planning, feed milling, warehousing, logistics operations, and commercial feed sales. Ms. Danque is presently serving as a member of the Board of Directors of the Philippine Association of Feed Millers, Inc. (PAFMI) and is the head of its Membership Committee.

She is a graduate of Mapua University with a Bachelor of Science degree in Industrial Engineering and took postgraduate courses at the Philippine Women's University and University of Asia and the Pacific.

Ms. Ma. Diana Mascardo Cuna, 65 years old
Senior Vice President – Chief Human Resource Officer (SVP-CHRO)

Ms. Cuna was appointed to her current position on December 6, 2022. She is responsible for developing and executing human resources strategy in support of the overall business plan and strategic direction of the organization, specifically in the areas of succession planning, talent management, change management, organizational and performance management, learning and development, talent acquisition and compensation. As the CHRO she provides strategic leadership by articulating HR needs and plans to the leadership council.

Ms. Cuna was a management consultant in the areas of Human Resources and Corporate Risk Management, having been a practicing professional for almost four decades. Prior to her appointment as SVP-CHRO, Ms. Cuna has been the Corporation's Executive Advisor/Human Resources and Organization Development (HR OD) since 2015.

Prior to Vitarich, Ms. Cuna provided HR consultancy to various local and international private companies such as San Miguel Corporation, First Pacific / Maynilad Water Services, Inc., Ayala Land, Petron, Asian Institute of Management, Luen-Thai International (China/HK/Philippines), as well as local government institutions such as the Bureau of Customs, Commission on Elections, Civil Service Commission, NEDA, and the Department of Trade and Industry. She was the VP and HR/Communications Director for San Miguel Corporation, HR expert for USAID programs and for European Union (EU) Commission programs from 2003 to 2015. She earned both her Master's degree in Counseling and Bachelor of Science degree in Biology/FLCD from the University of the Philippines, earned units in Doctor's of Philosophy in Educational Psychology from the University of the Philippines and completed her Organization Behaviour program from INSEAD (Singapore).

Elaine C. Nantes, Filipino, 59 years old
Vice President & Corporate Quality and Technical Services Director

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

Emmanuel S. Manalang, Filipino, 59 years old
Vice President & Nutrition and Research & Development Manager

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

Carmencita S. Policarpio, Filipino, 59 years old
Vice President & Poultry Production Operations Manager

Ms. Policarpio is a Licensed Chemical Engineer and has been in the manufacturing industry for more than 30 years. On Sept. 25, 2021, Engr. Policarpio was conferred & included in the roster of ASEAN Engineering Register (AER) as ASEAN Engineer. This is under the AER Commission of the ASEAN Federation of Engineering Organizations (AFEO) among ASEAN countries. On the following year, March 27, 2022, she also received the highest level in the Chemical Engineering Profession as Internationally Recognized Chemical Engineer under PIChE (Philippine Institute of Chemical Engineers) Chemical Engineer Registry.

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

Engr. Policarpio is currently enrolled in Philippine Women's University, School of Food Science & Technology, Master in Food Safety Management. She is on her last term, preparing for Food Safety Management Case Study Defense.

Dilbert D. Tan, Filipino, 42 years old
Vice President and Finance Operations Director

Mr. Tan was first appointed on July 11, 2022. He is responsible for the management of the corporation's financial processes and risks. Mr. Tan has almost 20 years of career experience mostly in the banking and financial services industry as well as technology software and services. He led operations and support services for corporate loans, trade finance, fund transfer, treasury operations, and asset management for JP Morgan Chase Manila Corporate Center (May 2019 to July 2022), East West Banking Corporation (August 2016 to December 2018), and Deutsche Knowledge Services (January 2006 to September 2008). He has spearheaded system migration and business process transformation initiatives to upgrade efficiency, quality, and controls. He developed and implemented financial risk management policies for risk assessment, measurement, monitoring, and mitigation. In FIS (formerly SunGard Financial Systems) [November 2009 to August 2016], he managed corporate liquidity client services, market intelligence, and demand generation. Mr. Tan is a graduate of Ateneo de Manila University with a Bachelor of Science degree Major in Management and Minor in Finance.

Xerxes Noel O. Ordanez, Filipino, 40 years old
Corporate Audit Manager

Mr. Ordanez serves as the Corporate Audit Manager of Vitarich since January 24, 2023. He has over 16 years of audit and finance experience with exposure to hospitality, healthcare, manufacturing, sugar milling, banking, water utilities, and shared services industries. He has covered reviews of major business process such as IT General Controls, Revenue & Collection, Procure-to-Pay, Payroll, Construction Project Management and Operations & Maintenance.

He completed his Bachelor of Science in Business Administration and Accountancy in 2006 at the University of the Philippines-Diliman and passed the CPA licensure exam in the same year. He completed his MBA degree in the same university in 2018. He holds various audit-related certifications as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), and Certified in Risk and Information Systems and Controls (CRISC).

He started his career in SGV & Co as an IT Auditor under IT Audit and Advisory Services. Prior to joining Vitarich Corporation, he worked for Manila Water Company, Inc. for 13 years heading the Internal Audit Department and, subsequently, heading the Controllership & Analysis Department.

Marie Angelie Bautista-Macatual, Filipino, 45 years old
Vice President – Marketing and Business Development Director

Ms. Macatual was appointed on February 20, 2023. She has more than 20 years of extensive experience in Marketing, Commercial Excellence, Project Management, Business Development and Cross-functional Leadership in both B2B/B2C and regional/global environments. She has specializations in End-to-End Consumer & Product Marketing, Brand Building, Cross-Market Research/ Data Analysis & Strategy Development - her previous roles include Regional Marketing Director/ Business Development Head (Globe Telecom), Strategic Marketing & Technology Director (Cargill ANH), Global Consultant for Strategic Marketing, Insights & Innovation (International Marketing Consultancy), and Global Marketing Director for Strategy & Innovations / APAC Segment Marketing Director (Koninklijke Philips N.V.) Ms. Macatual is a graduate of the University of the Philippines, Diliman, with a Bachelor of Arts degree in Communications.

Significant Employees

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

Family Relationships

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

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

Involvement in Certain Legal Proceedings

The Company has no knowledge of any event during the past five (5) years up to the latest filing date, where any of its directors or executive officers had been or are currently involved in any criminal or bankruptcy proceedings or subject of any order or judgment of any court or quasi-judicial agency, whether local or foreign, effecting his/her involvement in business, securities, commodities or banking activities.

Item 10. EXECUTIVE COMPENSATION

Standard Arrangement

The members of the Board of Directors are entitled to a per diem of P10,000.00 for regular meetings whereas the members of the Audit, Risk Oversight, and Related Party Transactions Committee, and Nominations, Remunerations, and Corporate Governance Committee are entitled to a per diem of P5,000.00 for every meeting participation.

Arrangements with Directors & Officers

The Company does not extend or grant warrants or options to its executive officers and directors. Thus, it has no obligation to disclose information pertaining to warrants and options. The market value of the shares of stock, if any, received by the Company's executives and officers approximate the compensation that they should have received had the payment been made in other form of consideration at the grant date.

Executive Compensation

The compensation includes the following:

	2022	2021	2020
Short-term employee benefits	**55,480,527**	35,561,950	31,959,666
Retirement benefits	**5,010,571**	5,872,830	2,984,183
Others	**17,133,565**	10,784,789	11,868,367
	77,624,663	52,219,569	46,812,216

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

NAME & PRINCIPAL POSITION	YEAR	SALARY	Bonus & Others
1. RICARDO MANUEL M. SARMIENTO – CEO/President	2022		
2. STEPHANIE NICOLE S. GARCIA- EVP, CSO/CMS Director /Treasurer	2022		
3. REYNALDO D. ORTEGA – SVP & GM Poultry & Food Sales Division	2022		
4. ALICIA G. DANQUE – SVP & Feeds Business Unit Manager / Alternate Corporate Information Officer	2022		
5. DILBERT D. TAN - VP & Finance Operations Director	2022		
TO T A L (Estimated)	2023	**21.60**	-
	2022	**19.91**	-
	2021	**20.40**	-
ALL OTHER OFFICERS & DIRECTORS AS A COMPANY UNNAMED (Estimated)	2023	**3.09**	-
	2022	**3.17**	-
	2021	**2.32**	-

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

1. **Ricardo Manuel M. Sarmiento** – CEO/President
2. **Stephanie Nicole S. Garcia** – EVP - CSO/CMS Director and Treasurer
3. **Reynaldo D. Ortega** – SVP & GM, Poultry & Food Sales Division
4. **Alicia G. Danque** – SVP & Feeds Business Unit Manager/ Alternate Corporate Information Officer
5. **Dilbert D. Tan** - VP & Finance Operations Director

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

The following are the owners of record and beneficial owners of more than 5% of the Corporation's voting securities as of December 31, 2022 are as follows:

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship w/ Record Owner	Citizenship	No. of Shares	Percent of Class
Common Shares	**PCD NOMINEE CORPORATION (FILIPINO)** 37/F The Enterprise Center, Ayala Avenue Corner, Makati City	Various Beneficial Owners	Filipino	2,919,303,240	95.58%
	KORMASINC, INC. 7th Floor, LTA Bldg., 118 Perea St. Legazpi Village, Makati City	Various Beneficial Owners	Filipino	1,480,532,604	48.47%
	CHOCOHOLIC HOLDINGS, INC. Vitarich Corporation Compound, Marilao San Jose Road Brgy. Sta. Rosa I, Marilao, Bulacan	Various Beneficial Owners	Filipino	705,666,000	23.10%

<u>Security Ownership of Management</u>

The number of common shares beneficially owned by directors and executive officers as of December 31, 2022 is as follows:

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT & NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF CLASS
Common	Jose Vicente C. Bengzon III	10,000	Filipino	0.00%
Common	Rogelio M. Sarmiento	6,386,320	Filipino	0.21%
Common	Benjamin I. Sarmiento Jr.	199	Filipino	0.00%
Common	Ricardo Manuel M. Sarmiento	55,240,990	Filipino	1.81%
Common	Stephanie Nicole S. Garcia	104,359	Filipino	0.00%
Common	Lorenzo Vito M. Sarmiento III	500	Filipino	0.00%
Common	Vicente J.A. Sarza	1	Filipino	0.00%
Common	Pierre Carlo C. Curay	1	Filipino	0.00%
Common	Juan Arturo Iluminado C. de Castro	19,523,034	Filipino	0.64%
Common	Aison Benedict C. Velasco	0	Filipino	0.00%
Common	Mary Christine Dabu-Pepito	0	Filipino	0.00%
Common	Reynaldo D. Ortega	1,219,974	Filipino	0.04%
Common	Alicia G. Danque	0	Filipino	0.00%
Common	Dilbert D. Tan	0	Filipino	0.00%
Common	Emmanuel S. Manalang	0	Filipino	0.00%
Common	Elaine C. Nantes	0	Filipino	0.00%
Common	Carmencita S. Policarpio	0	Filipino	0.00%
Common	Ma. Diana M. Cuna	0	Filipino	0.00%

Item 12. RELATED PARTY TRANSACTIONS

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

<u>Due to and from related parties</u>
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):

		2022		2021	
Related Parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	**₱509,194,217**		₱1,426,066,299	
	Collections	**(553,596,333)**	**₱218,397,603**	(1,358,918,127)	₱262,799,719
Trade and other payables					
Entities under common control	Purchases	**₱1,097,925,537**		₱1,744,904,273	
	Payments	**(1,183,299,952)**	**₱4,333,416**	(1,697,114,977)	₱89,707,830
Operating lease					
Entities under common control	Rental income	**₱19,877,100**		₱11,096,404	
	Collection	**(5,015,370)**	**20,122,723**	(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.

		2022		2021	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Advances to officers and employees	Net transactions	**₱6,589,468**	**₱19,003,504**	₱473,848	₱12,474,296

Compensation of Key Management Personnel

The compensation includes the following:

	2022	2021	2020
Short-term employee benefits	**₱55,480,527**	₱33,561,950	₱31,959,666
Retirement benefits	**5,010,571**	5,872,830	2,984,183
Others	**17,133,565**	10,784,789	11,868,367
	₱77,624,663	₱52,219,569	₱46,812,216

Voting Trust Holders of 5% or more

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

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

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

PART IV – CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

The Company complies and adheres to its Amended Manual on Corporate Governance. The Board of Directors and the management, from time to time, make the necessary amendments to its policies and strategies to ensure business continuity while employing the best practices in corporate governance. The members of the Board of Directors disclose any potential or actual conflict of interest they may have in a transaction presented for approval of the Board. They likewise inhibit from the discussions and voting of the said transaction. The Company continues to improve its corporate governance practices. For the year 2022, it developed a Sustainability Dashboard containing its sustainability roadmap until 2030. The Sustainability Dashboard focuses on the Company's contributions to UN SDGs 2, 8, and 12. The Company likewise took steps to prepare and complete its Safe Workspace Policy last 2022.

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

The exhibits, as indicated in the Index to Exhibits, are neither applicable to the Company nor require an answer.

(b) Reports on SEC Form 17-C

The following are the items reported under SEC Form 17-C for the year 2022.

Date of Report	REMARKS
January 27, 2022	Press Release: Power Supply Agreement with Corenergy
February 2, 2022	Appoinrment of Ms. Elaine Nantes as VP & QA/R&D Foods Technical Director
April 6, 2022	Appointment of Ms. Carmencita S. Policarpio as VP & General Manager
April 7, 2022	Press Release: Vitarich Statement on Reports of Avian Flu in the Philippines
April 8, 2022	Press Release: Vitarich Named a Leader in Supply Chain Community
April 13, 2022	Press Release: Vitarich Hits Record High Revenues of P9.7 billion in 2021
April 21, 2022	Notice of Annual General Meeting 2022
May 13, 2022	Press Release: Vitarich Delivers Record-High First Quarter Revenues
May 26, 2022	List of Stockholders entitled to vote as record date May 24, 2022
May 27, 2022	Advisement Letter for Distribution of DIS 2022
May 31, 2022	Amended Notice of Annual General Meeting 2022
June 24, 2022	Results of AGM and Organizational Meeting 2022
July 11, 2022	Appointment of Mr. Dilbert D. Tan as Vice President and Finance Operaions Director
August 4, 2022	Press Release: Vitarich Reports Record First-Half Revenues Amid Market
September 9, 2022	Resignation of Ms. Maria Alicia C. Arnaldo as EVP and CFO
September 13, 2022	Resignation of Glenmark R. Seducon as Chief Audit Executive
September 30, 2022	Appointment of Ms. Alicia C. Danque as Senior Vice President and Feeds Business Unit Manager
October 13, 2022	Press Release: Vitarich Honored as the Executive Leadership Team of the year
October 25, 2022	Press Release: Vitarich CEO Rocco Sarmiento joins panel discussion on digitalization
October 28, 2022	Appointment of Ms. Stephanie Nicole S. Garcia as EVP & Chief Sustailability Officer/ CMS Director/ Treasurer
November 7, 2022	Press Release: Vitarich renews ISO 22000 certification for food saftety
November 8, 2022	Press Release: Execution drives Vitarich revenues to new highs
December 1, 2022	Press Release: VITA CEO Rocco Sarmiento joins panel discussion on agriculture and food security
December 6, 2022	Appointment of Ms. Ma. Diana M. Cuna as SVP-Chief Human Resources Officer
December 21, 2022	Press Release: Largest Vitarich warehouse opens in Davao City

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code (now Section 177 of the Revised Corporation Code of the Philippines), this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Marilao, Bulacan on April 3, 2023.

By:

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

Marian A. Dionisio
Comptroller
(Principal Accounting Officer)

Stephanie Nicole S. Garcia
EVP & CSO/CMS Director/ Treasurer
(Principal Operating Officer)

Atty. Aison Benedict C. Velasco
Corporate Secretary

Dilbert Tan

Dilbert D. Tan
VP & Finance Operations Director
(Principal Finance Officer)

REPUBLIC OF THE PHILIPPINES)
PROVINCE OF BULACAN) S.S

SUBSCRIBED AND SWORN to before me this 03 APR 2023 day of _________ 20__ affiant(s) exhibiting to me his/their Valid Identification numbers, as follows:

NAMES	VALID ID NO.	DATE OF EXPIRATION
Ricardo Manuel M. Sarmiento	Driver's License No. N03-94-158946	January 20, 2032
Stephanie Nicole S. Garcia	Philippine Passport No. P8599175B	December 28, 2031
Marian A. Dionisio	SSS No. 33-7232268-8	
Atty. Aison Benedict C. Velasco	Driver's License No. C10-95-114434	March 13, 2024
Dilbert D. Tan	Driver's License No. N01-97-218062	November 10, 2023

NENITA DC. TUAZON
NOTARY PUBLIC
ROLL NO. 47194
MARILAO, BULACAN

DOC. NO. 490
PAGE NO. 99
BOOK NO. 8
SERIES OF 2023

ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
PNC-83-MB 2022 UNTIL DEC. 31, 2024
SANTO CRISTO, ABANGAN... ACION I, MARILAO, BULACAN
IBP LIFE NO 591042/BULACAN/5 19/2003
PTR NO. 1068443 MARILAO, BULACAN 1/03/23
TIN NO 170-907-664-000
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION NO. VII-ACAD003959 UNTIL 04/14/2025
REISSUED ON APRIL 8 2022

Notary Public

CONSOLIDATED FINANCIAL STATEMENTS

VITARICH

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Vitarich Corporation and Subsidiaries (the Company)** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as at and for the year ended **December 31, 2022 and 2021** in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Jose Vicente C. Bengzon III
Chairman of the Board

Ricardo Manuel M. Sarmiento
President/Chief Executive Officer

Stephanie Nicole S. Garcia
Executive Vice President & Chief Sustainability Officer (CSO) /
Corporate Management Services Director / Treasurer

Signed this 3 day of April 2023

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Subscribed and sworn to before me this ____ day of 03 APR 2023 at Marilao, Bulacan, Affiant exhibited to me their respective government-issued ID's as competent proof of their identities and acknowledged that they executed the same freely and voluntarily, to wit:

JOSE VICENTE C. BENGZON

RICARDO MANUEL M. SARMIENTO

STEPHANIE NICOLE S. GARCIA

Doc. No. 501;
Page No. 102;
Book No. 8;
Series of 2023

NENITA DC. TUAZON
NOTARY PUBLIC
ROLL NO. 47194
MARILAO, BULACAN

ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
PNC-83-MB-2022 UNTIL DEC. 31, 2024
SANDICO ST., POBLACION 1, MARILAO, BULACAN
IBP LIFE NO. 591042/BULACAN/5/19/2003
PTR NO. 1068443 MARILAO, BULACAN 1/03/23
TIN NO. 170-907-664-000
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION NO. VII-ACAD003959 UNTIL 04/14/2025

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 2 1 1 3 4

COMPANY NAME

VITARICH CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
agdanque@vitarich.com	(044) 8843-3033	(0918) 848 2800

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,113	Last Friday of June	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Vitarich Corporation and Subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of Allowance for Expected Credit Losses on Receivable from Insurance

The Company applies general approach in calculating expected credit losses (ECL) on its receivable from insurance. As at December 31, 2022, the carrying value of the Company's receivable from insurance amounted to ₱70.2 million. The Company is currently involved in legal proceedings to pursue the collection of the remaining balance of receivable from insurance. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether the amount is impaired.

The disclosures on the receivable from insurance are included in Note 10 to the consolidated financial statements.

Audit Response

We obtained an understanding of the methodologies and models used for the Company's assessment on the realizability of the receivable from insurance and the estimation of such amount. We discussed with management the status of the legal proceedings and obtained correspondences and opinions of the external legal counsel. We obtained management's legal bases in pursuing the insurance claim. We also evaluated management's estimate of the amount and timing of the future cash inflows from this receivable and the related effective interest rate used to discount the cash flows by comparing them to internal and market data.

Fair Value of Biological Assets

The Company's biological assets are accounted for at fair value. The carrying value of the Company's biological assets amounted to ₱116.1 million as at December 31, 2022 and the Company's fair value adjustment on biological assets for the year then ended in the consolidated statement of comprehensive income amounted to ₱12.1 million. The valuation of biological assets is significant to our audit because the estimation process involves significant management estimate and is based on assumptions that can be affected by natural phenomena. The key assumptions for the fair value of the biological assets include the livestock's future selling prices, hatchability and mortality rate, estimated volume of production and future growing costs.

The disclosures on the fair value of biological assets are included in Notes 4, 8 and 17 to the consolidated financial statements.

Audit Response

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

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

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

The Company accounts for its investment properties using the fair value model and property, plant and equipment (except transportation equipment and construction in-progress) at revalued amount. These properties represent 40.2% of the total consolidated assets as at December 31, 2022. We considered this as key audit matter since the determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions such as sales and listing of comparable properties registered within the vicinity, adjustments to sales price, market rent levels, escalation rates, expected vacancy and bad debts rates, interest rates, and explicit forecast period based on internal and external factors. Other assumptions used in the valuation also include the current replacement cost of an asset and the related deductions for physical deterioration and other relevant forms of obsolescence.

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

Audit Response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Sheet), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118576-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 9564677, January 3, 2023, Makati City

April 1, 2023

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VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 6)	**₱369,416,726**	₱230,015,919
Trade and other receivables (Note 7)	**882,943,523**	859,711,691
Inventories and livestock (Note 8)	**979,486,204**	675,486,067
Other current assets (Note 9)	**623,187,708**	349,108,154
Total Current Assets	**2,855,034,161**	2,114,321,831
Noncurrent Assets		
Receivable from insurance (Note 10)	**70,203,810**	70,203,810
Property, plant and equipment - net (Note 11)		
At revalued amount	**942,776,782**	872,012,237
At cost	**126,640,633**	45,981,165
Investment properties (Note 12)	**1,165,870,526**	973,432,752
Right-of-use assets (Note 13)	**55,529,616**	38,921,635
Other noncurrent assets (Note 13)	**32,115,321**	35,120,487
Total Noncurrent Assets	**2,393,136,688**	2,035,672,086
TOTAL ASSETS	**₱5,248,170,849**	₱4,149,993,917
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱2,001,706,561**	₱1,707,144,229
Loans payable (Note 15)	**985,478,495**	406,754,258
Current portion of lease liabilities (Note 27)	**15,413,841**	17,808,894
Total Current Liabilities	**3,002,598,897**	2,131,707,381
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	**49,642,856**	98,297,470
Cash bond deposits (Note 16)	**56,299,659**	48,052,089
Lease liabilities - net of current portion (Note 27)	**36,885,998**	24,196,376
Net retirement liability (Note 22)	**147,057,502**	166,461,260
Deferred tax liabilities - net (Note 23)	**99,758,010**	64,180,551
Total Noncurrent Liabilities	**389,644,025**	401,187,746
Total Liabilities	**3,392,242,922**	2,532,895,127
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	**275,775,940**	135,021,722
Other comprehensive income (Notes 11, 22 and 25)	**418,034,203**	319,959,284
Total Equity	**1,855,927,927**	1,617,098,790
TOTAL LIABILITIES AND EQUITY	**₱5,248,170,849**	₱4,149,993,917

See accompanying Notes to Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE			
Sale of goods, net of discount (Notes 17 and 24)	**₱11,957,515,851**	₱9,649,161,808	₱7,682,430,958
Fair value adjustment on biological assets (Notes 4, 8 and 17)	**12,070,807**	55,119,641	199,489,329
	11,969,586,658	9,704,281,449	7,881,920,287
COST OF GOODS SOLD			
Cost of goods sold (Note 18)	**(10,907,436,915)**	(8,769,953,424)	(7,125,724,162)
Fair value adjustment on biological assets (Notes 4 and 8)	**(1,134,369)**	(77,973,862)	(184,396,574)
	(10,908,571,284)	(8,847,927,286)	(7,310,120,736)
GROSS PROFIT	**1,061,015,374**	856,354,163	571,799,551
Operating expenses (Note 19)	**(880,497,823)**	(700,926,732)	(536,760,257)
Other operating income (Note 20)	**42,721,588**	28,564,205	43,970,861
	(837,776,235)	(672,362,527)	(492,789,396)
OPERATING PROFIT	**223,239,139**	183,991,636	79,010,155
OTHER INCOME (EXPENSES)			
Interest expense (Notes 15, 24, and 27)	**(40,001,976)**	(23,051,290)	(34,454,582)
Interest income (Notes 6 and 7)	**2,398,459**	1,293,145	202,303
Gain on changes in fair value of investment properties (Note 12)	**53,995,672**	1,268,133	4,053,232
Other charges - net (Note 21)	**(43,044,719)**	(42,895,874)	(23,383,725)
	(26,652,564)	(63,385,886)	(53,582,772)
INCOME BEFORE INCOME TAX	**196,586,575**	120,605,750	25,427,383
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**51,302,707**	25,793,096	11,629,665
Deferred	**16,296,929**	5,371,040	4,509,242
	67,599,636	31,164,136	16,138,907
NET INCOME	**128,986,939**	89,441,614	9,288,476
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss:			
Actuarial gain (loss) [net of tax effect of ₱0.2 million in 2022, ₱5.9 million in 2021 and ₱6.6 million in 2020] (Note 22)	**31,841,070**	(17,757,985)	(19,880,635)
Revaluation increase on property, plant and equipment in 2022 and 2020, net of tax effect of ₱21.3 million and ₱5.1 million, respectively, and impact of change in tax rate in 2021 on revaluation reserve (Note 11)	**78,001,128**	23,191,602	15,421,851
	109,842,198	5,433,617	(4,458,784)
TOTAL COMPREHENSIVE INCOME	**₱238,829,137**	₱94,875,231	₱4,829,692
EARNINGS PER SHARE - BASIC AND DILUTED (Note 26)	**₱0.042**	₱0.029	₱0.003

See accompanying Notes to Consolidated Financial Statements

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VITARICH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	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	–	–	**128,986,939**	–	**128,986,939**
Other comprehensive income	–	–	–	**109,842,198**	**109,842,198**
Total comprehensive income	–	–	**128,986,939**	**109,842,198**	**238,829,137**
Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 11)	–	–	**11,767,279**	**(11,767,279)**	–
Balances at December 31, 2022	**₱1,160,646,925**	**₱1,470,859**	**₱275,775,940**	**₱418,034,203**	**₱1,855,927,927**

	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	₱41,157,542	₱318,948,233	₱1,522,223,559
Net income	–	–	89,441,614	–	89,441,614
Other comprehensive income	–	–	–	5,433,617	5,433,617
Total comprehensive income	–	–	89,441,614	5,433,617	94,875,231
Transfer to retained earnings of revaluation reserve realized through depreciation, net of deferred income tax (Note 11)	–	–	4,422,566	(4,422,566)	–
Balances at December 31, 2021	₱1,160,646,925	₱1,470,859	₱135,021,722	₱319,959,284	₱1,617,098,790

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

See accompanying Notes to Consolidated Financial Statements

VITARICH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱196,586,575**	₱120,605,750	₱25,427,383
Adjustments for:			
Depreciation and amortization (Notes 11, 13 and 19)	**105,675,749**	106,006,621	162,610,786
Interest expense (Notes 15 and 27)	**40,001,976**	23,051,290	34,454,582
Loss (gain) on fair value adjustments on biological assets (Note 17)	**(10,936,438)**	22,854,221	(15,092,757)
Retirement benefit expense (Note 22)	**22,336,339**	16,993,091	14,327,563
Gain on fair value changes of investment properties (Note 12)	**(53,995,672)**	(1,268,133)	(4,053,232)
Gain on pre-termination of lease contracts (Notes 21 and 27)	**–**	–	(3,424,542)
Loss on disposal of property, plant and equipment, and investment property, and right-of-use assets (Notes 11, 12, 13 and 21)	**1,037,745**	1,060,988	2,269,651
Interest income (Notes 6 and 7)	**(2,398,459)**	(1,293,145)	(202,303)
Operating income before working capital changes	**298,307,815**	288,010,683	216,317,131
Decrease (increase) in:			
Trade and other receivables	**(20,942,232)**	(85,908,326)	207,112,559
Inventories and livestock	**(293,063,699)**	(195,411,784)	78,902,302
Other current assets	**(274,079,556)**	(50,976,411)	45,476,240
Other noncurrent assets related to operations	**(15,705,660)**	(11,299,126)	(1,655,887)
Increase (decrease) in:			
Trade and other payables	**287,936,590**	63,288,294	29,077,196
Cash bond deposits	**8,247,570**	7,954,810	(857,508)
Net cash generated from (used in) operations	**(9,299,172)**	15,658,140	574,372,033
Income tax paid	**(51,302,707)**	(25,793,096)	(11,629,665)
Retirement benefits paid (Note 22)	**(9,124,310)**	(5,868,959)	(2,039,380)
Interest received	**108,859**	140,673	202,303
Net cash provided by (used in) operating activities	**(69,617,330)**	(15,863,242)	560,905,291
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 11)	**(116,139,570)**	(74,036,594)	(70,403,848)
Investment properties (Note 12)	**(141,072,796)**	(43,610,106)	(125,303,374)
Proceeds from sale of property, plant and equipment	**200,000**	1,025,000	–
Net cash used in investing activities	**(257,012,366)**	(116,621,700)	(195,707,222)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans (Note 15)	**2,349,559,151**	540,681,912	457,507,642
Payments of loans (Note 15)	**(1,819,489,528)**	(315,594,041)	(709,878,962)
Interest paid	**(35,735,576)**	(20,665,516)	(35,328,078)
Payments of principal portion of lease liabilities (Note 27)	**(28,303,544)**	(19,226,261)	(79,839,294)
Net cash provided by (used in) financing activities	**466,030,503**	185,196,094	(367,538,692)
NET INCREASE (DECREASE) IN CASH	**139,400,807**	52,711,152	(2,340,623)
CASH AT BEGINNING OF YEAR	**230,015,919**	177,304,767	179,645,390
CASH AT END OF YEAR	**₱369,416,726**	₱230,015,919	₱177,304,767

See accompanying Notes to Consolidated Financial Statements

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
APR 12 2023
ROSE MARCIANO

1. Corporate Information

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

The subsidiaries of the Parent Company are as follows:

		Percentage	
	Line of Business	**2022**	2021
Barbatos Ventures Corporation (BVC)*	Poultry dressing	**100%**	–
Gromax, Inc. (Gromax)**	Manufacturing	**100%**	100%

**Acquired by the Parent Company effective January 1, 2022 (see Note 33).*
***Ceased operations in 2015*

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

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

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

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share increasing Kormasinc's ownership interest from 69.20% to 71.90% (see Note 25).

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

On July 11, 2018, the SEC approved the change in par value which resulted to a decrease in the capital stock of the Parent Company from ₱3.5 billion divided into 3.5 billion shares with par value of ₱1.00 each to ₱1.3 billion divided into 3.5 billion shares with par value of ₱0.38 each. The reduction in par value resulted to recognition of additional paid-in capital of ₱1.9 billion. On July 18, 2018, the Parent Company received the Certificate of Approval of Equity Restructuring to wipe out the deficit as of December 31, 2017 in the amount of ₱2.3 billion against the additional paid in capital of ₱2.3 billion.

On May 31, 2018, the SEC approved the shortening of the corporate life of Gromax until November 10, 2019. Gromax ceased operations since 2015. In 2018, the Company recognized an impairment loss of ₱7.4 million which pertains to assets that are no longer recoverable.
As of April 1, 2023, the liquidation process of Gromax is ongoing.

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

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on April 1, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Basis of Consolidation

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

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

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

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

<u>Business Combinations</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any noncontrolling interests in the acquiree. For each business combination, the Parent Company elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

If the acquisition of an asset or a group of assets does not constitue a business, the Parent Company identifies and recognizes the individual identified assets acquired (including those assets that meet the definition of and recognition criteria for intangible assets) and liabilities assumed.

Current versus Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

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

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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

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

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

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

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

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

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

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories: financial assets at amortized cost (debt instruments), financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVTPL.

- *Financial Assets at Amortized Cost (Debt Instruments)*. This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
  - the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

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

  As at December 31, 2022 and 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 December 31, 2022 and 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.

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

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

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

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

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

  As at December 31, 2022 and 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 December 31, 2022 and 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 consolidated statement of comprehensive income.

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

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statement of comprehensive income. On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. The gross carrying amount of the financial liability is recalculated as the present value of the modified contractual cash flows discounted at the original EIR and recognizes modification gain or loss. Cost or fees incurred adjust the carrying amount of the financial liability and are amortized over the remaining term of the modified financial liability.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

Inventories

The Company recognizes inventories when the risk and rewards of ownership are transferred to the Company (i.e., usually upon receipt from local suppliers and upon delivery of the goods to the carrier from importation).

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

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

Finished Goods - 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 cost of marketing and distribution. 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 recognizes the amount of fair value adjustment on agricultural produce that are in the ending inventory and inventories 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 in inventory and sold during the year is presented as part of consolidated statement of comprehensive income.

Raw Materials (Hatching Eggs) - Weighted Average Method. 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, contract growers and breeders.

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.

Advances to Contract Growers and Breeders. Advances to contract growers and breeders pertain to animal health products, feeds and fees.

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

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

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

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

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

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

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

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

All other development costs are expensed as incurred.

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

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

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

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

Property, Plant and Equipment

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

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

Subsequent to initial recognition at cost, property, plant and equipment (except for transportation equipment and construction in-progress) are carried at revalued amount less any subsequent accumulated depreciation, amortization and any accumulated impairment losses. Fair market value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation reserve is credited to "Revaluation reserve" account presented under the "Other comprehensive income" section of the consolidated statement of financial position. Any decrease in the revaluation surplus of the same asset is charged to OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset and the remaining decline, if any, is recognized in the consolidated statement of comprehensive income.

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained earnings" under the "Equity" section in the consolidated statement of financial position for the depreciation relating to the revaluation reserve, net of related taxes. Upon disposal, any revaluation reserve relating to the particular asset sold is transferred to "Retained earnings." Revaluations are performed every two 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 a straight-line basis over the estimated useful lives of the assets (except for land).

The depreciation and amortization periods for property, plant and equipment, based on the above policies, are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under “Property, plant and equipment” up to the date of change in use.

Impairment of Nonfinancial Assets
Nonfinancial assets consisting of property, plant and equipment, investment properties, right-of-use assets, computer software and project development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction, while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

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

Equity

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

OCI. OCI comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. OCI of the Company pertains to revaluation reserve on property, plant and equipment and accumulated remeasurement gains and losses on retirement liability - net.

Retained Earnings. Retained earnings represents the accumulated net income or losses, net of any dividend declaration. Retained earnings may also include effect of changes in accounting policy as may be required by a standard's transitional provisions.

Revenue Recognition

The Company is engaged in the growing, production and distribution of chicken broilers, either as live or dressed, manufacture and distribution of animal feeds, animal health and nutritional products, and feed supplements and production of day-old chicks. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2022 and 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 December 31, 2022 and 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 consolidated statement of comprehensive income in the period these are incurred and are measured at the fair value of the consideration paid or payable.

Leases

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

Company as a Lessee

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

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

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

Asset Type	Number of Years
Right-of-use asset - transportation equipment	5 years
Right-of-use asset – building	2 to 5 years

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, 13^{th} month pay, bonuses, employer's share on government contribution, and other short-term benefits.

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

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

Past service costs are recognized in the statements of comprehensive income on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring-related costs.

Net interest on the net retirement liability or asset is the change during the period in the net retirement liability or asset that arises from the passage of time which is determined by applying the discount rate.

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

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

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

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

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 expenses are expensed as incurred.

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

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

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Related Party Transactions
Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity

and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Provisions and Contingencies
Provisions for legal claims are recognized when (1) the Company has a present legal or constructive obligation as a result of past events, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

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

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

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

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

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

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

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

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

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

3. New and Amended Standards and Interpretations

Adoption of Amendments to Standards and Interpretation
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The adoption of these standards did not have significant impact on the Company's financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

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

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

4. **Significant Judgments, Accounting Estimates and Assumptions**

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

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

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

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

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

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

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

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

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

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

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

Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result in any significant adverse impact on the Company's financial condition and results of operations.

Receivable from insurance amounted to ₱70.2 million as at December 31, 2022 and 2021. Allowance for ECL related to receivable from insurance amounted to ₱71.5 million as at December 31, 2022 and 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: ▪ 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: ▪ 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: ▪ Estimated future sale price of dressed chicken (growing broilers) or breeder chicken (parent stock) ▪ Estimated mortality rate ▪ Estimated volume of production ▪ Estimated costs to be incurred in the growing process	The estimated fair value would increase (decrease) if: ▪ the estimated sale price was higher (lower); ▪ the estimated cash inflows based on forecasted sales were higher (lower); ▪ the estimated mortality rate was lower (higher); ▪ the estimated volume of production was higher (lower);or ▪ the estimated costs to be incurred in the growing process were lower (higher).
Parent stock	Income approach. The valuation model considers the net cash flows expected to be generated from the day-old chicks that will be born. The cash flow projections include specific estimates for the volume of harvest considering the mortality rates. Due to the short growing period of chicks into parent stock, discounting is generally ignored.	Inclusive of: ▪ Estimated future sale price of breeder chicken (parent stock) ▪ Estimated mortality rate ▪ Estimated volume of raised breeder chicken (parent stock) ▪ Estimated costs to be incurred in the growing process	The estimated fair value would increase (decrease) if: ▪ the estimated sale price was higher (lower); ▪ the estimated cash inflows based on forecasted purchased were higher (lower); ▪ the estimated mortality rate was lower (higher); ▪ 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 ₱12.1 million, ₱55.1 million and ₱199.5 million in 2022, 2021 and 2020, respectively, and under cost of sales amounting to ₱1.1 million, ₱78.0 million and ₱184.4 in 2022, 2021 and 2020, respectively (see Note 17).

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

In determining the appraised values of the property, plant and equipment and investment properties, the Company hired independent firms of appraisers as at December 31, 2022 and 2021. 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 are 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, escalation rate, vacancy and bad debt allowance, discount rate, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period. Although these inputs are subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

In 2022 and 2020, 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 ₱99.3 million and ₱30.9 million before tax effect, respectively. The carrying value of property, plant and equipment at revalued amount amounted to ₱942.8 million and ₱872.0 million as at December 31, 2022 and 2021, respectively. No revaluation was made in 2021 (see Note 11).

In 2022, 2021 and 2020, the Company's investment properties were reappraised by independent firms of appraisers resulting to an additional fair value gain of ₱54.0 million, ₱1.3 million and ₱4.1 million, respectively (see Note 12). The carrying value of investment properties amounted to ₱1,165.9 million and ₱973.4 million as at December 31, 2022 and 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 calibrates 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 consumer price index 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 among 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 ₱1.7 million, ₱10.2 million and ₱10.7 million in 2022, 2021 and 2020, respectively (see Note 21). Trade and other receivables amounting to ₱104.6 million was written-off in 2021 (nil in 2022) [see Note 7].

The carrying value of trade and other receivables amounted to ₱882.9 million and ₱859.7 million as at December 31, 2022 and 2021, respectively. Allowance for ECL on trade and other receivables as at December 31, 2022 and 2021 amounted to ₱171.4 million and ₱169.7 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 ₱147.1 million and ₱166.5 million as at December 31, 2022 and 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 as at December 31, 2022 and 2021 (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.

Gross deferred tax assets recognized by the Company amounted to ₱98.1 million and ₱93.5 million as at December 31, 2022 and 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 Foods 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, sale and distribution of day-old chicks.
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.

Intersegment Transactions

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

Segment Financial Information

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

	December 31, 2022					
	Foods	**Feeds**	**Farms**	**Corporate & Others**	**Eliminations**	**Consolidated**
REVENUES						
Sale of goods, net of discount	**₱6,241,334**	**₱5,199,286**	**₱516,896**	**₱–**	**₱–**	**₱11,957,516**
Fair value adjustment on biological assets	**–**	**–**	**12,071**	**–**	**–**	**12,071**
	6,241,334	**5,199,286**	**528,967**	**–**	**–**	**11,969,587**
COST AND OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME						
Cost of goods sold excluding depreciation	**5,595,630**	**4,773,663**	**469,416**	**–**	**–**	**10,838,709**
Operating expenses excluding depreciation	**110,483**	**185,254**	**13,345**	**535,603**	**–**	**844,685**
Depreciation and amortization	**6,462**	**77,665**	**–**	**21,548**	**–**	**105,675**
Other operating income	**–**	**(34,884)**	**–**	**(7,837)**	**–**	**(42,721)**
	5,712,575	**5,001,698**	**482,761**	**549,314**	**–**	**11,746,348**
SEGMENT OPERATING PROFIT (LOSS)	**₱528,759**	**₱197,588**	**₱47,340**	**(₱549,314)**	**₱–**	**₱223,239**
Other charges - net						**(26,652)**
Income before income tax						**196,587**
Tax expense						**(67,600)**
Net income						**₱128,987**
ASSETS AND LIABILITIES						
Segment assets	**₱2,064,063**	**₱771,300**	**₱180,378**	**₱2,232,430**	**₱–**	**₱5,248,171**
Segment liabilities	**₱1,347,121**	**₱509,503**	**₱119,147**	**₱1,416,472**	**₱–**	**3,392,243**
OTHER INFORMATION						
Capital expenditures	**₱141,073**	**₱99,340**	**₱–**	**₱12,870**	**₱–**	**₱253,283**
Non-cash expenses other than depreciation and impairment losses	**₱–**	**₱–**	**₱–**	**₱22,336**	**₱–**	**₱22,336**

	December 31, 2021					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	₱4,231,571	₱4,694,677	₱722,913	₱–	₱–	₱9,649,161
Fair value adjustment on biological assets	–	–	55,120	–	–	55,120
	4,231,571	4,694,677	778,033	–	–	9,704,281
COST AND OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME						
Cost of goods sold excluding depreciation	₱3,754,268	₱4,157,247	₱864,396	₱–	₱–	₱8,775,911
Operating expenses excluding depreciation	91,489	150,911	13,210	411,326	–	666,936
Depreciation and amortization	4,582	84,744	–	16,680	–	106,006
Other operating income	–	(17,468)	–	(11,096)	–	(28,564)
	3,850,339	4,375,434	877,606	416,910	–	9,520,289
SEGMENT OPERATING PROFIT (LOSS)	₱381,232	₱319,243	(₱99,573)	(₱416,910)	₱–	₱183,992
Other charges - net						(63,386)
Income before income tax						120,606
Tax expense						(31,164)
Net income						₱89,442

(Forward)

	December 31, 2021					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
ASSETS AND LIABILITIES						
Segment assets	₱895,912	₱1,933,004	₱191,327	₱1,129,750	₱–	₱4,149,993
Segment liabilities	₱111,659	₱1,198,038	₱42,655	₱1,180,543	₱–	₱2,532,895
OTHER INFORMATION						
Capital expenditures	₱43,610	₱64,750	₱–	₱9,287	₱–	₱117,647
Non-cash expenses other than depreciation and impairment losses	₱7,452	₱8,268	₱173	₱1,100	₱–	₱16,993

	December 31, 2020					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	₱3,118,889	₱4,108,529	₱455,013	₱–	₱–	₱7,682,431
Fair value adjustment on biological assets	–	–	199,489	–	–	199,489
	3,118,889	4,108,529	654,502	–	–	7,881,920
COST AND OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME						
Cost of goods sold excluding depreciation	₱3,060,313	₱3,398,395	₱723,093	₱–	₱–	₱7,181,801
Operating expenses excluding depreciation	93,407	135,602	9,715	263,745	–	502,469
Depreciation and amortization	4,554	137,886	32	20,139	–	162,611
Other operating income	–	(32,074)	–	(11,897)	–	(43,971)
	3,158,274	3,639,809	732,840	271,987	–	7,802,910
SEGMENT OPERATING PROFIT (LOSS)	(₱39,385)	₱468,720	(₱78,338)	(₱271,987)	₱–	₱79,010
Other income -net						(53,583)
Income before tax						25,427
Tax expense						(16,139)
Net income						₱9,288
ASSETS AND LIABILITIES						
Segment assets, as restated	₱809,953	₱1,638,296	₱193,209	₱1,081,503	₱–	₱3,722,961
Segment liabilities	₱96,474	₱1,034,108	₱36,854	₱1,033,302	₱–	₱2,200,738
OTHER INFORMATION						
Capital expenditures	₱135,952	₱34,943	₱1,255	₱23,557	₱–	₱195,707
Non-cash expenses other than depreciation and impairment losses	₱5,903	₱7,142	₱654	₱629	₱–	₱14,328

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

	2022	2021
Cash on hand	**₱4,752,268**	₱2,487,637
Cash in banks	**364,664,458**	227,528,282
	₱369,416,726	₱230,015,919

Cash in banks earn interest at prevailing bank deposit interest rates of 0.1% to 1.3% in 2022, 2021 and 2020. Interest income on cash in banks amounted to ₱0.1 million, ₱0.1 million and ₱0.2 million in 2022, 2021 and 2020, respectively.

7. Trade and Other Receivables

	2022	2021
Trade:		
Third parties	**₱679,515,851**	₱479,172,586
Related parties (Note 24)	**218,397,603**	262,799,719
Nontrade	**109,099,431**	241,271,819
Advances to officers and employees (Note 24)	**19,003,504**	12,474,296
Receivable from government	**3,922,953**	4,059,611
Others	**24,359,432**	29,584,276
	1,054,298,774	1,029,362,307
Allowance for ECL	**(171,355,251)**	(169,650,616)
	₱882,943,523	₱859,711,691

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

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).

Other receivables comprise mainly of unsecured and noninterest-bearing short term rental deposits.

Trade and other receivables collected after due date earned an interest income amounting to ₱2.4 million, nil and ₱1.2 million in 2022, 2021 and 2020, respectively.

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

	Trade	Others	Total
Balance as at January 1, 2022	**₱64,323,517**	**₱105,327,099**	**₱169,650,616**
Provision (Note 21)	**1,704,635**	**–**	**1,704,635**
Balance as at December 31, 2022	**₱66,028,152**	**₱105,327,099**	**₱171,355,251**

	Trade	Others	Total
Balance as at January 1, 2021	₱54,165,798	₱209,949,226	₱264,115,024
Provision (Note 21)	10,157,719	–	10,157,719
Accounts written-off	–	(104,622,127)	(104,622,127)
Balance as at December 31, 2021	₱64,323,517	₱105,327,099	₱169,650,616

8. Inventories and Livestock

	2022	2021
Inventories:		
At net realizable value - Finished goods	**₱265,341,476**	₱184,305,798
At cost:		
Raw materials and feeds supplements	**435,228,997**	315,027,658
Supplies and animal health products	**95,366,161**	64,126,465
Hatching eggs	**43,901,754**	36,849,974
Finished goods	**23,529,061**	22,708,402
	863,367,449	623,018,297
Livestock:		
Day-old chicks and growing broilers	**110,095,736**	38,086,778
Parent stock	**6,023,019**	14,380,992
	116,118,755	52,467,770
	₱979,486,204	₱675,486,067

Inventories
Inventories are valued at lower of cost and NRV as at December 31, 2022 and 2021. The cost of finished goods carried at NRV amounted to ₱266.2 million and ₱185.2 million as at December 31, 2022 and 2021, respectively. Inventories charged to cost of goods sold amounted to ₱9,559.9 million, ₱7,645.0 million and ₱5,982.6 million in 2022, 2021 and 2020, respectively (see Note 18).

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

Day-old chicks, broilers and parent stock	2022	2021
Opening balance	**₱52,467,770**	₱42,332,469
Increase due to production	**5,183,298,174**	4,022,075,185
Decrease due to sales, harvest and mortality	**(5,130,583,627)**	(3,989,265,663)
Fair value adjustments*	**10,936,438**	(22,674,221)
	₱116,118,755	₱52,467,770

**Presented under revenue and cost of goods sold in the statement of comprehensive income*

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

	2022	2021
Balance at beginning of year	**₱896,315**	₱896,315
Provision (Note 21)	**–**	–
	₱896,315	₱896,315

9. Other Current Assets

This account consists of:

	2022	2021
Advances to suppliers	**₱466,876,004**	₱176,344,062
CWT	**80,816,559**	88,608,614
Prepayments	**49,606,422**	26,382,863
Advances to contract growers	**47,546,420**	76,347,329
Input VAT	**15,103,433**	3,488,442
Advances to contract breeders	**9,987,452**	24,685,426
	669,936,290	395,856,736
Allowance for impairment losses	**(46,748,582)**	(46,748,582)
	₱623,187,708	₱349,108,154

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 ₱141.7 million as at December 31, 2022. The court proceedings for the remaining claims were remanded to the Regional Trial Court of Malolos City in accordance with the resolution issued by the Court of Appeals on February 13, 2018. Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result in any significant adverse impact on the Company's financial condition and results of operations.

The composition of receivable from insurance are as follows:

	2022	2021
Cost	**₱141,664,583**	₱141,664,583
Allowance for ECL	**(71,460,773)**	(71,460,773)
	₱70,203,810	₱70,203,810

No provisions for and write off of allowance for receivable from insurance were recognized in the statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020.

11. **Property, Plant and Equipment**

At Revalued Amount

The composition and movements of this account are presented below:

				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 from acquisition of a subsidiary (Note 33)	**–**	**3,964,796**	**–**	**2,007,514**	**767,403**	**6,739,713**
Additions	**–**	**22,493,915**	**549,600**	**2,347,003**	**12,870,426**	**38,260,944**
Disposals	**–**	**(4,964,322)**	**–**	**–**	**(87,548)**	**(5,051,870)**
Adjustments	**–**	**–**	**–**	**–**	**(1,361,266)**	**(1,361,266)**
Reclassification	**–**	**415,353**	**4,841,141**	**1,010,000**	**–**	**6,266,494**
Revaluation	**72,229,943**	**33,130,050**	**(1,828,508)**	**2,977,620**	**(7,199,367)**	**99,309,738**
Balance at end of year	**506,399,830**	**638,259,780**	**177,005,022**	**44,868,134**	**97,611,945**	**1,464,144,709**
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)	**–**	**53,951,226**	**7,306,740**	**3,903,968**	**12,961,049**	**78,122,983**
Reclassification	**–**	**–**	**–**	**–**	**(775,990)**	**(775,990)**
Disposals	**–**	**(3,915,577)**	**–**	**–**	**(32,208)**	**(3,947,785)**
Balance at end of year	**–**	**338,592,171**	**78,684,026**	**19,600,284**	**84,491,446**	**521,367,927**
Net carrying amount	**₱506,399,830**	**₱299,667,609**	**₱98,320,996**	**₱25,267,850**	**₱13,120,497**	**₱942,776,782**

				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	₱29,939,641	₱82,558,444	₱1,289,068,459
Additions	–	19,891,913	5,554,310	2,228,341	10,159,526	37,834,090
Disposals	–	(3,253,425)	–	–	(35,000)	(3,288,425)
Reclassification	–	(2,186,450)	760,892	4,405,713	(60,675)	2,919,480
Transfer to investment properties	(5,543,000)	–	–	–	–	(5,543,000)
Adjustments	–	(961,950)	–	(47,698)	–	(1,009,648)
Balance at end of year	434,169,887	583,219,988	173,442,789	36,525,997	92,622,295	1,319,980,956
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	246,977,446	65,170,245	12,605,328	57,596,527	382,349,546
Depreciation and amortization (Notes 18 and 19)	–	55,155,948	7,081,549	3,280,276	14,809,549	80,327,322
Reclassification	–	(10,969,434)	(874,508)	(189,288)	(60,675)	(12,093,905)
Disposals	–	(2,607,438)	–	–	(6,806)	(2,614,244)
Balance at end of year	–	288,556,522	71,377,286	15,696,316	72,338,595	447,968,719
Net carrying amount	₱434,169,887	₱294,663,466	₱102,065,503	₱20,829,681	₱20,283,700	₱872,012,237

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

	2022					
	Land	**Machinery and Equipment**	**Buildings**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost	**₱14,159,490**	**₱510,628,461**	**₱195,812,729**	**₱38,505,564**	**₱93,795,261**	**₱852,901,505**
Accumulated depreciation and impairment	**–**	**(304,687,791)**	**(65,511,000)**	**(14,883,151)**	**(77,146,981)**	**(462,228,923)**
Net carrying amount	**₱14,159,490**	**₱205,940,670**	**₱130,301,729**	**₱23,622,413**	**₱16,648,280**	**₱390,672,582**

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

The Company's property, plant and equipment (except transportation equipment and construction in-progress) was appraised in 2022 and 2020.

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, 2022. The fair value measurement for property, plant and equipment has been categorized as level 3 (significant unobservable inputs).

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

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

			Range	
	Valuation Technique	Significant Unobservable Inputs	**2022**	2021
Land	Sales Comparison Approach	Price per square meter	**₱1,500-₱6,000**	₱1,493-₱1,857
		Value adjustments	**5%-35%**	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:

	2022		
	Transportation Equipment	**CIP**	**Total**
Cost			
Balance at beginning of year	**₱48,160,960**	**₱38,699,957**	**₱86,860,917**
Additions from acquisition of a subsidiary (Note 33)	**229,333**	**–**	**229,333**
Additions	**426,964**	**77,451,662**	**77,878,626**
Adjustments	**–**	**12,851,524**	**12,851,524**
Reclassification	**–**	**(6,266,494)**	**(6,266,494)**
Balance at end of year	**48,817,257**	**122,736,649**	**171,553,906**
Accumulated Depreciation, and Amortization			
Balance at beginning of year	**40,879,752**	**–**	**40,879,752**
Depreciation and amortization (Notes 18 and 19)	**4,033,521**	**–**	**4,033,521**
Balance at end of year	**44,913,273**	**–**	**44,913,273**
Net carrying amount	**₱3,903,984**	**₱122,736,649**	**₱126,640,633**

	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 2022 and 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 ₱1.0 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 December 31, 2022 and 2021, there are no significant contractual commitments entered into by the Company.

Depreciation and amortization expense follow:

	2022	2021	2020
Property, plant and equipment:			
At revalued amount	**₱78,122,983**	₱80,327,323	₱72,201,667
At cost	**4,033,521**	4,922,099	7,692,669
Right-of-use asset (Note 13)	**17,723,732**	17,079,097	79,038,348
Computer software (Note 13)	**5,795,513**	3,678,102	3,678,102
	₱105,675,749	₱106,006,621	₱162,610,786

12. Investment Properties

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

Movements in this account are summarized below:

	December 31, 2022		
	Land	**Building**	**Total**
Balance at beginning of year	**₱559,281,779**	**₱414,150,973**	**₱973,432,752**
Gain on fair value changes	**22,987,200**	**31,008,472**	**53,995,672**
Additions	–	**141,072,796**	**141,072,796**
Disposals	**(2,630,383)**	–	**(2,630,383)**
Adjustments	**(311)**	–	**(311)**
Balance at end of year	**₱579,638,285**	**₱586,232,241**	**₱1,165,870,526**

	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 December 31 are as follows:

	2022	2021
Cost	**₱736,158,474**	₱597,716,371
Cumulative gain on fair value changes	**429,712,052**	375,716,381
	₱1,165,870,526	₱973,432,752

Rental income earned from the dressing plant in Bulacan amounted to ₱7.8 million, ₱11.1 million and ₱11.9 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 20). Direct costs related to properties that generate rental income amounted to ₱1.1 million, ₱1.3 million and ₱0.9 million in 2022, 2021 and 2020, respectively.

Fair Value Measurement
Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal reports are at November 14, 2022. The Company recognized fair value gain of ₱54.0 million, ₱1.3 million and ₱4.1 million in 2022, 2021 and 2020, respectively. The fair value measurement for investment properties has been categorized as Level 3 (significant unobservable inputs).

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

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

	Valuation Technique	Significant Unobservable Inputs	Range 2022	2021
Land	Sales Comparison Approach	Price per square meter	**₱40-₱14,200**	₱200-₱12,000
		Value adjustments	**5%-80%**	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 that 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, lease rates, and escalation rate would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in discount rates and vacancy and bad debt allowance in isolation would result in a significantly lower (higher) fair value on a linear basis.

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

Right-of-use Assets

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

	December 31, 2022		
	Building	**Transportation Equipment**	**Total**
Cost			
Balance at beginning of year	**₱12,065,912**	**₱94,587,585**	**₱106,653,497**
Additions	**–**	**34,331,713**	**34,331,713**
Balance at end of year	**12,065,912**	**128,919,298**	**140,985,210**
Accumulated Amortization			
Balance at beginning of year	**8,446,138**	**59,285,724**	**67,731,862**
Depreciation	**2,895,819**	**14,827,913**	**17,723,732**
Balance at end of year	**11,341,957**	**74,113,637**	**85,455,594**
Net carrying value	**₱723,955**	**₱54,805,661**	**₱55,529,616**

	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

	2022	2021
Project development costs	**₱31,368,395**	₱31,368,395
Security deposits	**18,229,324**	15,459,460
Computer software	**13,885,997**	19,661,027
	63,483,716	66,488,882
Allowance for impairment losses	**(31,368,395)**	(31,368,395)
	₱32,115,321	₱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 ₱31.4 million was provided with full valuation allowance as at December 31, 2022 and 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:

	2022	2021
Cost		
Balance at beginning of year	**₱43,344,648**	₱26,354,542
Additions	**20,483**	16,990,106
Balance at end of year	**43,365,131**	43,344,648
Accumulated Depreciation and Amortization		
Balance at beginning of year	**23,683,621**	20,005,519
Depreciation and amortization	**5,795,513**	3,678,102
Balance at end of year	**29,479,134**	23,683,621
Net Book Value	**₱13,885,997**	₱19,661,027

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

	2022	2021
Trade payables		
Third parties	**₱1,627,742,437**	₱1,170,645,926
Related parties (Note 24)	**4,333,416**	89,707,830
Accrued expenses		
Selling and administrative	**175,537,109**	218,454,340
Outside services	**16,315,967**	31,336,924
Others	**49,318,293**	66,319,172
Nontrade payables	**62,588,749**	88,002,512
Customers' deposits	**45,629,029**	26,731,930
Statutory liabilities	**20,241,561**	15,945,595
	₱2,001,706,561	₱1,707,144,229

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

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

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

Customers' deposits are advances received from 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:

	2022	2021
Short-term loans	**₱960,657,066**	₱381,932,829
Long-term loans	**74,464,285**	123,118,899
	₱1,035,121,351	₱505,051,728

	2022	2021
Short-term loans	**₱960,657,066**	₱381,932,829
Current portion of long-term loans	**24,821,429**	24,821,429
Current portion	**985,478,495**	406,754,258
Noncurrent portion of long-term loans	**49,642,856**	98,297,470
	₱1,035,121,351	₱505,051,728

Total availment of loans payable amounted to ₱2,349.6 million and ₱540.7 million in 2022 and 2021, respectively. Total payments of loans payable amounted to ₱1,819.5 million and ₱315.6 million in 2022 and 2021, respectively.

Interest expense on loans payable amounted to ₱35.7 million, ₱20.7 million and ₱35.3 million in 2022, 2021 and 2020, respectively.

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

Short-Term Loans
In 2022 and 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 6.00% to 6.50%.

Long-Term Loans
Following are the long-term loans of the Company which have no collaterals and no corresponding financial covenants.

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 starting January 31, 2020, 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, starting March 6, 2020, 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 ₱56.3 million and ₱48.1 million as at December 31, 2022 and 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

	2022	2021	2020
Sales			
Foods	**₱6,262,103,105**	₱4,236,179,697	₱3,133,270,647
Feeds	**5,309,088,248**	4,821,057,084	4,218,925,663
Farms	**522,542,033**	742,624,261	462,852,599
Sales discount, returns and allowances	**(136,217,535)**	(150,699,234)	(132,617,951)
	11,957,515,851	9,649,161,808	7,682,430,958
Changes in fair values of biological assets	**12,070,807**	55,119,641	199,489,329
	₱11,969,586,658	₱9,704,281,449	₱7,881,920,287

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

	2022	2021	2020
Day-old chicks and broilers	**₱10,782,617**	₱48,631,208	₱199,489,329
Parent stock	**1,288,190**	6,488,433	–
	₱12,070,807	₱55,119,641	₱199,489,329

18. Cost of Goods Sold

	2022	2021	2020
Inventories used (Note 8)	**₱9,559,873,560**	₱7,645,035,746	₱5,982,643,379
Outside services	**858,830,177**	712,164,921	785,219,089
Contractual services	**312,262,806**	258,517,601	92,865,024
Depreciation (Notes 11 and 13)	**69,862,579**	72,016,730	128,319,828
Salaries and employee benefits (Note 19)	**45,814,819**	38,472,730	63,574,816
Communication, light and water	**40,263,703**	31,797,494	45,151,999
Repairs and maintenance	**14,693,513**	8,216,556	25,618,917
Others	**5,835,758**	3,731,646	2,331,110
	₱10,907,436,915	₱8,769,953,424	₱7,125,724,162

19. **Operating Expenses**

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

	2022	2021	2020
Administrative expenses	**₱557,150,693**	₱452,654,119	₱260,967,587
Selling and distribution expenses	**323,347,130**	248,272,613	275,792,670
	₱880,497,823	₱700,926,732	₱536,760,257

The details of operating expenses by nature are shown below:

	2022	2021	2020
Transportation, travel and freight and handling	**₱292,654,988**	₱207,879,032	₱193,871,823
Salaries and employee benefits (Note 24)	**251,141,507**	209,487,866	146,160,261
Publications and subscriptions	**39,323,376**	38,877,116	921,458
Representation and entertainment	**36,605,488**	24,959,164	5,243,696
Depreciation and amortization (Notes 11 and 13)	**35,813,170**	33,989,891	34,290,958
Professional fees	**34,746,562**	29,894,725	22,931,396
Commissions	**27,560,525**	21,476,608	9,748,116
Taxes and licenses	**26,719,345**	17,764,542	14,632,394
Contractual services	**26,600,604**	20,517,627	20,539,027
Advertising and promotions	**24,540,837**	30,852,722	17,087,198
Communications, light and water	**9,687,496**	8,374,622	8,774,538
Rentals (Note 27)	**8,269,477**	8,526,711	21,106,429
Supplies	**6,398,714**	7,437,118	4,629,887
Insurance	**5,039,437**	4,383,834	4,364,799
Packaging and distribution	**3,952,152**	2,217,267	1,719,191
Repairs and maintenance	**2,897,165**	4,121,943	8,272,443
Bank charges	**2,571,657**	403,805	313,096
Others	**45,975,323**	29,762,139	22,153,547
	₱880,497,823	₱700,926,732	₱536,760,257

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

Employee Benefits

Breakdown of employee benefits is presented below:

	2022	2021	2020
Salaries and wages	**₱259,733,525**	₱218,104,366	₱182,391,552
Retirement benefits (Note 22)	**22,336,339**	16,993,091	14,327,563
Other short-term benefits	**14,886,462**	12,863,139	13,015,962
	₱296,956,326	₱247,960,596	₱209,735,077

Salaries and employee benefits is allocated as follows:

	2022	2021	2020
Cost of goods sold (see Note 18)	**₱45,814,819**	₱38,472,730	₱63,574,816
Operating expenses:			
Administrative expenses	**176,820,010**	166,331,166	105,090,755
Selling and distribution expenses	**74,321,497**	43,156,700	41,069,506
	251,141,507	209,487,866	146,160,261
	₱296,956,326	₱247,960,596	₱209,735,077

Depreciation and Amortization

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

	2022	2021	2020
Cost of goods sold (Note 18)	**₱69,862,579**	₱72,016,730	₱128,319,828
Operating expenses:			
Administrative expenses	**14,170,652**	16,680,045	16,996,891
Selling and distribution expenses	**21,642,518**	17,309,846	17,294,067
	35,813,170	33,989,891	34,290,958
	₱105,675,749	₱106,006,621	₱162,610,786

20. Other Operating Income

	2022	2021	2020
Miscellaneous sales (scrap materials, etc.)	**₱34,883,694**	₱17,467,801	₱19,449,045
Rentals (Notes 24 and 27)	**7,837,894**	11,096,404	11,895,676
Tolling services	**–**	–	12,626,140
	₱42,721,588	₱28,564,205	₱43,970,861

21. Other Income (Charges)

	2022	2021	2020
Foreign exchange gain (loss)	**(₱28,701,581)**	(₱5,714,952)	₱2,455,497
Deficiency tax settlement	**(10,696,915)**	(10,000,000)	(15,073,202)
Impairment losses on:			
Receivables (Note 7)	**(1,704,635)**	(10,157,719)	(10,673,157)
Inventory (Note 8)	–	–	(892,276)
Loss on disposal of property, plant and equipment, and investment property	**(1,037,745)**	(1,060,988)	(2,269,651)
Loss on chicken mortalities	–	(7,024,740)	–
Gain on pre-termination of lease contracts	**–**	–	3,424,542
Others - net	**(903,843)**	(8,937,475)	(355,478)
	(₱43,044,719)	(₱42,895,874)	₱23,383,725

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, 2022.

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

	2022	2021	2020
Current service costs	**₱13,896,753**	₱11,956,045	₱9,321,592
Interest expense	**8,641,280**	5,187,339	5,215,260
Interest income	**(201,694)**	(150,293)	(209,289)
	₱22,336,339	₱16,993,091	₱14,327,563

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

	2022	2021
Present value of the DBO	**₱150,989,435**	₱170,439,444
FVPA	**(3,931,933)**	(3,978,184)
	₱147,057,502	₱166,461,260

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

	2022	2021
Balance at beginning of year	**₱170,439,444**	₱136,150,631
Current service costs	**13,294,753**	11,956,045
Interest expense	**8,641,280**	5,187,339
Benefits paid	**(9,124,310)**	(5,868,959)
Remeasurement loss (gain) recognized in OCI	**(32,261,732)**	23,014,388
Balance at end of year	**₱150,989,435**	₱170,439,444

Movements in the FVPA are presented below:

	2022	2021
Balance at beginning of year	**₱3,978,184**	₱3,944,702
Interest income	**201,694**	150,293
Remeasurement loss	**(247,945)**	(116,811)
	₱3,931,933	₱3,978,184

Remeasurement loss on retirement liability, net of tax presented in the consolidated statements of comprehensive income for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022	2021	2020
Remeasurement loss (gain)	**(₱32,013,787)**	₱23,131,199	₱28,400,907
Deferred income tax effect			
Current year	**172,717**	(5,782,800)	(8,520,272)
Impact of CREATE	–	409,586	–
	172,717	(5,373,214)	(8,520,272)
Remeasurement loss (gain)	**(₱31,841,070)**	₱17,757,985	₱19,880,635

Actual returns on plan assets amounted to (₱46,251) and ₱33,482 in 2022 and 2021, respectively. The categories of plan assets of the Company are as follows:

	2022	2021
Cash and cash equivalents	**₱658,992**	₱1,992,275
Equity instruments	**548,505**	502,047
Debt instruments	**2,834,137**	1,487,840
Others	**(109,701)**	(3,978)
	₱3,931,933	₱3,978,184

There are no expected future contributions in the plan in 2023.

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

	2022	2021
Less than one year	**₱31,611,680**	₱18,757,732
Between one and five years	**42,714,397**	46,202,735
Over five years	**116,035,367**	103,855,449
	₱190,361,444	₱168,815,916

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

	2022	2021
Discount rate	**7.21%**	5.07%
Expected rate of salary increase	**5.00%**	5.00%
Average remaining working life of an employee retiring at the age of 60:	**23**	23

The weighted average duration of the present value of defined benefit obligation is 7.6 and 9.1 years in 2022 and 2021, respectively.

A quantitative sensitivity analysis for changes in assumptions as at December 31, 2022 and 2021 are shown below (amounts in thousands):

	Change in Assumptions	Impact on Defined Benefit Obligation 2022	2021
Discount rate	+100 bps	**(₱10,677)**	(₱14,073)
	-100 bps	**12,215**	16,277
Salary rate	+100 bps	**₱12,365**	₱16,123
	-100 bps	**(10,984)**	(14,207)

23. Income Tax

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

	2022	2021	2020
RCIT (25% in 2022 and 2021; 30% in 2020)	**₱51,302,707**	₱28,700,503	₱–
MCIT (1% in 2022 and 2021; 2% in 2020)	–	–	11,629,665
Impact of CREATE Act on current income tax	–	(2,907,407)	–
Deferred income tax expense (benefit)	**16,296,929**	5,371,040	4,509,242
	₱67,599,636	₱31,164,136	₱16,138,907

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

	2022	2021	2020
Income tax expense at statutory tax rate	**₱50,945,805**	₱30,151,438	₱7,628,103
Change in unrecognized deferred tax assets	**–**	(3,700,188)	6,146,121
Tax effects of:			
Adjustment on deferred tax	**22,616,362**	–	–
Depreciation on investment properties at cost	**(8,629,163)**	(5,145,889)	(1,885,133)
Nondeductible expenses	**2,693,847**	3,966,426	4,310,507
Adjustment on CREATE Act for 2020 recognized in 2021	**–**	5,928,920	–
Income already subjected to final tax	**(27,215)**	(36,571)	(60,691)
	₱67,599,636	₱31,164,136	₱16,138,907

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

	2022	2021
Deferred income tax directly recognized in profit or loss:		
Deferred tax assets:		
Allowance for impairment loss on:		
Trade and other receivables	**₱36,931,060**	₱36,504,900
Advances to contract growers and contract breeders	**10,914,262**	10,914,262
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	**28,258,810**	32,786,534
NOLCO	**9,397,440**	–
Excess of lease liabilities over right-of-use assets	**–**	770,909
	98,061,792	93,536,825
Deferred tax liabilities:		
Changes in fair value of investment properties	**(66,032,543)**	(50,952,993)
Changes in fair value of biological assets	**(2,845,398)**	(111,288)
Excess of right-of-use assets over lease liabilities	**(807,444)**	–
	(69,685,385)	(51,064,281)
Deferred income tax asset (liability) directly recognized in other comprehensive income:		
Revaluation reserve on property, plant and equipment	**(135,792,432)**	(114,483,826)
Accumulated actuarial loss on defined benefit plan	**7,658,015**	7,830,731
	(128,134,417)	(106,653,095)
Net deferred tax liabilities	**(₱99,758,010)**	(₱64,180,551)

Deferred tax asset recognized on the NOLCO of BVC amounted to ₱2.2 million as of January 1, 2022.

Details of MCIT of the Company, which can be claimed as deduction from future RCIT due within three years from the year the MCIT was incurred, are 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)	₱–	

Details of NOLCO of BVC are as follows:

Year Incurred	Beginning Balance	Incurred	Applied / Expired	Ending Balance	Valid Until
2022	₱-	₱35,983,222	₱–	₱35,983,222	2025
2021	₱11,003,980	–	–	11,003,980	2024
	₱11,003,980	₱35,983,222	–	₱46,987,202	

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

	2022		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.

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):

		2022		2021	
Related Parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	**₱509,194,217**		₱1,426,066,299	
	Collections	**(553,596,333)**	**₱218,397,603**	(1,358,918,127)	₱262,799,719
Trade and other payables					
Entities under common control	Purchases	**₱1,097,925,538**		₱1,744,904,273	
	Payments	**(1,183,299,952)**	**₱4,333,416**	(1,697,114,977)	₱89,707,830
Operating lease					
Entities under common control	Rental income	**₱19,877,100**		₱11,096,404	
	Collection	**(5,015,370)**	**20,122,723**	(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.

		2022		2021	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Advances to officers	Net transactions	**₱6,589,468**	**₱19,003,504**	₱473,848	₱12,474,296

Compensation of Key Management Personnel
The compensation includes the following:

	2022	2021	2020
Short-term employee benefits	**₱55,480,527**	₱35,561,950	₱31,959,666
Retirement benefits	**5,010,571**	5,872,830	2,984,183
Others	**17,133,565**	10,784,789	11,868,367
	₱77,624,663	₱52,219,569	₱46,812,216

25. Equity

Capital Stock
As of December 31, 2022 and 2021, the Company has authorized capital stock of 3.5 billion shares at ₱0.38 par value equivalent to ₱1.3 billion. Details of authorized and issued and outstanding shares are as presented in the next page.

	2022	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	Authorized Shares	No. of Shares Issued
December 22, 2017	3,500,000,000	267,836,113
October 16, 2013	3,500,000,000	2,286,497,901
February 9, 1989	200,000,000	200,000,000
August 11, 1986	200,000,000	200,000,000
December 5, 1982	33,000,000	33,000,000
December 5, 1977	45,000,000	45,000,000
October 31, 1974	7,000,000	7,000,000
May 2, 1973	10,000,000	10,000,000
October 2, 1972	5,000,000	5,000,000

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share.

The following summarizes the information on the Company's issued and outstanding shares as at December 31, 2022 and 2021:

	2022		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, 115.7 million and 116.7 million shares are foreign-owned as at December 31, 2022 and 2021.

The total number of shareholders of the Company is 4,113 and 4,115 as at December 31, 2022 and 2021, respectively.

Other Comprehensive Income

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

	Revaluation Reserve (Note 11)	Accumulated Actuarial Gain (Loss) (Note 22)	Total
Balance as at January 1, 2022	**₱343,451,478**	**(₱23,492,192)**	**₱319,959,284**
Actuarial gain, net of tax	**–**	**31,841,070**	**31,841,070**
Revaluation, net of tax	**78,001,128**	**–**	**78,001,128**
Transfer to retained earnings of revaluation realized through depreciation, net of tax	**(11,767,279)**	**–**	**(11,767,279)**
Balance as at December 31, 2022	**₱409,685,327**	**₱8,348,878**	**₱418,034,203**
Balance as at January 1, 2021	₱324,682,440	(₱5,734,207)	₱318,948,233
Actuarial loss, net of tax	–	(17,348,399)	(17,348,399)
Impact of change in tax rate	23,191,604	(409,586)	22,782,016
Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax	(4,422,566)	–	(4,422,566)
Balance as at December 31, 2021	₱343,451,478	(₱23,492,192)	₱319,959,284

As of December 31, 2022, the Parent Company does not have available retained earnings for dividend declaration.

26. **Earnings Per Share**

Basic and diluted earnings per share were computed as follows:

	2022	2021	2020
Net income for the period	**₱128,986,939**	₱89,441,614	₱9,288,476
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	**₱0.042**	₱0.029	₱0.003

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),. 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 ₱7.8 million, ₱11.1 million and ₱11.9 million in 2022, 2021 and 2020, respectively, and are shown as part of "Other operating income" account in the consolidated statements of comprehensive income (see Note 20).

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

	2022	2021
Within one year	**₱1,146,696**	₱6,298,929
After one year but not more than five years	−	1,127,321
	₱1,146,696	₱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 ₱18.2 million and ₱15.5 million as at December 31, 2022 and 2021, respectively. Rent expense amounted to ₱8.3 million, ₱8.5 million and ₱21.1 million in 2022, 2021 and 2020, respectively (see Note 19).

Company as Lessee

The Company is under arrangements of lease of an office space and financing of car plans. The present value of the lease liability is discounted at the Company's incremental borrowing rate of 7.06% at the date of commencement of the lease. The lease term of the office space is at 5 years and has a remaining term of 3 months as of December 31, 2022. On the other hand, the financing of multiple car plans with various banks are under a period of 5 years. These arrangements bear annual interest rate ranging from 2% to 4% and are payable in 60 equal monthly installments. The implicit rate in the lease used in the computation are the rates provided by the banks as the interest rate over the period of the loan. These rates are ranging from 9.379616% to 9.38091%.

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

	2022	2021	2020
Depreciation expense of right-of-use assets	**₱17,723,732**	₱17,079,097	₱79,038,348
Interest expense on lease liabilities	**4,266,400**	2,385,774	11,098,247
Expenses relating to short-term leases (see Note 19)	**8,269,477**	8,526,711	21,106,429
Total amount recognized in the consolidated statement of comprehensive income	**₱30,259,609**	₱27,991,582	₱111,243,024

The rollforward analysis of lease liabilities follows:

	2022	2021
As at January 1	**₱42,005,270**	₱35,637,457
Additions	**34,331,713**	23,208,300
Interest expense	**4,266,400**	2,385,774
Payments	**(28,303,544)**	(19,226,261)
As at December 31	**₱52,299,839**	₱42,005,270

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

	2022	2021
Current	**₱15,413,841**	₱17,808,894
Noncurrent	**36,885,998**	24,196,376
	₱52,299,839	₱42,005,270

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

	2022	2021
Within one year	**₱15,413,841**	₱17,808,894
More than one year but not more than five years	**36,885,998**	24,196,376
	₱52,299,839	₱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 ₱858.8 million and ₱712.2 million in 2022 and 2021, respectively, and is recorded as part of "Cost of goods sold" account under "Outside services" in the consolidated statements of comprehensive income.

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**	**December 31, 2022**
Loans payable	**₱505,051,728**	**₱2,349,559,151**	**(₱1,819,489,528)**	**₱–**	**₱1,035,121,351**
Accrued interest payable	**4,655,329**	**–**	**(4,655,329)**	**–**	**–**
Lease liabilities	**42,005,270**	**34,331,713**	**(28,303,544)**	**4,266,400**	**52,299,839**
Total liabilities from financing activities	**₱551,712,327**	**₱2,383,890,864**	**(₱1,852,448,401)**	**₱4,266,400**	**₱1,087,421,190**

	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 ₱34.3 million and ₱23.2 million for the years ended December 31, 2022 and 2021, respectively.

29. Contingencies

There are outstanding legal claims against the Company. The Company and its legal counsel believe that the pending claims will be settled favorably and will not result to a material loss or impairment, if any.

30. Fair Value Information

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

	2022		2021	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets at Amortized Cost				
Cash in banks	**₱364,664,458**	**₱364,664,458**	₱227,528,282	₱227,528,282
Trade and other receivables	**882,943,523**	**882,943,523**	859,711,691	859,711,691
Security deposits	**18,229,324**	**18,229,324**	15,459,460	15,459,460
Receivable from insurance	**70,203,810**	**70,203,810**	70,203,810	70,203,810
	₱1,336,041,115	**₱1,336,041,115**	₱1,172,903,243	₱1,172,903,243
Financial Liabilities at Amortized Cost				
Trade and other payables*	**₱1,981,465,000**	**₱1,981,465,000**	₱1,691,198,634	₱1,691,198,634
Loans payable	**1,035,121,351**	**1,100,568,884**	505,051,728	512,144,709
Cash bond deposits	**56,102,619**	**56,102,619**	48,052,089	48,052,089
	₱3,072,688,970	**₱3,138,136,503**	₱2,244,302,451	₱2,251,395,432

**Excluding statutory liabilities amounting to ₱20.2 million and ₱15.9 million as at December 31,2022 and 2021, respectively*

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

Long-term Debt. The estimated fair value is based on the discounted value of the future cash flows using the prevailing interest rate. As at December 31, 2022, the discount rates used ranged from 3.8% to 4.2% 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 December 31, 2022 and 2021.

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

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

	2022	2021
Cash in banks	**₱364,664,458**	₱227,528,282
Trade and other receivables	**882,943,523**	859,711,691
Security deposits	**18,229,324**	15,459,460
Receivable from insurance	**70,203,810**	70,203,810
	₱1,336,041,115	₱1,172,903,243

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 period are of good credit quality.

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the Company's credit rating system as at December 31, 2022 and 2021:

	2022				
	General Approach			**Simplified**	
	Stage 1	**Stage 2**	**Stage 3**	**Approach**	**Total**
Cash in banks	**₱364,664,458**	**₱–**	**₱–**	**₱–**	**₱364,664,458**
Trade and other receivables	**122,257,583**	**–**	**34,127,739**	**897,913,452**	**1,054,298,774**
Security deposits	**18,229,324**	**–**	**–**	**–**	**18,229,324**
Receivable from insurance	**–**	**141,664,583**	**–**	**–**	**141,664,583**
	₱505,151,365	**₱141,664,583**	**₱34,127,739**	**₱897,913,452**	**₱1,578,857,139**

	2021				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash in banks	₱227,528,282	₱–	₱–	₱–	₱227,528,282
Trade and other receivables	263,758,989	–	23,631,013	741,972,305	1,029,362,307
Security deposits	15,459,460	–	–	–	15,459,460
Receivable from insurance	–	141,664,583	–	–	141,664,583
	₱506,746,731	₱141,664,583	₱23,631,013	₱741,972,305	₱1,414,014,632

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:

	2022								
	Days Past Due								
	Current	**<30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**More than 120 days**	**Total**	**Accounts with full provision**	**Total**
Expected credit loss rate	**0.00%**	**0.01%**	**0.30%**	**0.50%**	**0.40%**	**6.00%**			
Estimated total gross carrying amount at default	**₱606.10**	**₱149.14**	**₱39.94**	**₱10.50**	**₱2.87**	**₱25.06**	**₱833.60**	**₱64.30**	**₱897.90**
Expected credit loss	**₱0.00**	**₱0.01**	**₱0.12**	**₱0.05**	**₱0.01**	**₱1.50**	**₱1.70**	**₱64.30**	**₱66.00**

	2021								
	Days Past Due								
	Current	<30 days	30-60 days	61-90 days	91-120 days	More than 120 days	Total	Accounts with full provision	Total
Expected credit loss rate	0.00%	0.01%	0.05%	0.10%	0.15%	5.43%			
Estimated total gross carrying amount at default	₱504.99	₱102.71	₱18.76	₱13.71	₱15.06	₱23.83	₱679.05	₱62.95	₱742.00
Expected credit loss	₱0.00	₱0.01	₱0.01	₱0.01	₱0.02	₱1.29	₱1.35	₱62.95	₱64.00

Cash Deposits

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

Liquidity Risk

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

As at December 31, 2022, the Company's financial liabilities have contractual maturities which are presented in the next page.

	Current		**Noncurrent**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later than 5 Years**
Trade and other payables*	**₱1,981,465,000**	**₱–**	**₱–**	**₱–**
Loans payable	**948,246,351**	**12,410,714**	**74,464,285**	**–**
Lease liabilities	**8,146,807**	**7,267,034**	**36,885,998**	**–**
Cash bond deposits	**–**	**–**	**56,299,659**	**–**
Future interest on long term debt	**3,949,451**	**3,460,672**	**17,336,971**	**–**
	₱2,941,807,609	**₱23,138,420**	**₱184,986,913**	**₱–**

**Excluding statutory liabilities amounting to ₱20.2 million as at December 31, 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*	₱1,691,198,634	₱–	₱–	₱–
Loans payable	394,343,543	12,410,715	98,297,470	–
Lease liabilities	8,904,447	8,904,447	24,196,376	–
Cash bond deposits	–	–	48,052,089	–
Future interest on long term debt	3,774,947	3,425,303	13,221,623	–
	₱2,098,221,571	₱24,740,465	₱183,767,558	₱–

**Excluding statutory liabilities amounting to ₱15.9 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:

	2022	2021
Total liabilities	**₱3,392,242,922**	₱2,532,895,127
Total equity	**1,855,927,927**	1,617,098,790

33. Asset Acquisition

Acquisition of Barbatos Ventures Corporation (BVC)

On December 16, 2021, the Company's Board of Directors approved the acquisition of 100% of the outstanding capital stock of BVC from Luzon Agriventure, Inc. (LAVI) for a consideration of ₱1.00. The acquisition was accounted as an asset acquisition. 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. The registered principal place of business of the Company is located at Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan.

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

The assets acquired and liabilities assumed from the business combination are as follows:

Cash	₱2,751,245
Accounts receivable - net	11,897,011
Prepayment	6,535,805
Property and equipment	6,739,713
Deferred tax assets	2,200,796
Total assets	₱30,124,570

Accounts payable and other trade payables	₱30,232,590
Deposit payable	177,040
Total liabilities	₱30,409,630

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INDEPENDENT AUDITOR’S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vitarich Corporation and Subsidiaries (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 1, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company’s management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118576-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 9564677, January 3, 2023, Makati City

April 1, 2023

VITARICH CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 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		(93,536,825)
Cumulative gain on fair value changes of investment properties		(375,716,381)
Cumulative loss on fair value changes of biological assets		22,674,221
Deficit, as adjusted, at beginning of year		(311,563,250)
Add net income actually earned/realized during the year		
Net income during the year closed to retained earnings	₱157,773,315	
Realized fair value changes on biological assets	(33,610,659)	
Gain on fair value changes of investment properties	(53,995,672)	
Movement in deferred tax assets	4,872,473	75,039,457
Transfer to retained earnings of revaluation reserve		11,767,278
Deficit as adjusted at end of the year		(₱224,756,515)

VITARICH CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vitarich Corporation and Subsidiaries (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 1, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
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PTR No. 9564677, January 3, 2023, Makati City

April 1, 2023

VITARICH CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT DECEMBER 31, 2022

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

RATIO	FORMULA	**Audited December 2022**	Audited December 2021
Current Ratio			
	Current assets	**2,855,034,161**	2,114,321,831
	Divided by current liabilities	**3,002,598,897**	2,131,707,381
	Current ratio	**0.95**	0.99
Debt–to–equity Ratio			
	Total liabilities	**3,392,242,922**	2,532,895,127
	Divided by total equity	**1,855,927,927**	1,617,098,790
	Debt-to-equity ratio	**1.83**	1.57
Asset–to–equity Ratio			
	Total assets	**5,248,170,849**	4,149,993,917
	Divided by total equity	**1,855,927,927**	1,617,098,790
	Asset-to-equity ratio	**2.83**	2.57
Solvency Ratio			
	Net income before depreciation and amortization	**234,662,688**	195,448,235
	Divided by total liabilities	**3,392,242,922**	2,532,895,127
	Solvency ratio	**0.07**	0.08
Interest rate coverage Ratio			
	Pretax income before interest	**236,588,551**	143,657,040
	Divided by interest expense	**40,001,976**	23,051,290
	Interest rate coverage ratio	**5.91**	6.23
Profitability Ratio			
	Net income	**128,986,939**	89,441,614
	Divided by total equity	**1,855,927,927**	1,617,098,790
	Profitability ratio	**0.07**	0.06

RATIO	FORMULA	**Audited December 2022**	Audited December 2021
Gross Profit Margin			
	Gross Profit	**1,061,015,374**	856,354,163
	Divided by Net Sales Revenue	**11,957,515,851**	9,649,161,808
	Gross Profit Margin	**9%**	9%
Net Profit Margin			
	Net Income	**128,986,939**	89,441,614
	Divided by Net Sales Revenue	**11,957,515,851**	9,649,161,808
	Net Profit Margin	**1%**	1%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)			
	Net Income	**128,986,939**	89,441,614
	Add: Interest Expense	**40,001,976**	23,051,290
	Add: Taxes	**67,599,636**	31,164,136
	Add: Depreciation & amortization	**105,675,749**	106,006,621
	EBITDA	**342,264,300**	249,663,661
EBITDA Margin			
	EBITDA	**342,264,300**	249,663,661
	Net Sales Revenue	**11,957,515,851**	9,649,161,808
	EBITDA Margin	**3%**	3%
Price Earnings Ratio (Last twelve months)			
	Market Value per share	**0.60**	0.74
	Divided by Earnings per share	**0.04**	0.03
	Price earnings ratio	**15.0**	24.67
Return on Average Equity			
	Net income	**128,986,939**	89,441,614
	Divided by average total equity	**1,736,513,358**	1,569,661,175
	Return on Average Equity	**7%**	6%

RATIO	FORMULA	**Unaudited December 2022**	Audited December 2021
Quick Ratio			
	Quick assets	**1,252,360,249**	1,132,406,572
	Divided by current liabilities	**3,002,598,897**	2,131,707,381
	Quick ratio	**0.42**	0.53
Debt to EBITDA			
	Total liabilities	**3,392,242,922**	2,532,895,127
	Divided by EBITDA	**342,264,300**	249,663,661
	Debt-to-EBITDA	**9.91**	10.15
Receivable Days Turnover			
	Average accounts receivable	**819,942,880**	866,290,923
	Multiply by Number of Days	**365**	365
	Divided by Net sales	**11,957,515,851**	9,649,161,808
	Receivable Days Turnover	**25**	33
Inventory Days Turnover			
	Average inventory	**827,486,136**	589,207,286
	Multiply by Number of Days	**365**	365
	Divided by Cost of goods sold	**10,907,436,915**	8,769,953,425
	Inventory Days Turnover	**28**	25
Accounts Payable Days			
	Average accounts payable	**1,446,214,805**	1,252,337,044
	Multiply by Number of Days	**365**	365
	Divided by Credit Purchases	**11,211,437,052**	8,937,427,873
	Accounts Payable Days	**47**	51
Cash Conversion Cycle			
	Days inventory outstanding	**28**	25
	Add: Days sales outstanding	**25**	33
	Less: Days payable outstanding	**47**	51
	Cash Conversion Cycle	**6**	7

VITARICH CORPORATION AND SUBSIDIARIES

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

Audited

December 31, 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)
DECEMBER 31, 2022
(In Thousands)

			Deductions		Ending Balance		
Name and Designation of Debtor	**Balance at beginning of Year**	**Additions**	**Collected**	**Written Off**	**Current**	**Noncurrent**	**Balance as at December 31, 2022**
Advances to Officers and Employees:							
Rey D. Ortega, Senior Vice-President and General Manager	175	88	216	–	47	–	47
Peter Andrew Dompor, Sales Manager	184	–	155	–	29	–	29
Adriano Barrameda, Sales Manager	136	17	90	–	63	–	63
Oliver Lupiba, Sales Manager	398	16	37	–	377	–	377
Cruz, Aaron, Sales Manager	201	–	85		116		116
Others*	10,907	17,406	9,942	–	18,371	–	18,371
	₱12,001	₱17,527	₱10,525	₱–	₱19,003	₱–	₱19,003

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

Note: All of the above receivables are current.

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2022
(In Thousands)

			Deductions			Ending Balance		
Related Party	**Balance at beginning of year**	**Additions**	**Collections**	**Write Off**	**Amounts written off**	**Current**	**Noncurrent**	**Balance as at December 31, 2022**
Amounts Due from Related Parties								
Gromax, Inc.	₱41,598	₱–	₱–	₱–	₱–	₱41,598	₱–	₱41,598

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS – OTHER ASSETS
DECEMBER 31, 2022
(In Thousands)

Description	Begining balance	Additions	Charged to cost and expense	Charged to other accounts	Other changes additions (deductions)	Balance at end of year
Computer software	₱19,661	₱20	₱5,795	₱–	₱–	₱13,886

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 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	₱49,643	₱12,411	₱37,232	6.13%	28 quarterly payments	Monthly	October 30, 2026
Fixed	Chinabank Savings	49,643	12,411	37,232	6.25%	28 quarterly payments	Monthly	November 30, 2026
		₱99,286	₱24,822	₱74,464				

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
December 31, 2022
(In Thousands)

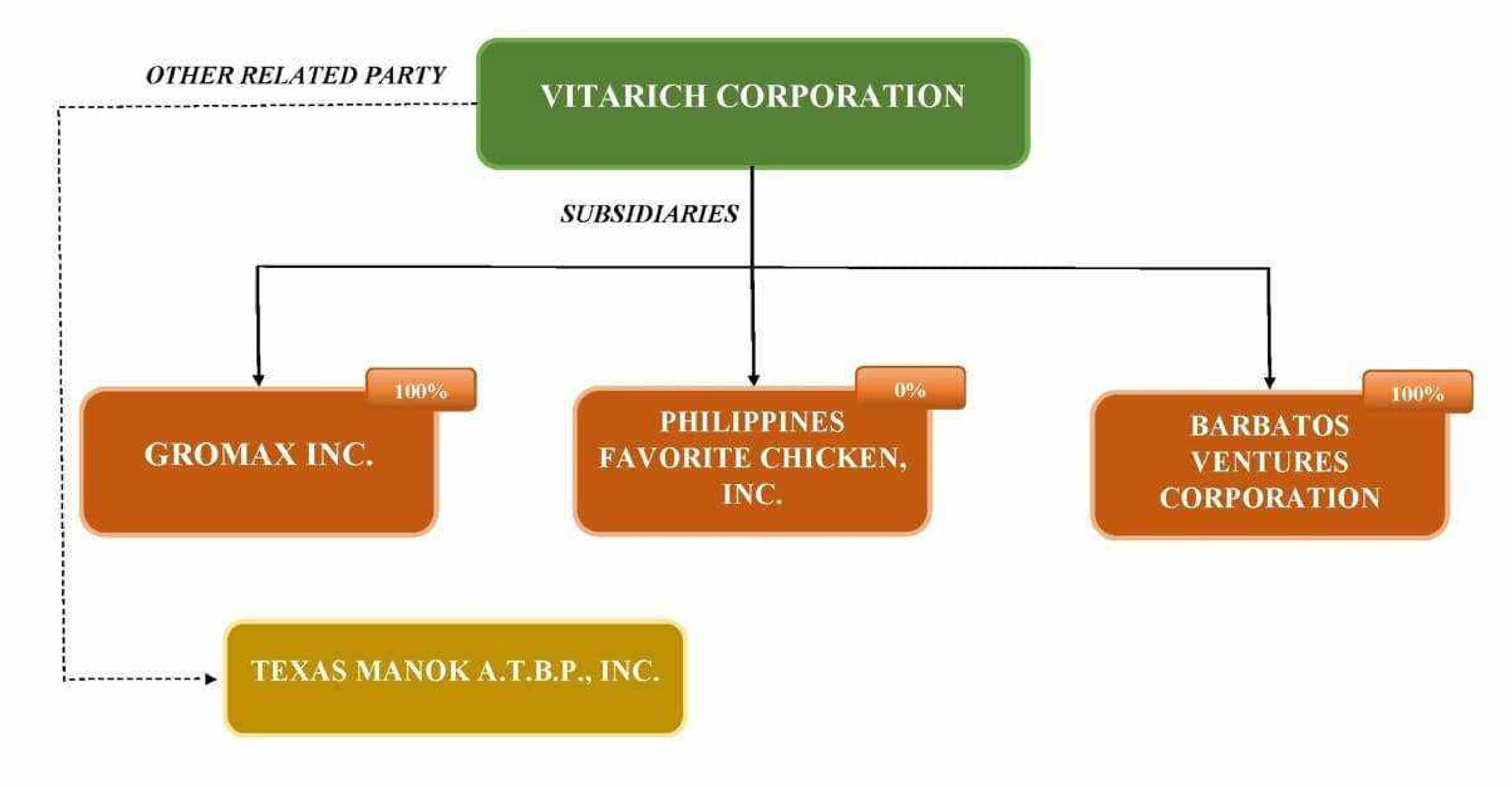
Related Parties	Balance at beginning of year	Additions	Deductions: Collections (Payments)	Deductions: Discounting	Deductions: Write Off	Ending Balance: Current	Ending Balance: Noncurrent	Balance as at December 31, 2022
Trade and other receivables								
Entities under common control	₱262,800	₱509,194	(₱553,596)	₱–	₱–	₱–	₱–	₱218,398
Trade and other payables								
Entities under common control	₱89,708	₱1,097,925	(₱1,183,300)	₱–	₱–	₱–	₱–	₱4,333
Stockholders	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER
December 31, 2022
(In Thousands)

				Number of shares held by		
Title of Issue	**Number of shares authorized**	**Number of shares issued and outstanding as shown under the statement of financial position caption**	**Number of shares reserved for options, warrants, conversion & other rights**	**Related parties**	**Directors, officers and employees**	**Public**
Common stock – ₱0.38 par value per share						
Authorized - 3,500,000,000 shares	3,500,000	3,054,334	–	2,186,199	82,485	785,650

VITARICH CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP
DECEMBER 31, 2022



PARENT FINANCIAL STATEMENTS

FS FILED WITH SEC AFTER THE BIR HAS DULY STAMPED "RECEIVED."

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 2 1 1 3 4

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
agdanque@vitarich.com	(044) 8843-3033	(0918) 848 2800

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,113	Last Friday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Stephanie Nicole S. Garcia	nsg@vitarich.com	(044) 843-3033	(0918) 848 2258

CONTACT PERSON's ADDRESS

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

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

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

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VITARICH

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Vitarich Corporation (the Company)** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein as at and for the year ended **December 31, 2022 and 2021** in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Jose Vicente C. Bengzon III
Chairman of the Board

Ricardo Manuel M. Sarmiento
President / Chief Executive Officer

Stephanie Nicole S. Garcia
Executive Vice President & Chief Sustainability Officer (CSO) /
Corporate Management Services Director / Treasurer

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Subscribed and sworn to before me this 03 APR 2023 day of ___________ at Marilao, Bulacan, Affiant exhibited to me their respective government-issued ID's as competent proof of their identities and acknowledged that they executed the same freely and voluntarily, to wit:

JOSE VICENTE C. BENGZON

RICARDO MANUEL M. SARMIENTO

STEPHANIE NICOLE S. GARCIA

Doc. No. 491;
Page No. 100;
Book No. 8;
Series of 2023.

NENITA DC. TUAZON
NOTARY PUBLIC
MARILAO, BULACAN

ATTY. NENITA DC. TUAZON
NOTARY PUBLIC
PNC-03-MB-2022 UNTIL DEC. 31, 2024
SANDICO ST., POBLACION I, MARILAO, BULACAN
IBP LIFE NO 591042-BULACAN 5/19/2003
PTR NO. 1068443 MARILAO, BULACAN 1/03/23
TIN NO. 170-907-664-000
ATTORNEY ROLL NO. 47194
MCLE EXEMPTION NO. VII-ACAD003959 UNTIL 04/14/2025
REISSUED ON APRIL 8, 2022

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Vitarich Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021 and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 33 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vitarich Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.

Erwin A. Paigma

Erwin A. Paigma
Partner
CPA Certificate No. 0118576
Tax Identification No. 944-093-568
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118576-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2021, November 10, 2021, valid until November 9, 2024
PTR No. 9564677, January 3, 2023, Makati City

April 1, 2023

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VITARICH CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 4)	**₱361,660,838**	₱229,696,404
Trade and other receivables (Note 5)	**952,123,442**	859,711,691
Inventories and livestock (Note 6)	**974,783,891**	675,486,067
Other current assets (Note 7)	**604,985,758**	349,421,687
Total Current Assets	**2,893,553,929**	2,114,315,849
Noncurrent Assets		
Receivable from insurance (Note 8)	**70,203,810**	70,203,810
Property, plant and equipment (Note 10):		
At revalued amount	**933,842,311**	872,012,237
At cost	**126,493,818**	45,981,165
Investment properties (Note 11)	**1,165,870,526**	973,432,752
Right-of-use assets (Note 12)	**55,529,616**	38,921,635
Other noncurrent assets (Note 12)	**32,115,321**	35,120,487
Total Noncurrent Assets	**2,384,055,402**	2,035,672,086
TOTAL ASSETS	**₱5,277,609,331**	₱4,149,987,935
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱1,993,164,256**	₱1,707,144,232
Current portion of loans payable (Note 14)	**985,478,495**	406,754,258
Current portion of lease liabilities (Note 26)	**15,413,841**	17,808,894
Total Current Liabilities	**2,994,056,592**	2,131,707,384
Noncurrent Liabilities		
Cash bond deposits (Note 15)	**56,102,618**	48,052,089
Net retirement liability (Note 21)	**147,057,502**	166,461,260
Loans payable - net of current portion (Note 14)	**49,642,856**	98,297,470
Lease liabilities - net of current portion (Note 26)	**36,885,998**	24,196,376
Net deferred tax liabilities (Note 22)	**109,155,450**	64,180,551
Total Noncurrent Liabilities	**398,844,424**	401,187,746
Total Liabilities	**3,392,901,016**	2,532,895,130
Equity		
Capital stock (Note 24)	**1,160,646,925**	1,160,646,925
Additional paid-in capital (Note 24)	**1,470,859**	1,470,859
Retained earnings	**304,556,328**	135,015,735
Other comprehensive income (Note 10, 21 and 24)	**418,034,203**	319,959,286
Total Equity	**1,884,708,315**	1,617,092,805
TOTAL LIABILITIES AND EQUITY	**₱5,277,609,331**	₱4,149,987,935

See accompanying Notes to Parent Company Financial Statements.

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VITARICH CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
REVENUE		
Sale of goods, net of discount (Notes 16 and 23)	**₱11,884,005,954**	₱9,649,161,808
Fair value adjustment on biological assets (Notes 6 and 16)	**12,070,807**	55,119,641
	11,896,076,761	9,704,281,449
COST OF GOODS SOLD		
Cost of goods sold (Note 17)	**(10,829,626,461)**	(8,769,953,426)
Fair value adjustment on biological assets (Notes 6 and 16)	**(1,134,369)**	(77,973,862)
	(10,830,760,830)	(8,847,927,288)
GROSS PROFIT	**1,065,315,931**	856,354,161
Operating expenses (Note 18)	**(861,733,526)**	(700,926,742)
Other operating income (Note 19)	**53,806,646**	28,564,207
	(807,926,880)	(672,362,535)
OPERATING PROFIT	**257,389,051**	183,991,626
OTHER INCOME (EXPENSES)		
Interest expense (Notes 14, 23 and 26)	**(40,001,976)**	(23,051,290)
Gain on changes in fair value of investment properties (Note 11)	**53,995,672**	1,268,133
Interest income (Note 4 and 5)	**2,394,945**	1,293,145
Other charges - net (Note 20)	**(41,207,931)**	(37,579,451)
	(24,819,290)	(58,069,463)
INCOME BEFORE INCOME TAX	**232,569,761**	125,922,173
PROVISION FOR INCOME TAX (Note 22)		
Current	**51,302,873**	25,793,095
Deferred	**23,493,573**	5,371,040
	74,796,446	31,164,135
NET INCOME	**157,773,315**	94,758,038
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss:		
Revaluation increase on property, plant and equipment in 2022, net of tax effect of ₱21.3 million, and impact of change in tax rate in 2021 on revaluation reserve (Note 10)	**78,001,128**	23,191,603
Actuarial gain (loss) [net of tax effect of ₱0.2 million in 2022 and (₱5.9 million) in 2021] (Note 21)	**31,841,070**	(17,757,986)
	109,842,198	5,433,617
TOTAL COMPREHENSIVE INCOME	**₱259,784,783**	₱100,191,655
EARNINGS PER SHARE - BASIC AND DILUTED (Note 25)	**₱0.052**	₱0.031

See accompanying Notes to Parent Company Financial Statements.

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VITARICH CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31	
	2022	2021
CAPITAL STOCK - ₱1 par value (Note 24)	**₱1,160,646,925**	₱1,160,646,925
ADDITIONAL PAID-IN CAPITAL (Note 24)	**1,470,859**	1,470,859
RETAINED EARNINGS		
Balance at beginning of year	**135,015,735**	35,835,133
Net income	**157,773,315**	94,758,038
Transfer to retained earnings of revaluation reserve	**11,767,278**	4,422,564
Balance at end of year	**304,556,328**	135,015,735
OTHER COMPREHENSIVE INCOME (Note 24)		
Balance at beginning of year	**319,959,286**	318,948,233
Transfer to retained earnings of revaluation reserve	**(11,767,281)**	(4,422,564)
Revaluation increase on property, plant and equipment, net of deferred income tax (Note 10)	**78,001,128**	23,191,602
Actuarial gain (loss), net of deferred income tax (Note 21)	**31,841,070**	(17,757,985)
Balance at end of year	**418,034,203**	319,959,286
	₱1,884,708,315	₱1,617,092,806

See accompanying Notes to Parent Company Financial Statements.

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VITARICH CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱232,569,761**	₱125,922,173
Adjustments for:		
Depreciation and amortization (Notes 10 and 12)	**101,591,109**	106,006,621
Interest expense (Notes 14, 23 and 26)	**40,001,976**	23,051,290
Gain on fair value on biological assets (Note 6 and 16)	**(10,936,438)**	(22,854,221)
Retirement expense (Note 21)	**22,336,339**	16,993,091
Gain on changes in fair value of investment properties (Note 11)	**(53,995,672)**	(1,268,133)
Loss on disposal of property, plant and equipment, investment properties, and right-of-use assets (Note 10, 11, 12 and 20)	**1,037,745**	1,060,988
Interest income (Note 4 and 5)	**(2,394,945)**	(1,293,145)
Operating income before working capital changes	**330,209,875**	247,618,664
Decrease (increase) in:		
Trade and other receivables	**(90,124,738)**	(85,898,512)
Inventories	**(288,361,386)**	(149,703,342)
Other current assets	**(255,564,071)**	(50,976,414)
Other noncurrent assets related to operations	**(7,773,611)**	(11,299,126)
Increase (decrease) in:		
Trade and other payables	**281,595,074**	57,966,257
Cash bond deposits	**8,050,530**	7,954,810
Net cash generated from (used in) operations	**(21,968,327)**	15,662,337
Income tax paid	**(51,302,873)**	(25,793,095)
Retirement benefits paid (Note 21)	**(9,124,310)**	(5,868,959)
Interest received	**107,932**	140,673
Net cash used in operating activities	**(82,287,578)**	(15,859,044)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment (Note 10)	**(109,942,694)**	(74,036,594)
Investment properties (Note 11)	**(142,035,797)**	(43,610,106)
Proceeds from sale of property, plant and equipment	**200,000**	1,025,000
Net cash used in investing activities	**(251,778,491)**	(116,621,700)
CASH FLOW FROM A FINANCING ACTIVITY		
Availment of loans (Note 14)	**2,349,559,151**	540,681,912
Payment of loans (Note 14)	**(1,819,489,528)**	(315,594,041)
Interest paid	**(35,735,576)**	(23,051,290)
Payments of principal lease liabilities (Note 26)	**(28,303,544)**	(16,840,487)
Net cash provided by financing activities	**466,030,503**	185,196,094
NET INCREASE IN CASH	**131,964,434**	52,715,350
CASH AT BEGINNING OF YEAR	**229,696,404**	176,981,054
CASH AT END OF YEAR (Note 4)	**₱361,660,838**	₱229,696,404

See accompanying Notes to Parent Company Financial Statements.

1. **Corporate Information**

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

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

	Line of Business	Percentage 2022	2020
Barbatos Ventures Corporation (BVC)*	Poultry Dressing	**100%**	–
Gromax, Inc. (Gromax)**	Manufacturing	**100%**	100%

**Acquired by the Company effective January 1, 2022 (see Note 9).*
***Ceased operations in 2015.*

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

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

On December 22, 2017, the SEC approved the debt-to-equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share increasing Kormasinc's ownership interest from 69.20% to 71.90% (see Note 24).

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

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

On May 31, 2018, the SEC approved the shortening of the corporate life of Gromax until November 10, 2019. Gromax Inc. has ceased operations since 2015. In 2018, the Company recognized an impairment loss of ₱40.8 million which pertains to due from related parties that are no longer recoverable. As of April 1, 2023, the liquidation process of Gromax is on-going.

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

The parent company financial statements as at and for the years ended December 31, 2022 and 2021 were approved and authorized for issue by the Board of Directors (BOD) on April 1, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Current versus Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

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

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

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

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

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

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

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories: financial assets at amortized cost (debt instruments), financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVTPL.

- *Financial Assets at Amortized Cost (Debt Instruments).* This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
  - the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

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

As at December 31, 2022 and 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 December 31, 2022 and 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 3, *Significant Judgment, Accounting Estimates and Assumptions*
- Note 5, *Trade and Other Receivables*

Derecognition of Financial Assets. A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:
- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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

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

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

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

  As at December 31, 2022 and 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 December 31, 2022 and 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 statement of comprehensive income.

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

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statement of comprehensive income. On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. The gross carrying amount of the financial liability is recalculated as the present value of the modified contractual cash flows discounted at the original EIR and recognizes modification gain or loss. Cost or fees incurred adjust the carrying amount of the financial liability and are amortized over the remaining term of the modified financial liability.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

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

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

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

Finished Goods - 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 ending inventory and inventories 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 in inventory and sold during the year is presented as part of consolidated statement of comprehensive income.

Raw Materials (Hatching Eggs) - Weighted Average Method. 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, contract growers and breeders.

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.

Advances to Contract Growers and Breeders. Advances to contract growers and breeders pertain to animal health products, feeds and fees.

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

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

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

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

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

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

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

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

All other development costs are expensed as incurred.

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

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

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

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

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 statement of financial position. Any decrease in the revaluation surplus of the same asset is charged to OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset and the remaining decline, if any, is recognized in the statement of comprehensive income.

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained earnings" under the "Equity" section in the statement of financial position for the depreciation relating to the revaluation reserve, net of related taxes. Upon disposal, any revaluation reserve relating to the particular asset sold is transferred to "Retained earnings." Revaluations are performed every two 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 a straight-line basis over the estimated useful lives of the assets (except for land).

The depreciation and amortization periods for property, plant and equipment, based on the above policies, are as follows:

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use.

Investment in Subsidiaries

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

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

Impairment of Nonfinancial Assets

Nonfinancial assets consisting of property, plant and equipment, investment properties, investment in subsidiaries, right-of-use assets, computer software and project development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction, while value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income.

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

Equity

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

OCI. OCI comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRSs. OCI of the Company pertains to revaluation reserve on property, plant and equipment and accumulated remeasurement gains and losses on retirement liability - net.

Retained Earnings. Retained earnings represents the accumulated net income or losses, net of any dividend declaration. Retained earnings may also include effect of changes in accounting policy as may be required by a standard's transitional provisions.

Revenue Recognition

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

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

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

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

As at December 31, 2022 and 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 December 31, 2022 and 2021, the Company's estimated right of return assets and refund liabilities are not material.

<u>Revenue Outside the Scope of PFRS 15</u>
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.

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

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

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

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

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

Asset Type	Number of Years
Right-of-use asset - transportation equipment	5 years
Right-of-use asset - building	2 to 5 years

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

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

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

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

The Company as a Lessor

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

Employee Benefits

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

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

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

Past service costs are recognized in the statements of comprehensive income on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring-related costs.

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

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

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

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

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

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

Interest expense are expensed as incurred.

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

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

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

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

Provisions and Contingencies
Provisions for legal claims are recognized when (1) the Company has a present legal or constructive obligation as a result of past events, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

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

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

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

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

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

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

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

3. Significant Judgment, Accounting Estimates and Assumptions

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

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

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

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

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

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

Estimates and Assumptions

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

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

Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result in any significant adverse impact on the Company's financial condition and results of operations.

Receivable from insurance amounted to ₱70.2 million as at December 31, 2022 and 2021. Allowance for ECL related to receivable from insurance amounted to ₱71.5 million as at December 31, 2022 and 2021 (see Note 8).

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

The following table provides a description of the various biological asset types, shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

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

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
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: ▪ Estimated future sale price of breeder chicken (parent stock) ▪ Estimated mortality rate ▪ Estimated volume of raised breeder chicken (parent stock) ▪ Estimated costs to be incurred in the growing process	The estimated fair value would increase (decrease) if: ▪ the estimated sale price was higher (lower); ▪ the estimated cash inflows based on forecasted purchased were higher (lower); ▪ the estimated mortality rate was lower (higher); ▪ 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 ₱12.1 million and ₱55.1 million in 2022 and 2021, respectively (see Note 16), and under cost of sales amounting to ₱1.1 million and ₱78.0 million 2022 and 2021, respectively (see Note 6).

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

In determining the appraised values of the property, plant and equipment and investment properties, the Company hired independent firms of appraisers as at December 31, 2022 and 2021. 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 are 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, escalation rate, vacancy and bad debt allowance, discount rate, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period. Although these input are subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

In 2022 and 2020, 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 ₱99.3 million and ₱30.9 million before tax effect, respectively. The carrying value of property, plant and equipment at revalued amount amounted to ₱933.8 million and ₱872.0 million as at December 31, 2022 and 2021, respectively (see Note 10).

In 2022 and 2021, the Company's investment properties were reappraised by independent firms of appraisers resulting to an additional fair value gain of ₱54.0 million and ₱1.3 million, respectively (see Note 11). The carrying value of investment properties amounted to ₱1,165.9 million and ₱973.4 million as at December 31, 2022 and 2021, respectively (see Note 11).

Estimating ECL on Trade and Other Receivables. The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates 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 is 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 consumer price index was determined to have a strong and symmetrical relationship with the past due behavior of the Company's trade receivable portfolio. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's receivables is disclosed in Notes 5 and 30.

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

The Company recognized provision for ECL on trade and other receivables amounting to ₱1.7 million and ₱10.2 million in 2022 and 2021, respectively (see Note 20). Trade and other receivables amounting to ₱104.6 million was written-off in 2021 (nil in 2022) (see Note 5).

The carrying value of trade and other receivables amounted to ₱952.1 million and ₱859.7 million as at December 31, 2022 and 2021, respectively. Allowance for ECL on trade and other receivables as at December 31, 2022 and 2021 amounted to ₱157.8 million and ₱156.1 million, respectively (see Note 5).

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

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

Further details about pension obligations are provided in Note 21.

The Company's net retirement liability amounted to ₱147.1 million and ₱166.5 million as at December 31, 2022 and 2021, respectively (see Note 21).

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

No deferred tax assets were recognized on certain deductible temporary differences as at December 31, 2022 and 2021(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 ₱88.7 million and ₱93.5 million as at December 31, 2022 and 2021, respectively (see Note 22).

4. Cash

This account consists of:

	2022	2021
Cash on hand	**₱4,536,150**	₱2,487,637
Cash in banks	**357,124,688**	227,208,767
	₱361,660,838	₱229,696,404

Cash in banks earn interest at prevailing bank deposit interest rate of 0.1% to 1.3% in 2022 and 2021. Interest income on cash in banks amounted to ₱0.1 million and ₱0.1 million in 2022 and 2021, respectively.

5. Trade and Other Receivables

	2022	2021
Trade:		
Third parties	**₱670,618,998**	₱479,172,586
Related parties (Note 23)	**218,397,603**	262,799,719
Nontrade	**186,359,842**	241,271,819
Advances to officers and employees (Note 23)	**19,003,504**	12,474,296
Receivable from government	**3,922,953**	4,059,611
Others	**11,669,312**	16,077,795
	1,109,972,212	1,015,855,826
Allowance for ECL	**(157,848,770)**	(156,144,135)
	₱952,123,442	₱859,711,691

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

Advances to officers and employees are unsecured, noninterest-bearing and subject to salary deduction or liquidation for a specified period of time of about one year (see Note 23).

Nontrade receivables comprise mainly of receivables arising from incidental income of the Company such as tolling, rentals, hatching, hauling and laboratory analysis charges. These are settled within 30 to 90 days and are noninterest-bearing.

Other receivables comprise mainly of unsecured and noninterest-bearing short term rental deposits.

Trade and other receivables collected after due date earned an interest income amounting to ₱2.4 million and nil in 2022 and 2021, respectively.

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

	Trade	Others	Total
Balance as at January 1, 2022	**₱50,817,036**	**₱105,327,099**	**₱156,144,135**
Provision (Note 21)	**1,704,635**	**–**	**1,704,635**
Balance as at December 31, 2022	**₱52,521,671**	**₱105,327,099**	**₱157,848,770**

	Trade	Others	Total
Balance as at January 1, 2021	₱40,659,317	₱209,949,226	₱250,608,543
Provision (Note 21)	10,157,719	–	10,157,719
Accounts written-off	–	(104,622,127)	(104,622,127)
Balance as at December 31, 2021	₱50,817,036	₱105,327,099	₱156,144,135

6. Inventories and Livestock

	2022	2021
Inventories:		
At net realizable value - Finished goods	**₱265,341,476**	₱184,305,798
At cost:		
Raw materials and feeds supplements	**435,228,997**	315,027,658
Supplies and animal health products	**90,663,848**	64,126,465
Hatching eggs	**43,901,754**	36,849,974
Finished goods	**23,529,061**	22,708,402
	858,665,136	623,018,297
Livestock:		
Day-old chicks and growing broilers	**110,095,736**	38,086,778
Parent stock	**6,023,019**	14,380,992
	116,118,755	52,467,770
	₱974,783,891	₱675,486,067

Inventories

Inventories are valued at lower of cost and NRV as at December 31, 2022 and 2021. The cost of finished goods carried at NRV amounted to ₱266.2 million and ₱185.2 million as at December 31, 2022 and 2021, respectively. Inventories charged to cost of goods sold amounted to ₱9,485.4 million and ₱7,645.0 million in 2022 and 2021, respectively (see Note 17).

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

Day-old chicks, broilers and parent stock	2022	2021
Opening balance	**₱52,467,770**	₱42,332,469
Increase due to production	**5,183,298,174**	4,022,075,185
Decrease due to sales, harvest and mortality	**(5,130,583,627)**	(3,989,265,663)
Fair value adjustment*	**10,936,438**	(22,674,221)
	₱116,118,755	₱52,467,770

** Presented under revenue and cost of goods sold in the statements of comprehensive income.*

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

	2022	2021
Balance at beginning of year	**₱896,315**	₱896,315
Provision (Note 20)	**–**	–
	₱896,315	₱896,315

7. Other Current Assets

This account consists of:

	2022	2021
Advances to suppliers	**₱466,419,711**	₱176,344,063
Advances to contract grower	**47,546,420**	76,660,861
Advances to contract breeder	**9,987,453**	24,685,426
CWT	**75,377,158**	88,608,614
Prepayments	**45,758,073**	26,382,863
Input VAT	**6,645,525**	3,488,442
	651,734,340	396,170,269
Allowance for impairment losses	**(46,748,582)**	(46,748,582)
	₱604,985,758	₱349,421,687

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

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

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

8. Receivable from Insurance

The Company has an outstanding claim for typhoon damages from Charter Ping An Insurance Corporation. Pursuant to the Insurance Code, the Company is entitled to interest on its claim at a rate twice the ceiling prescribed by the Monetary Board beginning March 12, 2010, 90 days from the date the Company has filed the claim. On August 17, 2016, the Company received ₱58.9 million as partial settlement. The Company continues to legally pursue the remaining outstanding balance of ₱141.6 million as at December 31, 2022. The court proceedings for the remaining claims were remanded to the Regional Trial Court of Malolos City in accordance with the resolution issued by the Court of Appeals on February 13, 2018. Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result in any significant adverse impact on the Company's financial condition and results of operations.

The composition of receivable from insurance are as follows:

	2022	2021
Cost	**₱141,664,583**	₱141,664,583
Allowance for ECL	**71,460,773**	71,460,773
	₱70,203,810	₱70,203,810

No provisions for and write off of allowance for receivable from insurance were recognized in the statement of comprehensive income for the years ended December 31, 2022 and 2021.

9. Investments in Subsidiaries

The components of the carrying values of investments in subsidiaries as at December 31, 2022 and 2021 that are accounted for under the cost method are as follows:

	2022		2021	
	% Interest Held	**Amount**	% Interest Held	Amount
BVC	**100%**	**₱1**	–	₱–
Gromax	**100%**	**49,973,544**	100%	49,973,544
		49,973,545		49,973,544
Allowance for impairment loss		**(49,973,545)**		(49,973,544)
		₱–		₱–

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

Acquisition of BVC
On December 16, 2021, the Company's BOD approved the acquisition of 100% of the outstanding capital stock of BVC from Luzon Agriventure, Inc. (LAVI) for a consideration of ₱1.00. 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. The registered principal place of business of the Company is located at Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan.

The acquisition was accounted as an asset acquisition. Beginning January 1, 2022, BVC operated as the Company's wholly-owned subsidiary. Issuance and transfer of BVC shares of stock were duly completed in January 2022.

10. Property, Plant and Equipment

At Revalued Amount

The composition and movements of this account are presented below:

	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	**–**	**17,275,417**	**549,600**	**2,213,072**	**12,032,942**	**32,071,031**
Disposals	**–**	**(4,964,322)**	**–**	**–**	**(87,548)**	**(5,051,870)**
Reclassification	**–**	**415,352**	**4,841,141**	**1,010,000**	**–**	**6,266,493**
Adjustments	**–**	**–**	**–**	**–**	**(1,361,266)**	**(1,361,266)**
Revaluation	**72,229,943**	**33,130,050**	**(1,828,508)**	**2,977,620**	**(7,199,367)**	**99,309,738**
Balance at end of year	**506,399,830**	**629,076,485**	**177,005,022**	**42,726,688**	**96,007,056**	**1,451,215,082**
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 17 and 18)	**–**	**51,196,816**	**7,306,740**	**3,273,109**	**12,351,162**	**74,127,827**
Reclassification	**–**	**–**	**–**	**–**	**(775,990)**	**(775,990)**
Disposals	**–**	**(3,917,577)**	**–**	**–**	**(32,208)**	**(3,947,785)**
Balance at end of year	**–**	**335,837,762**	**78,684,026**	**18,969,425**	**83,881,556**	**517,372,771**
Net carrying amount	**₱506,399,830**	**₱293,238,723**	**₱98,320,996**	**₱23,757,263**	**₱12,125,499**	**₱933,842,311**

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

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

				2022		
	Land	**Machinery and Equipment**	**Buildings**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost	**₱14,159,490**	**₱506,663,665**	**₱195,812,729**	**₱36,498,050**	**₱93,027,858**	**₱846,161,792**
Accumulated depreciation and impairment	**–**	**(304,687,791)**	**(65,511,000)**	**(14,883,151)**	**(77,146,981)**	**(462,228,923)**
Net carrying amount	**₱14,159,490**	**₱201,975,874**	**₱130,301,729**	**₱21,614,899**	**₱15,880,877**	**₱383,932,869**

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

The Company's property, plant and equipment (except transportation equipment and construction in-progress) were appraised in 2022 and 2020.

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, 2022. The fair value measurement for property, plant and equipment has been categorized as level 3 (significant unobservable inputs).

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

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

			Range	
	Valuation Technique	Significant Unobservable Inputs	**2022**	2021
Land	Sales Comparison Approach	Price per square meter	**₱1,500-₱6,000**	₱1,493-₱1,857
		Value adjustments	**5%-35%**	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:

	2022		
	Transportation Equipment	**CIP**	**Total**
Cost			
Balance at beginning of year	**₱48,160,960**	**₱38,699,957**	**₱86,860,917**
Additions	**420,000**	**77,451,662**	**77,871,662**
Adjustments	**–**	**12,851,524**	**12,851,524**
Reclassification	**–**	**(6,266,494)**	**(6,266,494)**
Balance at end of year	**48,580,960**	**122,736,649**	**171,317,609**
Accumulated Depreciation, and Amortization			
Balance at beginning of year	**40,879,752**	**–**	**40,879,752**
Depreciation and amortization (Notes 17 and 18)	**3,944,039**	**–**	**3,944,039**
Balance at end of year	**44,823,791**	**–**	**44,823,791**
Net carrying amount	**₱3,757,169**	**₱122,736,649**	**₱126,493,818**

	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

(Forward)

	2021		
	Transportation Equipment	CIP	Total
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 2022 and 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 ₱1.0 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 December 31, 2022 and 2021, there are no significant contractual commitments entered into by the Company.

Depreciation and amortization expenses are as follows:

	2022	2021
Property, plant and equipment:		
At revalued amount	**₱74,127,825**	₱80,327,322
At cost	**3,944,039**	4,922,099
Right-of-use asset (Note 12)	**17,723,732**	17,079,097
Computer software (Note 12)	**5,795,513**	3,678,102
	₱101,591,109	₱106,006,620

11. **Investment Properties**

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

Movements in this account are summarized below:

	December 31, 2022		
	Land	**Building**	**Total**
Balance at beginning of year	**₱559,281,779**	**₱414,150,973**	**₱973,432,752**
Gain on fair value changes	**22,987,200**	**31,008,472**	**53,995,672**
Additions	–	**141,072,797**	**141,072,797**
Disposals	**(2,630,383)**	–	**(2,630,383)**
Adjustments	**(311)**	–	**(311)**
Balance at end of year	**₱579,638,285**	**₱586,232,241**	**₱1,165,870,526**

	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 December 31 are as follows:

	2022	2021
Cost	**₱736,158,474**	₱597,716,371
Cumulative gain on fair value changes	**429,712,052**	375,716,381
	₱1,165,870,526	₱973,432,752

Rental income earned from the dressing plant in Bulacan amounted to ₱19.9 million and ₱11.1 million for the years ended December 31, 2022 and 2021, respectively (see Note 19). Direct costs related to properties that generate rental income amounted to ₱0.9 million and ₱0.9 million in 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, 2022. The Company recognized fair value gain of ₱54.0 million 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.

			Range	
	Valuation Technique	Significant Unobservable Inputs	**2022**	2021
Land	Sales Comparison Approach	Price per square meter	**₱40-14,200**	₱200-₱12,000
		Value adjustments	**5%-80%**	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, lease rates, and escalation rate in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in discount rates and vacancy and bad debt allowance in isolation would result in a significantly lower (higher) fair value on a linear basis.

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

Right-of-use Assets

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

		December 31, 2022	
	Building	**Transportation Equipment**	**Total**
Cost			
Balance at beginning of year	**₱12,065,912**	**₱94,587,585**	**₱106,653,497**
Additions	**–**	**34,331,713**	**34,331,713**
Balance at end of year	**12,065,912**	**128,919,298**	**140,985,210**
Accumulated Amortization			
Balance at beginning of year	**8,446,138**	**59,285,724**	**67,731,862**
Depreciation	**2,895,819**	**14,827,913**	**17,723,732**
Balance at end of year	**11,341,957**	**74,133,637**	**85,455,594**
Net carrying value	**₱723,955**	**₱54,805,661**	**₱55,529,616**

		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

	2022	2021
Project development costs	**₱31,368,395**	₱31,368,395
Security deposits	**18,229,324**	15,459,460
Computer software	**13,885,997**	19,661,027
	63,483,716	66,488,882
Allowance for impairment losses	**(31,368,395)**	(31,368,395)
	₱32,115,321	₱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 ₱31.4 million was provided with full valuation allowance as at December 31, 2022 and 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 26).

Movements in computer software are as follows:

	2022	2021
Cost		
Balance at beginning of year	**₱43,344,648**	₱26,354,542
Additions	**20,483**	16,990,106
Balance at end of year	**43,365,131**	43,344,648
Accumulated Depreciation and Amortization		
Balance at beginning of year	**23,683,621**	20,005,519
Depreciation and amortization	**5,795,513**	3,678,102
Balance at end of year	**29,479,134**	23,683,621
Net Book Value	**₱13,885,997**	₱19,661,027

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

13. Trade and Other Payables

	2022	2021
Trade payables		
Third parties	**₱1,630,728,867**	₱1,170,645,926
Related parties (Note 23)	**4,333,416**	89,707,830
Accrued expenses		
Selling and administrative	**175,537,109**	218,454,340
Outside services	**16,315,967**	31,336,924
Others	**34,755,144**	66,319,175
Nontrade payables	**67,298,310**	88,002,512
Customers' deposits	**45,629,030**	26,731,743
Statutory liabilities	**18,566,413**	15,945,782
	₱1,993,164,256	₱1,707,144,232

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 customers. These serve as collateral for any unpaid balances.

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

14. **Loans Payable**

This account consists of the following:

	2022	2021
Short-term loans	**₱960,657,066**	₱381,932,829
Long-term loans	**74,464,285**	123,118,899
	₱1,035,121,351	₱505,051,728

	2022	2020
Short-term loans	**₱960,657,066**	₱381,932,829
Current portion of long-term loans	**24,821,429**	24,821,429
Current portion	**985,478,495**	406,754,258
Noncurrent portion of long-term loans	**49,642,856**	98,297,470
	₱1,035,121,351	₱505,051,728

Total availment of loans payable amounted to ₱2,349.6 million and ₱540.7 million in 2022 and 2021, respectively. Total payments of loans payable amounted to ₱1,819.5 million and ₱315.6 million in 2022 and 2021, respectively.

Interest expense on loans payable amounted to ₱34.4 million and ₱20.7 million in 2022 and 2021, respectively.

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

Short-Term Loans
In 2022 and 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 6.00% to 6.50%.

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

a. ₱86.9 million promissory note
   On October 31, 2018, the Company entered into an aggregate of ₱86.9 million, eight-year loan with China Bank Savings, Inc. ("CBS") payable in 28 quarterly installments with an interest rate of 7.875% per annum, repriced annually. Debt issue cost related to the promissory note pertaining to documentary stamp tax of ₱0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

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

15. Cash Bond Deposits

Cash bond deposits amounting to ₱56.1 million and ₱48.1 million as at December 31, 2022 and 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.

16. Revenue

This account consists of:

	2022	2021
Sales:		
Feeds	**₱5,309,088,248**	₱4,821,057,084
Foods	**6,188,593,208**	4,236,179,697
Farms	**522,542,033**	742,624,261
Sales discount, returns and allowances	**(136,217,535)**	(150,699,234)
	11,884,005,954	9,649,161,808
Changes in fair values of biological assets	**12,070,807**	55,119,641
	₱11,896,076,761	₱9,704,281,449

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

	2022	2021
Day-old chicks and broilers	**₱10,782,617**	₱48,631,208
Parent stock	**1,288,190**	6,488,433
	₱12,070,807	₱55,119,641

17. Cost of Goods Sold

	2022	2021
Inventories used (Note 6)	**₱9,485,448,374**	₱7,645,035,746
Outside services	**858,830,177**	712,164,921
Contractual services	**312,262,806**	258,517,601
Depreciation (Notes 10 and 11)	**66,477,312**	72,016,730
Salaries and employee benefits (Note 18)	**45,814,819**	38,472,730
Communication, light and water	**40,263,703**	31,797,494
Repairs and maintenance	**14,693,513**	8,216,556
Others	**5,835,757**	3,731,648
	₱10,829,626,461	₱8,769,953,426

18. **Operating Expenses**

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

	2022	2021
Administrative expenses	**₱538,386,396**	₱248,272,623
Selling and distribution expenses	**323,347,130**	452,654,119
	₱861,733,526	₱700,926,742

The details of operating expenses by nature are shown below:

	2022	2021
Transportation, travel and freight and handling	**₱291,275,669**	₱207,879,032
Salaries and employee benefits (see Note 21)	**245,177,654**	209,487,866
Publications and subscriptions	**39,323,376**	38,877,116
Representation and entertainment	**36,233,011**	24,959,164
Depreciation and amortization (see Notes 10 and 12)	**35,113,797**	33,989,891
Professional fees	**34,081,084**	29,894,725
Commissions	**27,560,525**	21,476,608
Taxes and licenses	**25,266,950**	17,764,542
Advertising and promotions	**24,540,837**	30,852,722
Contractual services	**21,765,940**	20,517,627
Communications, light and water	**9,205,922**	8,374,622
Rentals	**8,269,477**	8,526,711
Supplies	**4,496,766**	7,437,118
Insurance	**4,157,408**	4,383,834
Packaging and distribution	**3,952,152**	2,217,267
Repairs and maintenance	**2,897,165**	4,121,943
Bank charges	**2,571,647**	403,815
Others	**45,844,146**	29,762,139
	₱861,733,526	₱700,926,742

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

Employee Benefits

Costs and expenses recognized as employee benefits are presented below:

	2022	2021
Salaries and wages	**₱253,870,375**	₱218,104,366
Retirement benefits (Note 21)	**22,336,339**	16,993,091
Other short-term benefits	**14,785,759**	12,863,139
	₱290,992,473	₱247,960,596

Salaries and employee benefits are allocated as follows:

	2022	2021
Cost of goods sold (Note 17)	**₱45,814,819**	₱38,472,730
Operating expenses:		
Administrative expenses	**176,820,010**	166,331,166
Selling and distribution expenses	**68,357,644**	43,156,700
	245,177,654	209,487,866
	₱290,992,473	₱247,960,596

Depreciation and Amortization

Depreciation and amortization are allocated as follows (see Notes 10 and 12):

	2022	2021
Cost of goods sold (Note 17)	**₱66,477,312**	₱72,016,730
Operating expenses:		
Administrative expenses	**14,170,652**	16,680,045
Selling and distribution expenses	**20,943,145**	17,309,846
	35,113,797	33,989,891
	₱101,591,109	₱106,006,621

Depreciation and amortization expense follow:

	2022	2021
Property, plant and equipment:		
At revalued amount	**₱74,127,825**	₱80,327,323
At cost	**3,944,039**	4,922,099
Right-of-use asset (see Note 12)	**17,723,732**	17,079,097
Computer software (see Note 12)	**5,795,513**	3,678,102
	₱101,591,109	₱106,006,621

19. Other Operating Income

	2022	2021
Sale of scrap materials	**₱33,929,546**	₱17,467,801
Rentals (Note 23)	**19,877,100**	11,096,406
	₱53,806,646	₱28,564,207

20. Other Income (Charges)

	2022	2021
Foreign exchange loss	**(₱28,701,581)**	(₱5,714,952)
Deficiency tax settlement	**(10,696,915)**	(10,000,000)
Impairment losses on receivables (Note 5)	**(1,704,635)**	(10,157,719)
Loss on disposal of property, plant and equipment, and investment property	**(1,037,745)**	(1,060,988)
Loss on chicken mortalities	**–**	(7,024,740)
Others - net	**932,945**	(3,621,052)
	(₱41,207,931)	(₱37,579,451)

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

21. **Net Retirement Liability**

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

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

Actuarial valuations are made periodically to update the retirement liability and the amount of contributions. The latest actuarial valuation of the plan is as at December 31, 2022.

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

	2022	2021
Current service costs	**₱13,896,753**	₱11,956,045
Interest expense	**8,641,280**	5,187,339
Interest income	**(201,694)**	(150,293)
	₱22,336,339	₱16,993,091

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

	2022	2021
Present value of the DBO	**₱150,989,435**	₱170,439,444
FVPA	**(3,931,933)**	(3,978,184)
	₱147,057,502	₱166,461,260

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

	2022	2021
Balance at beginning of year	**₱170,439,444**	₱136,150,631
Current service costs	**13,294,753**	11,956,045
Interest expense	**8,641,280**	5,187,339
Benefits paid	**(9,124,310)**	(5,868,959)
Remeasurement loss recognized in OCI	**(32,261,732)**	23,014,388
Balance at end of year	**₱150,989,435**	₱170,439,444

Movements in the FVPA are presented below:

	2022	2021
Balance at beginning of year	**₱3,978,184**	₱3,944,702
Interest income	**201,694**	150,293
Remeasurement loss	**(247,945)**	(116,811)
	₱3,931,933	₱3,978,184

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

	2022	2021
Remeasurement loss (gain)	**(₱32,013,787)**	₱23,131,199
Deferred income tax effect		
Current year	**172,717**	(5,782,800)
Impact of CREATE	**–**	409,587
	172,717	(5,373,213)
Remeasurement loss (gain)	**(₱31,841,070)**	₱17,757,986

Actual returns on plan assets amounted to (₱46,251) and ₱33,482 in 2022 and 2021, respectively. The categories of plan assets of the Company are as follows:

	2022	2021
Cash and cash equivalents	**₱658,992**	₱1,992,275
Equity instruments	**548,505**	502,047
Debt instruments	**2,834,137**	1,487,840
Others	**(109,701)**	(3,978)
	₱3,931,933	₱3,978,184

There are no expected future contributions in the plan in 2023.

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

	2022	2021
Less than one year	**₱31,611,680**	₱18,757,732
Between one and five years	**42,714,397**	46,202,735
Over five years	**116,035,367**	103,855,449
	₱190,361,444	₱168,815,916

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

	2022	2021
Discount rate	**7.21%**	5.07%
Expected rate of salary increase	**5.00%**	5.00%
Average remaining working life of an employee retiring at the age of 60:	**23**	23

The weighted average duration of the present value of defined benefit obligation is 7.6 and 9.1 years in 2022 and 2021, respectively.

A quantitative sensitivity analysis for changes in assumptions as at December 31, 2022 and 2021 are shown below (amounts in thousands):

		Impact on Defined Benefit Obligation	
	Change in Assumptions	**2022**	2021
Discount rate	+100 bps	**(₱10,677)**	(₱14,073)
	-100 bps	**12,215**	16,277
Salary rate	+100 bps	**12,365**	16,122
	-100 bps	**(10,984)**	(14,207)

22. Income Tax

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

	2022	2021
RCIT (at 25%)	**₱51,302,873**	₱28,700,502
Impact of CREATE Act on current income tax	–	(2,907,407)
Deferred income tax expense	**23,493,573**	5,371,040
	₱74,796,446	₱31,164,135

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

	2022	2021
Income tax expense at statutory tax rate	**₱58,142,839**	₱30,151,438
Change in unrecognized deferred tax assets	**–**	(3,700,188)
Tax effects of:		
Adjustment on deferred taxes	**22,616,362**	–
Depreciation on investment properties at cost	**(8,629,163)**	(5,145,889)
Nondeductible expenses	**2,693,789**	3,966,426
Income already subjected to final tax	**(27,381)**	(36,572)
Adjustment on CREATE Act for 2020 recognized in 2021	**–**	5,928,920
	₱74,796,446	₱31,164,135

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

	2022	2021
Deferred income tax directly recognized in profit or loss:		
Deferred tax assets:		
Allowance for impairment loss on:		
Trade and other receivables	**₱36,931,060**	₱36,504,900
Advances to contract growers and contract breeders	**10,914,262**	10,914,262
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	**28,258,810**	32,786,534
Excess of lease liability over right-of-use asset	**–**	770,909
	88,664,352	93,536,825
Deferred tax liabilities:		
Changes in fair value of investment properties	**(66,032,543)**	(50,952,993)
Changes in fair value of biological assets	**(2,845,398)**	(111,288)
Excess of right-of-use assets over lease liabilities	**(807,444)**	–
	(69,685,385)	(51,064,281)

(*Forward*)

	2022	2021
Deferred income tax asset (liability) directly recognized in other comprehensive income:		
Revaluation reserve on property, plant and equipment	**(₱135,792,432)**	(₱114,483,826)
Accumulated actuarial loss on defined benefit plan	**7,658,015**	7,830,731
	(128,134,417)	(106,653,095)
Net deferred tax liabilities	**(₱109,155,450)**	(₱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 December 31 which the related deferred tax assets have not been recognized are shown below.

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

23. Related Parties

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

<u>Due to and from related parties</u>
Trade Receivables. The Company sells animal feeds, raw materials, feed supplements and dressed chicken to related parties, which are due within 90 days and are noninterest bearing (see Note 5).

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

Trade Payable. The Company buys raw materials, hogs, and breeder flocks from related parties. These are noninterest-bearing and are generally on a 90-day credit term (see Note 13).

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

Summarized below are the outstanding accounts arising from these transactions (see Notes 5, 13 and 26):

		2022		2021	
Related Parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	**₱509,194,217**		₱1,426,066,299	
	Collections	**(553,596,333)**	**₱218,397,603**	(1,358,918,127)	₱262,799,719
Trade and other payables					
Entities under common control	Purchases	**1,097,925,538**		1,744,904,273	
	Payments	**(1,183,299,952)**	**4,333,416**	(1,697,114,977)	89,707,830
Operating lease					
Entities under common control	Rental income	**₱19,877,100**		₱11,096,406	
	Collection	**(5,015,370)**	**₱20,122,723**	(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 5). Certain officers also pay operating expenses on behalf of the Company which are payable upon demand (see Note 13). Shown below are the movements in the accounts.

		2022		2021	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Advances to officers	Net transactions	**₱6,529,468**	**₱19,003,504**	₱473,848	₱12,474,296

Compensation of Key Management Personnel

The compensation includes the following:

	2022	2021
Short-term employee benefits	**₱55,480,527**	₱35,561,950
Retirement benefits	**5,010,571**	5,872,830
Others	**17,133,565**	10,784,789
	₱77,624,663	₱52,219,569

24. Equity

Capital Stock

As of December 31, 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:

	2022	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	Authorized Shares	No. of Shares Issued
December 22, 2017	3,500,000,000	267,836,113
October 16, 2013	3,500,000,000	2,286,497,901
February 9, 1989	200,000,000	200,000,000
August 11, 1986	200,000,000	200,000,000
December 5, 1982	33,000,000	33,000,000
December 5, 1977	45,000,000	45,000,000
October 31, 1974	7,000,000	7,000,000
May 2, 1973	10,000,000	10,000,000
October 2, 1972	5,000,000	5,000,000

On December 22, 2017, the SEC approved the debt to equity conversion of the remaining payable of ₱407.1 million to Kormasinc at ₱1.52 a share.

The following summarizes the information on the Company's issued and outstanding shares as at December 31, 2022 and 2021:

	2022		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, 115.7 million and 116.7 million shares are foreign-owned as at December 31, 2022 and 2021.

The total number of shareholders of the Company is 4,113 and 4,115 as at December 31, 2022 and 2021, respectively.

Other Comprehensive Income

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

	Revaluation Reserve (Note 10)	Accumulated Actuarial Loss (Note 21)	Total
Balance as at January 1, 2022	**₱343,451,478**	**(₱23,492,192)**	**₱319,959,286**
Actuarial gain, net of tax	**–**	**31,841,070**	**31,841,070**
Revaluation increase on property, plant and equipment, net of tax	**78,001,128**	**–**	**78,001,128**
Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax	**(11,767,279)**	**–**	**(11,767,279)**
Balance as at December 31, 2022	**₱409,685,327**	**₱8,348,878**	**₱418,034,203**
Balance as at January 1, 2021	₱324,682,440	(₱5,734,207)	₱318,948,233
Actuarial loss, net of tax	–	(17,348,399)	(17,348,399)
Impact of change in tax rate	23,191,602	(409,586)	22,782,016
Transfer to retained earnings of revaluation reserve realized through depreciation, net of tax	(4,422,564)	–	(4,422,564)
Balance as at December 31, 2021	₱343,451,478	(₱23,492,192)	₱319,959,286

As of December 31, 2022, there are no available amounts for dividend declaration based on the Company's balances.

25. Earnings Per Share

Basic and diluted earnings per share were computed as follows:

	2022	2021
Net income for the year	**₱157,773,315**	₱94,758,038
Divided by the weighted average number of outstanding shares	**3,054,334,014**	3,054,334,014
Earnings per share - basic and diluted	**₱0.052**	₱0.031

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

26. **Significant Agreements**

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

Total rent income from these operating leases amounted to ₱19.9 million and ₱11.1 million in 2022 and 2021, respectively, and are shown as part of "Other operating income" account in the statements of comprehensive income (see Note 19).

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

	2022	2021
Within one year	**₱1,146,696**	₱6,298,929
After one year but not more than five years	–	1,127,321
	₱1,146,696	₱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 ₱18.2 million and ₱15.5 million as at December 31, 2022 and 2021, respectively (see Note 12). Rent expense amounted to ₱8.3 million and ₱8.5 million in 2022 and 2021, respectively (see Note 18).

Company as Lessee
The Company is under arrangements of lease of an office space and financing of car plans. The present value of the lease liability is discounted at the Company's incremental borrowing rate of 7.06% at the date of commencement of the lease. The lease term of the office space is at 5 years and has a remaining term of 3 months as of December 31, 2022. On the other hand, the financing of multiple car plans with various banks are under a period of 5 years. These arrangements bear annual interest rate ranging from 2% to 4% and are payable in 60 equal monthly installments. The implicit rate in the lease used in the computation are the rates provided by the banks as the interest rate over the period of the loan. These rates are ranging from 9.379616% to 9.38091%.
Lease Liabilities
The following are the amounts recognized in the statements of comprehensive income:

	2022	2021
Depreciation expense of right-of-use assets	**₱17,723,732**	₱17,079,097
Interest expense on lease liabilities	**4,266,400**	2,385,774
Expenses relating to short-term leases (see Note 18)	**8,269,477**	8,526,711
Total amount recognized in the statement of comprehensive income	**₱30,259,609**	₱27,991,582

The rollforward analysis of lease liabilities follows:

	2022	2021
As at January 1	**₱42,005,270**	₱35,637,457
Additions	**34,331,713**	23,208,300
Interest expense	**4,266,400**	2,385,774
Payments	**(28,303,544)**	(19,226,261)
As at December 31	**₱52,299,839**	₱42,005,270

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

	2022	2021
Current	**₱15,413,841**	₱17,808,894
Noncurrent	**36,885,998**	24,196,376
	₱52,299,839	₱42,005,270

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

	2022	2021
Within one year	**₱15,413,841**	₱17,808,894
More than one year but not more than five years	**36,885,998**	24,196,376
	₱52,299,839	₱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 ₱858.8 million and ₱712.2 million in 2022 and 2021, respectively, and is recorded as part of "Cost of goods sold" account under "Outside services" in the statements of comprehensive income.

27. Note to 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	December 31, 2022
Loans payable	**₱505,051,728**	**₱2,349,559,151**	**(₱1,819,489,528)**	**₱–**	**₱1,035,121,351**
Accrued interest payable	**4,655,329**	**–**	**(4,655,329)**	**–**	**–**
Lease liabilities	**42,005,270**	**34,331,713**	**(28,303,544)**	**4,266,400**	**52,299,839**
Total liabilities from financing activities	**₱551,712,327**	**₱2,383,890,863**	**(₱1,852,448,401)**	**₱4,266,400**	**₱1,087,421,190**

	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	(19,226,261)	2,385,774	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 ₱34.3 million and ₱23.2 million for the years ended December 31, 2022 and 2021, respectively.

28. Contingencies

There are outstanding warranty and legal claims against the Company. The Company and its legal counsel believe that the other pending claims will be settled favorably and will not result to a material loss or impairment, if any.

29. Fair Value Information

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

	2022		2021	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets at Amortized Cost				
Cash in banks	**₱357,124,688**	**₱357,124,688**	₱227,208,767	₱227,208,767
Trade and other receivables	**952,123,443**	**952,123,443**	859,711,691	859,711,691
Security deposits	**18,229,324**	**18,229,324**	15,459,460	15,459,460
Receivable from insurance	**70,203,810**	**70,203,810**	70,203,810	70,203,810
	₱1,397,681,265	**₱1,397,681,265**	₱1,172,583,728	₱1,172,583,728
Financial Liabilities at Amortized Cost				
Trade and other payables*	**₱1,974,597,843**	**₱1,974,597,843**	₱1,691,198,634	₱1,691,198,634
Loans payable	**1,035,121,351**	**1,100,568,884**	505,051,728	512,144,709
Cash bond deposits	**56,102,619**	**56,102,619**	48,052,089	48,052,089
	₱3,065,821,813	**₱3,131,269,346**	₱2,244,302,451	₱2,251,395,432

**Excluding statutory liabilities amounting to ₱18.6 million and ₱15.9 million as at December 31,2022 and 2021, respectively*

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

Long-term Debt. The estimated fair value is based on the discounted value of the future cash flows using the prevailing interest rate. As at December 31, 2022, the discount rates used ranged from 3.8% to 4.2% 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 December 31, 2022 and 2021.

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

As at December 31, 2022 and 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 2022 and 2021.

30. Financial Risk Management Objectives and Policies

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

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

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

<u>Interest Rate Risk</u>
As at December 31, 2022 and 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.

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

Gross Maximum Exposure to Credit Risk
Generally, the maximum credit risk exposure of the financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to the financial statements) as summarized below.

	2022	2021
Cash in banks	**₱357,124,688**	₱227,208,767
Trade and other receivables	**952,123,443**	859,711,691
Security deposits	**18,229,324**	15,459,460
Receivable from insurance	**70,203,810**	70,203,810
	₱1,397,681,265	₱1,172,583,728

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

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

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

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the Company's credit rating system as at December 31, 2022 and 2021:

	2022				
	General Approach			**Simplified**	
	Stage 1	**Stage 2**	**Stage 3**	**Approach**	**Total**
Cash in banks	**₱357,124,688**	**₱–**	**₱–**	**₱–**	**₱357,124,688**
Trade and other receivables	**186,827,873**	**–**	**34,127,739**	**889,016,601**	**1,109,972,213**
Security deposits	**18,229,324**	**–**	**–**	**–**	**18,229,324**
Receivable from insurance	**–**	**141,664,583**	**–**	**–**	**141,664,583**
	₱562,181,885	**₱141,664,583**	**₱34,127,739**	**₱889,016,601**	**₱1,626,990,808**

	2021				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash in banks	₱227,208,767	₱–	₱–	₱–	₱227,208,767
Trade and other receivables	250,252,508	–	23,631,013	741,972,305	1,015,855,826
Security deposits	15,459,460	–	–	–	15,459,460
Receivable from insurance	–	141,664,583	–	–	141,664,583
	₱492,920,735	₱141,664,583	₱23,631,013	₱741,972,305	₱1,400,188,636

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 (in millions):

	2022								
	Days Past Due								
	Current	**<30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**More than 120 days**	**Total**	**Accounts with full provision**	**Total**
Expected credit loss rate	**0.00%**	**0.01%**	**0.3%**	**0.50%**	**0.40%**	**6.00%**			
Estimated total gross carrying amount at default	**₱618.03**	**₱144.3**	**₱36.28**	**₱10.92**	**₱2.96**	**₱25.7**	**₱732.9**	**₱50.8**	**₱889.0**
Expected credit loss	**₱0.00**	**₱0.01**	**₱0.09**	**₱0.05**	**₱0.01**	**₱1.54**	**₱1.7**	**₱50.8**	**₱52.5**

	2021								
	Days Past Due								
	Current	<30 days	30-60 days	61-90 days	91-120 days	More than 120 days	Total	Accounts with full provision	Total
Expected credit loss rate	0.00%	0.01%	0.04%	0.07%	0.10%	5.43%			
Estimated total gross carrying amount at default	₱523.98	₱99.74	₱17.14	₱13.99	₱13.35	₱23.29	₱692.5	₱49.5	₱742
Expected credit loss	₱0.0	₱0.01	₱0.01	₱0.01	₱0.01	₱1.26	₱1.3	₱49.5	₱50.8

Cash Deposits

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

Liquidity Risk

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

As at December 31, 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*	**₱1,974,597,843**	**₱–**	**₱–**	**₱–**
Loans payable	**948,246,351**	**12,410,714**	**74,464,286**	**–**
Lease liabilities	**8,146,807**	**7,267,034**	**36,885,998**	**–**
Cash bond deposits	**–**	**–**	**56,102,619**	**–**
Future interest on long term debt	**3,949,451**	**3,460,672**	**17,336,971**	**–**
	₱2,934,940,452	**₱23,138,420**	**₱184,789,874**	**₱–**

**Excluding statutory liabilities amounting to ₱18.6 million as at December 31, 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*	₱1,691,198,634	₱–	₱–	₱–
Loans payable	394,343,543	12,410,715	98,297,470	–
Lease liabilities	8,904,447	8,904,447	24,196,376	–
Cash bond deposits	–	–	48,052,089	–
Future interest on long term debt	3,774,947	3,425,303	13,221,623	–
	₱2,098,221,571	₱24,740,465	₱183,767,558	₱–

**Excluding statutory liabilities amounting to ₱19.8 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.

31. Capital Management Objectives, Policies and Procedures

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

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

The Company's liabilities and equity are shown below:

	2022	2021
Total liabilities	**₱3,392,901,018**	₱2,532,895,130
Total equity	**1,884,708,315**	1,617,092,805

32. 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 for the adoption of new standards effective in 2022. The adoption of these standards did not have significant impact on the Company's financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- 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 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*

33. Supplementary Information Required by the Bureau of Internal Revenue

On November 25, 2010, the BIR issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses paid or accrued during the year.

The Company reported and/or paid the following types of taxes for the year:

VAT
The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT registered individuals or corporations are subject to input VAT.

Details of the Company's net sales/receipts, output VAT and input VAT accounts follow:

a. Output VAT

	Gross Amount of Revenues	Output VAT
Exempt Sales	₱12,200,451,585	₱–
Sales subject to 12% VAT	83,222,196	9,986,664
Total	₱12,283,673,781	₱9,986,664
Applied Input VAT		(9,986,664)
VAT payments		-
		₱–

b. Input VAT

	Amount
Beginning balance	₱396,910
Add: Current year's domestic purchases / payments for:	
Goods other than capital goods	147,584,827
Domestic purchase of services	–
Less: Input tax allocable to exempt sales	(134,441,080)
Claims for tax credit / refund and other adjustments	–
Applied against Output VAT	(9,986,664)
Balance at the end of the year	₱3,553,993

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees:

Business permits	₱10,059,721
Real property tax	4,368,130
Fringe benefit tax	727,173
Documentary stamp tax	7,470,542
	₱22,625,566

The above local and national taxes (except fringe benefits tax) are classified under "Taxes and licenses" in "Operating expenses." Fringe benefits tax is presented as part of "Salaries and employee benefits" under "Operating expenses" account in the statement of comprehensive income.

Withholding Taxes
The amount of withholding taxes paid/accrued for the year amounted to:

	Paid	Accrued
Expanded Withholding Tax	₱107,905,467	₱13,820,254
Withholding tax on compensation	24,309,357	1,485,185
	₱132,214,824	₱15,305,439

Tax Assessment
The Company received two letters of authority from the BIR on November 23, 2022 and March 21, 2022 respectively. No final assessment was made as of December 31, 2022.

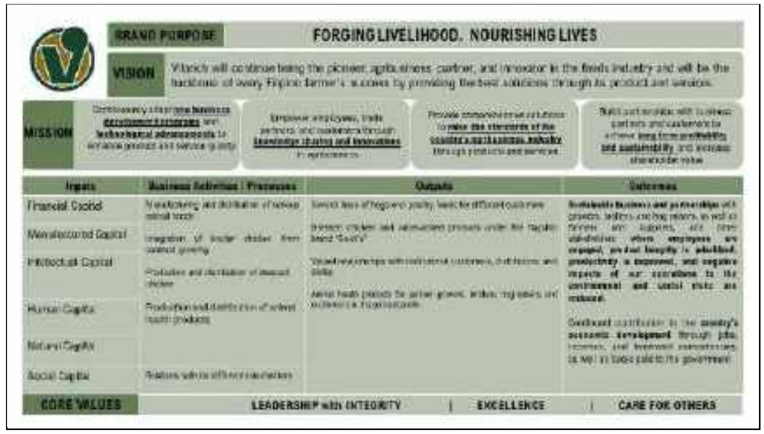
Tax Cases
The Company has no pending tax case in courts or other regulatory bodies outside of the BIR as at and for the year ended December 31, 2022.

2022
SUSTAINABILITY REPORT

2022 SUSTAINABILITY REPORT
VITARICH CORPORATION

Contextual Information

Company Details	
Name of Organization	Vitarich Corporation (PSE: VITA)
Location of Headquarters	Marilao-San Jose Road, Sta. Rosa I, Marilao, Bulacan
Location of Operations	Principal Office: Marilao-San Jose Road, Sta. Rosa I, Bulacan Other offices: #8 C. Building, Maharlika Highway, San Fermin, Cauayan City, Isabela Zone 4, San Isidro, Magarao, Camarines Sur Brgy. Mali-ao, Pavia, Iloilo Luzuriaga Ext., Reclamation Area, Brgy. 13, Bacolod City Warehouse No. 10, Marciano Quizon St., Brgy. Alang Alang, Mandaue City, Cebu Km. 14, Panacan, Davao City Unit A, Warehouse 3, Neo Central Arcade, Cugman, Cagayan De Oro City Doors D and E, FMUFASCO Building, National Highway, Brgy. Sinawal, Gen. Santos City Feed Mill Plants owned and operated by VITA: Brgy. Mali-ao, Pavia, Iloilo Km. 14, Panacan, Davao City VITA has also operations with its Toll Mill Partner in 105 Barrio Bagbaguin, Sta. Maria, Bulacan
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	The report covers only VITA and the feed mill plants it operates, except as otherwise stated in the report. Moreover, except as otherwise stated and/or reported, this report excludes the operations in VITA's dressing plants in Marilao, Bulacan and Tugbok, Davao City as they are being operated by third parties/business partners. The report also excludes data on the operations of VITA's subsidiary, Barbatos Ventures Corporation.

<table>
<tr><td>Business Model, including Primary Activities, Brands, Products, and Services</td><td>Please see Annex “A”

</td></tr>
<tr><td>Reporting Period</td><td>January 1, 2022 to December 31, 2022</td></tr>
<tr><td>Highest Ranking Person responsible for this report</td><td>Atty. Mary Christine C. Dabu-Pepito (Assistant Corporate Secretary/Compliance Officer/Corporate Information Officer)</td></tr>
</table>

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

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
The data and information necessary for the report were collated from the different departments of VITA. Some of the information came from reports that are also submitted to government agencies like the BIR, DOLE and DENR-EMB. Based on these existing data, the material topics for the report were analyzed using the Materiality Matrix. Per assessment, the following are the topics material to Vitarich: (a) Direct Economic Value Generated and Distributed (b) Climate Related Risks and Opportunities (c) Proportion of Spending on Local Suppliers (d) Resource Management except Ecosystems and Biodiversity as the Corporation does not operate within or adjacent to protected areas and areas of high biodiversity value outside protected areas (e) Environmental Impact Management (f) Environmental Compliance (g) Employee Management (h) Occupational Health and Safety (i) Relationship with Community, except those pertaining to IPs (j) Customer Management, except Customer Privacy

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

However, while the same were assessed to be material, some disclosure topics have limited available data because VITA has only completed its Sustainability Dashboard in 2022. This Sustainability Dashboard contains the 3 UN Sustainable Development Goals ("UN SDGs") material to VITA and VITA's sustainability practices and goals. The topics that are not material were left in blank/unanswered.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	12,014,706,705.00	PhP
Direct economic value distributed:		
a. Operating costs	10,862,756,465.00	PhP
b. Employee wages and benefits	296,956,326.00	PhP
c. Payments to suppliers, other operating costs	575,076,446.00	Php
d. Dividends given to stockholders and interest payments to loan providers	Interest payments only - 40,001,976.00	PhP
e. Taxes given to government	182,767,626.00	PhP
f. Investments to community (e.g. donations, CSR)	0.00	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
VITA generated a total consolidated revenue of Php12,014,706,705.00 as a result of its business operations, strategies and other operating and passive income. This was higher than the total revenue in 2021, primarily driven by its chicken segment. Aside from the increase in sales volume of chicken in 2022, the average selling price of chicken also increased in 2022. VITA's revenue allowed it to fund its operating costs and pay its suppliers, employees, creditors and the government (taxes and licenses). As disclosed in its	➢ Government ➢ Employees ➢ Creditors ➢ Suppliers ➢ Community ➢ Shareholders ➢ Investors	VITA's Lifetime Profitable Partnership ("LPP") principle continues to create a long-term growth for VITA and its stakeholders. The monthly results of operations as well as the projections for the succeeding months are reported to the Board of Directors. The management continuously evaluates its strategies and modifies them as may be necessary to adapt to the changing landscapes, provide solutions to challenges encountered, and pioneer innovations.

Consolidated and Parent Audited Financial Statements, its net income for 2022 was higher than that in 2021.		It faithfully complies with its contractual obligations to its stakeholders. VITA's cashflow, including collections and disbursements, are closely monitored and managed. There are also internal control systems and processes in place to manage business operations and finances.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
❖ African Swine Flu (ASF) ❖ Avian Influenza (AI) ❖ Rising costs of fuel ❖ Increasing interest rates ❖ High costs of raw materials ❖ High costs of foreign exchange rates in relation to imported raw materials	➢ Suppliers ➢ Employees ➢ Business partners ➢ Customers ➢ Creditors	VITA tightened biosecurity measures, maximized travel itinerary and use of technology, continuously improved its inventory levels, innovated strategies to lower raw materials cost, and constantly communicated and negotiated with suppliers and with creditors as regards debts and interest rates.
What are the Opportunity/ies Identified?		**Management Approach**
❖ The availability of multiple sales channels for VITA's products helped the innovations made in its business strategies. ❖ The innovations and strategies done in 2022 to lower raw material costs continue to present an opportunity to manage production costs without affecting the quality of VITA's products.		In addition to the foregoing management approaches, VITA commits to continue improving its operations and business strategies to allow expansion of its businesses.

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and

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

	businesses, strategy, and financial planning where such information is material		opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
The President and/or department heads report to the Board of Directors how floods or extreme weather conditions affect or impact VITA's business as well as the measures undertaken/to be undertaken to minimize the impacts.	VITA is exposed to the following risks due to climate change: i. Physical Risk. Being an agribusiness, it is exposed to physical risks of drought and extreme rains/extreme weather condition and flooding. ii. Operational Risk. Climate change poses the risk of disrupting VITA's operations. iii. Credit and Liquidity Risks. Climate change could affect VITA's financial performance and access to capital. On climate-related opportunities, VITA's Iloilo Feed Mill plant started the use of solar energy in its operations beginning 01 April 2022. VITA is to assess and determine if the same can be replicated in its	VITA identifies and assesses climate-related risks through any or all of the following methods: (a) continuous analysis of its business processes and finding the factors that could affect its processes and targeted goals; (b) reviewing past negative experiences or negative results and finding out the root cause; and/or (c) continuous research and benchmarking with other companies in the same industry.	VITA's metrics in assessing its climate-related risk management and strategy are: (a) cost efficiency of its strategy; (b) quality of feeds, animal health, dressed chicken and value-added products; (c) ability to meet customers' demands; and (d) customer satisfaction.

	other plants as well as the improvements that can be made to maximize its benefits. Another climate-related opportunity is the compliance with RA 11898 or the Extended Producer Responsibility Act ("EPR Act"). VITA is, at present, taking steps to comply with said law. Still another opportunity is the Green Sanctuary Program, which started only as a Company-wide contest to beautify VITA's offices, but was continued by the employees as they take home and/or share among themselves their harvests from fruit/vegetable bearing plants that they planted. These plants help absorb carbon emissions.		
b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets
The management regularly assesses impacts of predictable climate-related risks, such as extreme rains, extreme humidity, or even flooding, to its operations and makes	Drought and extreme rains/extreme weather condition and flooding cause disruptions in crop production and also affects the quality of raw materials. In addition, all the	To manage the climate-related risks, VITA re-formulates its feeds as may be necessary to adapt to maintain the same quality while adapting to the environment. VITA also	VITA's target in managing its climate-related risk management and strategy is to continue to deliver on time the agreed volume or agreed reduced

the appropriate adjustments in its strategies. The unpredictable climate-related risks like earthquake as well as measures undertaken/to be undertaken to minimize the adverse impacts are discussed by the management and reported to the Board as it happens.	identified risks have the following impacts/potential impacts on its business operations: a. Higher costs due to insufficiency of raw materials or because of disruptions in the crop production. b. Decrease in demand for feeds from animal raisers/growers since drought and extreme rains and flooding adversely affect the growth efficiency of farm animals, especially poultry. c. Disruption in the breeding cycles of poultry breeding stocks, thus, disrupting the supply chain considering that limited breeding stocks result in scarcity of day old chicks. d. Disruptions in poultry growing. e. Delays in delivery brought about by delays in payment to suppliers. On the other hand, the use of solar energy in the Iloilo feed mill plant resulted in a savings of Php0.03/bag of feeds, in addition to reducing VITA's GHG emissions as disclosed under the topics on Energy Consumption within the Organization and Reduction of Energy Consumption. This	benchmarks and conducts continuous consultations and research and development to maintain the quality of feeds despite using alternative raw materials. Likewise, VITA's locally sourced materials are supported by importations and frame contract to manage and mitigate impacts of climate-related risks. VITA also conducts regular trainings on biosecurity measures to help its business partners in terms of productivity. VITA's Iloilo Feed Mill plant has started using solar energy on 01 April 2022. VITA allowed the employees to continue the Green Sanctuary Program, which helps absorbs carbon emissions. Apart from this, VITA also regularly maintains and upgrades its equipment to comply with DENR standards as well as to maintain and improve operational efficiencies.	volume of feeds and chicken to its customers without sacrificing quality, and without incurring too much costs.

	could also help in mitigating the impacts of other risks leading to less exposure to operating loss. The Green Sanctuary Program helps absorb carbon emissions, which, in turn, helps in managing VITA's environmental impacts.		
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	
	VITA's climate-related risk management continues to prove to be resilient as evidenced by: (a) continued existence; (b) continued financial stability; (c) increase in its revenue in 2022.	As can be seen above, changes and modifications are made in VITA's business processes and feed formulation to mitigate impacts of climate-related risks and adapt to constraints brought about by climate-related risks and events.	

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Nationwide: 83.73% Luzon – 41.90% Visayas – 11.76% Mindanao – 30.07%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
For the year 2022, 83.73% of VITA's procurement budget was spent on local suppliers. These suppliers include service providers such as consultants and contractors aside from suppliers of raw and other trade materials used in the manufacture of feeds and chicken products. The decrease of 11.72% from its 2021 spending on local suppliers (95.45%) was primarily due to higher importation of major raw materials versus that in 2021.	➢ Suppliers ➢ Domestic companies especially the MSMEs, and farmers.	VITA allots more of its procurement budget on local suppliers. Its procurement policies and strategies were crafted, reviewed, revised and implemented in a manner consistent with the company's vision of being the backbone of every Filipino farmer's success and mission of building partnerships with its suppliers, among others. Its procurement policies and strategies are periodically reviewed in order to continuously improve the company's buying plans, strategies and timings.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
❖ Operational risks due to supply constraints, poor quality of supplies, inconsistent quality of the raw materials, animal diseases such as ASF and AI and delays in deliveries on account of calamities or extreme weather conditions. ❖ Financial risks due to sudden or significant increase in prices of goods and services. ❖ Legal, operational, financial and reputational risks due to delayed or non-payment of suppliers.	In addition to the foregoing: ➢ Customers ➢ Creditors ➢ Shareholders ➢ Investors	In addition to the foregoing, VITA accredits additional suppliers, or it re-formulates feeds as may be necessary without sacrificing the quality of feeds. VITA also conducts regular trainings on biosecurity measures to help its business partner – farmers in terms of productivity. VITA makes payment allocations to suppliers, especially major raw materials suppliers in order to ensure timely deliveries of major raw materials absent calamities or extreme weather conditions and to ensure better raw materials cost and the continuity of operations. VITA has created a Zero Hunger Task Force in 2022 to continuously increase the availability of reliable local suppliers, help in the livelihood of the community in the areas where it
What are the Opportunity/ies Identified?		
❖ The availability of long-term contracts with suppliers will allow better terms with local raw materials suppliers. ❖ The availability of reliable local suppliers can ensure operational efficiencies despite weather conditions. ❖ The availability of raw materials and other input goods and services all		

year round can minimize increase in costs despite sudden or significant increase in prices of goods and services.		operates, and contribute to UN SDG 2 (Zero Hunger).

Anti-corruption

Training on Anti-corruption Policies and Procedures

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

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

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption		#
Number of incidents in which employees were dismissed or disciplined for corruption		#
Number of incidents when contracts with business partners were terminated due to incidents of corruption		#

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

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	Visayas – 197,573	Kwh
Energy consumption (SFO)	Visayas – 3,886.57	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	Visayas – 200	KG
Energy consumption (diesel)	Visayas – 577.92 Mindanao – 14,172.21	GJ GJ
Energy consumption (electricity)	Luzon – 299,701.23 Visayas – 1,632,400 (Iloilo); 13,592 (Bacolod Satellite Warehouse); 5,460 (Cebu Satellite Warehouse) Mindanao – 3,529,892.80 (Davao); 5,310 (CDO Satellite Warehouse)	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (SFO)	Visayas - 476.43	GJ
Energy reduction (gasoline)		GJ

Energy reduction (LPG)		GJ
Energy reduction (diesel)	Visayas – 117.83	GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The data above was primarily based from VITA's Iloilo and Davao feed mill plants as well as the electricity consumption in the principal office (Marilao, Bulacan) and satellite warehouses in Bacolod, Cebu, and CDO. The electricity consumption disclosed for the Iloilo feed mill plant is separate and distinct from the renewable source consumption from the said plant. The data on gasoline and diesel exclude the fleet consumption as there is no available data yet on fleet consumption. The reductions on SFO and diesel consumptions in Visayas were due to the proper equipment maintenance, among other factors. The increase in 2022 in consumption of fuel and electricity in the Iloilo feed mill plant was due to the increase of production volume. The impact is on the environment as the use of renewable sources of energy decreases GHG emissions while the use of non-renewable sources results in emissions that could be harmful to the environment. There is also an impact on the supply chain because the use of non-renewable sources could deplete these sources.	➢ Suppliers ➢ Communities where VITA operates.	VITA complies with laws relating to environment, energy consumption and efficiency. It started using solar energy in its Iloilo feed mill plant on 01 April 2022. VITA is studying the feasibility of using solar energy in its Davao feed mill plant. VITA plans to use solar perimeter lights in its Davao feed mill plant in 2023. In addition, it conducts regular preventive maintenance of all its equipment. In line with its goal to contribute to UN SDG 12 (Responsible Production and Consumption), it continuously improves its processes to ensure operational efficiencies, which, in turn, helps in the efficient energy consumption.

The use of solar energy in the Iloilo feed mill plant beginning 01 April 2022 resulted in reduction of VITA's GHG emissions by: (a) 339,282.84 kg in terms of CO_2 emissions; (b) 181.99 kg. in terms of NO_x emissions; and (c) 3.81 kg. in terms of SO_2 emissions. It should be, however, noted that VITA's solar capacity is only around 15% to 20% of the plant's electrical power requirement. Thus, the electricity consumption from ILECO was still higher than that from solar energy. The electricity supplied by ILECO helps run the machineries and utilities in the plant.		
What are the Risk/s Identified?		
❖ Climate change brought about by increase in air emissions and pollutions due to the use of non-renewable sources of energy. ❖ Depletion or shortage of non-renewable sources of energy.		
What are the Opportunity/ies Identified?		
❖ The continued use of solar energy in the Iloilo feed mill plant gives the opportunity to further increase efficient consumption of energy. ❖ The foregoing gives rise to an opportunity to also use solar energy in its Davao feed mill plant.		

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	Visayas – 5,663 Mindanao – 6,306	Cubic meters
Water consumption	Visayas – 5,663 (Iloilo); 112 (Bacolod Satellite Warehouse); 96 (Cebu Satellite Warehouse) Mindanao – 6,304 (Davao); 121 (CDO Satellite Warehouse)	Cubic meters
Water recycled and reused	Visayas – 0 Mindanao – 2.0	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The data above were based on the water consumption and withdrawal in VITA's Iloilo feed mill plant and office, as well as in the satellite warehouses in Bacolod, Cebu and CDO, and Davao feed mill plant and office. The data were based on the consumption reflected in VITA's water billings. In Visayas, water consumption and withdrawal in 2022 decreased by 426 cubic meters. The proper maintenance of the water pipelines and boiler system contributed to the decrease in water consumption and water withdrawal. In Mindanao, the seeming increase in water consumption and withdrawal in 2022 was only due to the inclusion of the disclosure of the water consumption and withdrawal in the Davao office as opposed to the data disclosed in 2021, which was based only on the consumption	➢ Communities where VITA operates ➢ Government	VITA complies with all laws and regulations pertaining to water and it continuously improves the operational efficiencies in order to maintain efficient water consumption. It also conducts regular preventive maintenance of its equipment and replaces the same with more efficient and more technologically advanced equipment as may be necessary.

and withdrawal in the Davao feed mill plant. In both the Iloilo and Davao feed mill plants, the water is used only for steam generation. Recycled water in Davao feed mill plant is very low as water is used only to control particulate matter.		
What are the Risk/s Identified?		
❖ Climate change ❖ Depletion or shortage of water		
What are the Opportunity/ies Identified?		
❖ VITA could explore rainwater harvesting in the feed mill plants in order to further reduce its water withdrawals.		

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	Luzon – 109,859,296 Visayas – 50,875,300 Mindanao – 85,688,860	kg
• non-renewable	Luzon – 2,127,754 Visayas – 109,654 Mindanao – 620,140 Plastic Packaging – 1,350,291.71	Kg
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%

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

<table>
<tr>
<td>The data above was based on the raw materials for feeds production – macro, micro and packaging. The non-renewable materials are the energy consumed. The plastic packaging materials are disclosed separately.

The impact is on the environment as VITA, although on a minimal level only, continues to contribute to waste generation and pollution as a necessary consequence of its operations.

The increase or decrease in the materials consumed, whether renewable or not, in 2022 was due to an increase or decrease in production volume.</td>
<td rowspan="5">➢ Suppliers
➢ Communities where VITA operates
➢ Government
➢ Customers</td>
<td rowspan="5">VITA complies with laws relative to materials consumption and conservation. It also shifted from the use of laminated sack to a reusable woven sack for its feeds. It continuously improves its inventory management to have higher recovery/conversion of materials to finished products.

VITA has also taken steps to address waste and pollution generated and contributed. It took steps to comply with the EPR Act and it has sought accreditation with an organization that can help it develop, implement and monitor its compliance with the EPR Act.

In line with its goal to contribute to UN SDG 12 [Responsible Production and Consumption], VITA continuously improves its processes to ensure operational efficiencies, which, in turn, helps in the efficient resource management.</td>
</tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>The continuous demand for non-renewable materials increases VITA’s contribution to pollution and waste and it increases the possibility of shortage of non-renewable materials.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>Reduction in waste and pollution contribution through the use of renewable, reusable and recyclable materials in the production of feeds.</td></tr>
</table>

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

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored		ha
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	(list)	

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

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	Iloilo Feedmill – 150 mg/Ncm^3 = 1.704 MT/year Davao Feedmill (CO emission only) Boiler 1A – 244.7mg/Nm^3 = 3.5 MT/year Boiler 1B 236.3mg/Nm^3 = 2.0 MT/year Boiler 2A – 240.8mg/Nm^3 = 1.8 MT/year Boiler 2B – 237.4mg/Nm^3 = 3.3 MT/year	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO_2e

[4] International Union for Conservation of Nature

Emissions of ozone-depleting substances (ODS)	0	Tonnes

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>The data above were based on the emission testing conducted by a DENR-EMB accredited third party company on VITA’s Davao and Iloilo feed mill plants.

While VITA has neither indirect GHG emissions nor ozone depleting substances emissions, its feed mill operations in Iloilo and Davao contribute to GHG emissions as a necessary consequence of its operations, albeit in a low level only.</td><td rowspan="5">❖ Communities where VITA operates
❖ Government
❖ Public in general</td><td rowspan="5">VITA complies with all laws relative to the environment, including the Clean Air Act. It also regularly conducts preventive maintenance on its equipment, regular repair of its facilities, including pollution control facilities, to ensure not only good operating conditions but also compliance with the environmental laws and regulations. VITA also ensures that its operations are efficient in order to keep its emissions low against the DENR-EMB standards.

On 01 April 2022, VITA started using solar energy (up to 20% capacity) in its Iloilo feed mill plant. Moreover, by allowing the employees to plant within its plant premises (Green Sanctuary Program), VITA helps mitigate its GHG emissions as plants help reduce these emissions.

For 2023, VITA plans to use perimeter solar lights in the Davao feed mill plant.

VITA has Pollution Control Officers (“PCO”) who monitor and ensure compliance with laws and regulations relating to the environment and its conservation.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>❖ Operational risks due to climate change brought about by the emissions and continuous contribution to air pollution.
❖ Health risks on the communities where VITA operates as well as the public in general due to the continuous GHG emissions.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>❖ The continuous operation and use of as well as the possibility of increase in capacity of the solar energy in the Iloilo feed mill plant will mitigate and reduce VITA’s GHG emissions.</td></tr>
</table>

❖ The completion of installation and use of perimeter solar lights in the Davao feed mill plant in 2023 can help reduce VITA's GHG emissions. ❖ The use of solar energy in the Davao feed mill plant is an opportunity that VITA can explore to reduce its GHG emissions. ❖ The continuation of the Green Sanctuary Program can also benefit the environment as plants can help reduce GHG emissions.		

Air pollutants

Disclosure	Quantity	Units
NO_x	Iloilo Feedmill – 22.1 Davao Feedmill Boiler 1-A – 83.3 Boiler 1-B – 82.3 Boiler 2-A – 84.5 Boiler 2-B – 89.5 Genset – 251.6	ave. concentration in mg/Nm^3
SO_x	Iloilo Feedmill – 589.8 Davao Feedmill Boiler 1-A – 3.2 Boiler 1-B – 3.5 Boiler 2-A – 3.0 Boiler 2-B – 3.8	ave. concentration in mg/Nm^3
Persistent organic pollutants (POPs)	0	Kg
Volatile organic compounds (VOCs)	0	Kg
Hazardous air pollutants (HAPs)	0	Kg
Particulate matter (PM)	Iloilo Feedmill – 68.5 Davao Feedmill Boiler 1-A – 34.9 Boiler 1-B – 2.2 Boiler 2-A – 26.8 Boiler 2-B – 32.9	ave. concentration in mg/Nm^3

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>The data were based on the emission testing conducted by a DENR-EMB accredited third party company on VITA’s Iloilo and Davao feed mill plants.

While these pollutants/emissions are low as against DENR thresholds, they still contribute to GHG emissions and air pollution generation.</td><td rowspan="5">➢ Communities where VITA operates
➢ Government
➢ Public in general</td><td rowspan="5">VITA complies with all laws relative to the environment, including the Clean Air Act. It regularly conducts preventive maintenance on its equipment, and regular repair of its facilities, including pollution control facilities, to ensure not only good operating conditions but also compliance with the environmental laws and regulations. VITA also ensures that its operations are efficient in order to keep its emissions low against the DENR-EMB standards.

On 01 April 2022, VITA started using solar energy (up to 20% capacity) in its Iloilo feed mill plant, which helped avoided these emissions: (a) 339,282.84 kg CO_2; (b) 181.99 kg NO_x; and (c) 3.81 kg. SO_2. Moreover, by allowing the employees to plant within its plant premises (Green Sanctuary Program), VITA helps mitigate its air pollutant emissions as plants help reduce these emissions.

VITA has PCOs who monitor and ensure compliance with laws and regulations relating to the environment and its conservation.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>❖ Operational risks due to climate change brought about by contribution to air pollution.
❖ Health risks on the communities where VITA operates as well as the public in general due to the continuous air pollution contribution.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>❖ The continuous operation and use of as well as the possibility of increase in capacity of the solar energy in the Iloilo feed mill plant will mitigate and reduce VITA’s air pollutant emissions.
❖ The completion of installation and use of perimeter solar lights in the Davao feed mill plant in 2023 can help reduce VITA’s air pollutant emissions.
❖ The use of solar energy in the Davao feed mill plant is an</td></tr>
</table>

opportunity that VITA can explore to reduce its air pollutant emissions. ❖ The continuation of the Green Sanctuary Program can also benefit the environment as plants can help reduce GHG emissions.		

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	Visayas – 1,750/month Mindanao – 2,500/month	kg
Reusable	Visayas – 250/month Mindanao – 500/month	kg
Recyclable	Visayas – 300/month Mindanao – 300/month	kg
Composted	Visayas – 200/month Mindanao – 700/month	kg
Incinerated	Visayas – 0 Mindanao – 0	kg
Residuals/Landfilled	Visayas – 1000/month Mindanao – 1000/month	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The data above were based on the monthly estimated solid waste collected by third party solid waste collectors from the Iloilo and Davao feed mill plants as reported by VITA's PCOs to the government.	➢ Employees ➢ Communities where VITA operates ➢ Public in general ➢ Government	VITA has a properly labelled Materials Recovery Facility in its Iloilo and Davao feed mill plants for the proper segregation, storage, and disposal of these wastes. It also hired a third-party solid

<table>
<tr><td>While VITA has recyclable and reusable solid wastes, about 57.14% of the estimated monthly solid wastes generated still go into the landfills.</td><td rowspan="5"></td><td rowspan="5">waste collector to properly dispose its solid wastes.

VITA has PCOs who monitor compliance with laws and regulations relating to the environment and its conservation, including waste segregation and proper waste disposal. It also continuously reiterated and strengthened its campaign and practice for waste segregation and proper waste disposal.

It collects sweepings (assorted wastes collected through the process of sweeping) to be reprocessed/included in the formulation of feeds, reuses and recycles all that may be reused or recycled, as the case may be, and keeps its residual solid wastes within the allowed threshold. It regularly evaluates sweepings to make sure that it would not cause infections. VITA also provides the employees with PPEs and biosecurity measures in place are strictly implemented.

VITA has taken steps to comply with the EPR Act. It is continuously developing its program for the recovery of its plastic wastes. VITA will also look into the possibility of partnering with the LGUs to increase its composting capability.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>❖ Increase in pollution due to increase in residual solid wastes.
❖ Health risks on the employees and communities where VITA operates and the public in general due to the increase in solid waste pollution.
❖ Regulatory and legal risks due to non-compliance with the EPR Act.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>❖ VITA's compliance with the EPR Act presents an opportunity to not only reuse and recycle its solid wastes but also to recover its solid wastes, thus, reducing its residual solid wastes, which in turn would reduce the solid wastes going into the landfills.
❖ The availability of funds of the local government units where VITA operates presents an opportunity for VITA to partner with host LGUs to increase its composting capability. VITA can also seek the assistance of the DOST to avail of bio-composters at reasonable price.</td></tr>
</table>

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	Visayas:	

	Used oil – 300/year Busted lamps – 55/year Mindanao: Used oil – 0/year Busted lamps – 33	liters kg liters
Total weight of hazardous waste transported	Visayas: 0 Mindanao: 0	 liters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The data above were based on the report that VITA's PCOs in the Iloilo and Davao feed mill plants submitted to the DENR-EMB. The hazardous wastes that VITA generated for both plants are low or minimal only. Thus, there was no need to transport the same. The decrease of 50 liters in the used oil generated in the Iloilo feed mill plant in 2022 was due to the new generator set, which required less oil change. The decrease in busted lamps generated in the Iloilo feed mill plant in 2022 was due to the proper maintenance of electric lamps/bulbs. For Davao feed mill plant, there was no recorded used oil in 2022. For the busted lamps, the same was due to the absence of recorded busted lamps in 2021. There was no used oil transported in 2022 because	➢ Employees ➢ Communities where VITA operates ➢ Public in general ➢ Government	VITA has a designated and properly labelled Materials Recovery Facility to properly store used oil and busted lamps. It has PCOs in its Iloilo and Davao feed mill plants to ensure that the proper waste disposals prescribed under existing laws and regulations are strictly followed. It continuously improves its preventive maintenance program/schedule in order to minimize used oil. It continuously converts all lights into LED lamps/bulbs, which have a higher life span, to minimize busted lamps. In addition to the foregoing, VITA monitors the consumption of oils and lamps so that the waste is kept within threshold and that these hazardous wastes are segregated from the non-hazardous wastes. It also strictly implements its "No Smoking" policy and provides employees with PPEs, which they are also required to wear within the premises.

there was no collected used oil to be transported.		
What are the Risk/s Identified?		
Improper disposal may lead to environmental risks as well as health risks on the employees, the communities where VITA operates and the public in general. It may also lead into fire and pollution.		
What are the Opportunity/ies Identified?		
❖ The regular preventive maintenance conducted on VITA's equipment to ensure operational efficiencies also helps in reducing hazardous wastes, thereby reducing environmental and health risks. It also has the potential to avoid fire and decrease in contribution to pollution. ❖ Avoidance of fire and decrease in contribution to pollution.		

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	Visayas – 70/month Mindanao – 0	Cubic meters
Percent of wastewater recycled	Visayas – 0 Mindanao – 4.12	%

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

The data were based on the water discharges and waste water recycled in the Iloilo and Davao feed mill plants as reported to the DENR. The increase in clean-up activities in the Iloilo feed mill plant contributed to the increase of 4 cubic meters in the water discharges therein. There was no water discharge in the Davao feed mill plant since water scrubber for boiler is recycled and not discharged in the public drainages. VITA's water discharges are minimal or very low as against DENR standards. However, it still impacts the environment, particularly the water bodies. **What are the Risk/s Identified?** Increase in water pollution contribution due to increase in waste water. **What are the Opportunity/ies Identified?** ❖ Presence of technologies that can help improve waste water treatment in the feed mills. ❖ The proper disposal of waste water as well as waste water treatment present an opportunity to mitigate and decrease water pollution contribution.	➢ Communities where VITA operates ➢ Government	VITA monitors the final discharge of waste water to ensure that its operations are within the Clean Water Act and other regulatory standards. It complies with the proper waste water disposal prescribed under the law and regulations. VITA has waste water treatment facilities in its dressing plants although it is not the one operating the same. VITA has a PCO that monitors and ensures compliance with laws and regulations relative to water use, water discharge and proper waste water disposal.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
VITA was neither penalized nor complained for violation or non-compliance with environmental laws and regulations in 2022. Having complied with environmental laws and regulations, VITA maintained its contribution to pollution as a necessary consequence of its operations at a minimal level – within DENR thresholds.	➢ Government ➢ Communities where VITA operates ➢ Business partners ➢ Customers ➢ Employees ➢ Investors ➢ Shareholders ➢ Directors ➢ Officers	VITA strictly monitors compliance with environmental laws and regulations, including securing all permits and licenses needed for the continued operation of its business. It continuously upgrades and regularly maintains its facilities to ensure efficiencies and maintain pollution contribution to a minimum. VITA incorporates in its contracts with suppliers and partners the obligation to comply with all existing laws and regulations. This includes the duty to comply with said laws and regulations and there are sanctions for breach of this obligation.
What are the Risk/s Identified?		
Legal, financial, operational and environmental risks due to non-compliance with laws and regulations protecting the environment.		
What are the Opportunity/ies Identified?		
Business continuity and minimal pollution contribution due to compliance with laws and regulations protecting the environment.		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[5]	619	
a. Number of female employees	236	#
b. Number of male employees	383	#
Attrition rate[6]	1.14%	Rate
Ratio of lowest paid employee against minimum wage	None	Ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	11.47	15.67
PhilHealth	Y	10.18	16.32
Pag-ibig	Y	15.02	23.91
Parental leaves	Y	0.97	1.29
Vacation leaves	Y	29.08	45.72
Sick leaves	Y	21.16	30.21
Medical benefits (aside from PhilHealth))	Y	11.79	13.41
Housing assistance (aside from Pag-ibig)	Y	0	0.16
Retirement fund (aside from SSS)	Y	0.48	0.97
Further education support	N		
Company stock options	N		
Telecommuting	Y	5.49	1.29
Flexible-working Hours	Y	5.33	9.05
(Others)	Y		

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The data above includes only the regular and organic employees of VITA. With operations in Luzon, Visayas and Mindanao, it contributes to labor and employment. It also helps promote local employment in Bulacan, Iloilo, Davao and all other provinces where it holds its operations. The number of regular employees increased by 38 in 2022 due to the increase in VITA’s R&D farms. The attrition rate decreased by 0.61% in 2022. The salary adjustments made in 2022 and increase in employee engagement activities contributed to the decrease in the attrition rate.

It also contributes to its employees’ welfare and quality of life by providing benefits other than and on top of the government-mandated benefits. In fact, 25.20% of its employees availed of VITA’s medical benefits other than PhilHealth. In addition, 0.16% of its employees availed of housing benefits other than Pag-Ibig, and 1.45% of its employees availed of retirement benefits aside from SSS.</td><td rowspan="3">VITA provides benefits on top of the government-mandated benefits, such as medical benefits in addition to PhilHealth benefits, PPEs, uniform, rice subsidy, seniority pay, transportation and meal allowances when applicable, funeral assistance, hazard pay to qualified employees. It also provided shuttle services and vitamins for the employees. It also engaged the services of a physician who can conduct physical examinations and check-ups to employees and who goes to the office and plants at least once a week so that his/her services will be more accessible to the employees. VITA likewise allowed telecommuting and flexible working hours to its employees and it continuously conducted massive awareness campaign on COVID-19 prevention and management.

Anchored on one of its core values of “care for others”, VITA also continued its employees’ welfare program in 2022. The program included COVID-19 prevention and vaccine assistance. VITA continuously engaged with its employees at least once a month to continuously take care and improve the over-all well-being of the employees. It also conducted webinars on mental health, reproductive health, and self-love, to name a few. There were also some physical activities like Zumba and sports-related activities that were conducted.

As stated above, it launched its Sustainability Dashboard containing its sustainability roadmap on its contributions to SDG 8 – Decent Work and Economic Growth, among others. As part of this roadmap, it established LPP Champions in 2022 to oversee and monitor progress of its specified activities and goals. It has also initiated and develop its policy on Safe Spaces in the work place.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>VITA recognizes that poor over-all well-being of the employees, unsecured workplace, low morale on the employees’ part, or uncompetitive compensation and benefits package may result in higher turn-over rate of the employees, thereby increasing its attrition rate. An increase in attrition rate may, in turn, affect VITA’s productivity outputs.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th><th>Management Approach</th></tr>
</table>

❖ Increased involvement of the employees on the development and implementation of its Sustainability Dashboard. ❖ Reiteration of the Safe Spaces in the Workplace Policy and roll-out of the publicity materials/infographics related to the policy. The foregoing are seen to increase employees' morale and over-all well-being, and maintain a harmonious working environment, thereby increasing employee retention and decreasing attrition rate. ❖ Availability of skilled workforce in the areas of operation and continuous provision of competitive compensation and benefits package to the employees.	Reiteration of the sustainability roadmap of VITA as contained in its Sustainability Dashboard through visual boards posted in the office and/or sent to the employees' e-mails in order to increase employees' involvement in the development and implementation of the dashboard. Top-to-bottom reiteration of the Safe Spaces in the Workplace Policy through posting of the infographics in the office and/or sending the same by e-mails. VITA regularly checks the laws and regulations on the minimum wage and benefits set by the government as well as industry standards and it benchmarks on similar companies within the industry to evaluate the need to update and increase its compensation and benefit package to ensure that the same is competitive, if not better, than the companies within the industry.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	4,953.50	Hours
b. Male employees	3,809.00	Hours
Average training hours provided to employees		
a. Female employees	7.98	hours/employee
b. Male employees	6.13	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
VITA's training and development programs for its employees, whether internal or external, contribute to the employees' personal and professional growth and efficiency in the performance of their tasks. In 2022, there was an increase of 4,519 training hours provided to the employees versus 2021 due to the increase in onsite trainings provided to the employees and the holding of compliance trainings to keep the ISO FSMS certification, in addition to the regular and compliance trainings being provided to the PCOs and Safety Officers, and Occupational Health Nurses. There were also trainings on personal development from	VITA has a training calendar per region. The trainings are held on a monthly basis unless otherwise requested by the concerned department. Most of the trainings are targeted and tailor fit on the employees' and departments' needs/requests. VITA conducts an over-all post training evaluation and feedback based on how the training was conducted. It also conducts regular performance evaluation of the employees to measure their growth and improvement.

middle management and up, skills upgrade on food sales and leadership, technical know-how relevant to the employees' duties and functions, compliance trainings for its various certifications, including Halal certification. Trainings on the company rules and regulations were also conducted for the new hires. Some of these trainings were conducted in-house and some were conducted by third-parties.	
What are the Risk/s Identified?	**Management Approach**
❖ Ineffective or irrelevant trainings, which, in turn, result in zero to minimal effects on productivity. ❖ Resignation of employees despite investments made on training and development.	In addition to the over-all post training evaluation and feedback, the employees will be evaluated by their supervisors/immediate head within 30 to 60 days from the training. The effectiveness of trainings is also seen in the performance appraisal or competency matrix. VITA has a database of trainings already provided and trainings that may still be provided to the employees to ensure that the trainings remain to be relevant and effective. It also ensures that trainings attended by supervisors and up are cascaded to their teams within three months from the end of the training to ensure that all trainings benefit everyone in the team.
What are the Opportunity/ies Identified?	**Management Approach**
The availability of external training providers for employees can help VITA to continuously build new leaders and develop the organization and the management team to have better productivity and efficiency results.	VITA has a database of trainings already provided and trainings that may still be provided to the employees to ensure that the trainings remain to be relevant and effective.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements		%
Number of consultations conducted with employees concerning employee-related policies		#

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

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

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce		%
% of male workers in the workforce		%
Number of employees from indigenous communities and/or vulnerable sector*		#

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

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

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,453,148	Man-hours
No. of work-related injuries	Visayas – 1	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	Mindanao – 1	#

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Based on the data recorded by VITA’s Safety Officer, there was a total of 1,453,148 safe man-hours on its plants. Only 1 work-related injury occurred, which was the result of an accident in in the plant. The employee involved had already recovered in full. In addition, there was only 1 fire drill conducted and the same involved only the office in Panacan, Davao City.</td><td rowspan="5">VITA has an existing Safety Policy, the implementation of which is being monitored by a Safety Officer in all of its plants and offices. It promotes health and safety awareness to employees through its Safety Officer. It strictly implements all sanitary and biosecurity measures in place. In addition, VITA provides safety-related trainings and PPEs to its employees detailed in the plants.

As an alternative measure to a fire drill, a Fire Safety Seminar was conducted in the Marilao office. VITA also conducted an orientation on occupational health and safety as well as seminar on what to do during and after an earthquake.

The Safety Officers also regularly sent the employees safety reminders by e-mails, especially during long weekends.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Work-related hazards that may cause work-related injuries, fatalities or ill-health include ergonomic hazards (lifting and prolonged sitting), dust and chemical exposure, computer radiation, moving machines, and equipment inside the plant.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>The identified risks present an opportunity to continuously train and educate the employees regarding the importance of compliance with all safety procedures, policies and measures being implemented by VITA.</td></tr>
</table>

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor		#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor		
Child labor		
Human Rights		

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach

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

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: ___________________________

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		
Human rights		
Bribery and corruption		

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

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

Feed mill operations	Iloilo		N	As discussed above, VITA contributes to local employment and job creation. However, in the pursuit of its operations, it is unfortunate that it also contributes to pollution through its GHG emissions, air pollutants, solid, water and hazardous wastes.	As mentioned above, VITA regularly conducts preventive maintenance of its equipment to minimize its emissions. It also ensures that all wastes are properly segregated. VITA also complies with all environmental laws and regulations.
	Davao		N		

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

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

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

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

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?

Customer satisfaction	July 2022 (Feeds only): Overall rating of feeds for both farms and dealership (nationwide) – 3.8/5 Product (color, size, texture, odor, weight) – 3.56/5.0 (average – nationwide) for farms and 3.32/5.0 (average – nationwide) for dealership Performance of feeds – 3.83/5 (average – nationwide) for farms and 3.87 (average – nationwide) for dealership Logistics services – 4.15/5 (average – nationwide) for farms and 3.57/5 (average – nationwide) for dealership Sales services – 4.41/5 (average – nationwide) for farms and 3.84/5 (average – nationwide) for dealership Marketing services - 4.21/5 (average – nationwide) for farms and 3.10 (average –	N

	nationwide) for dealership	

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Based on the customer satisfaction survey for feeds conducted last July 2022, the over-all rating of VITA’s feeds was 3.8/5, which was at par with the over-all ratings for feeds in 2021.

Quality products and excellent customer service translate to customer satisfaction, which in turn, contributes to VITA’s revenues. They create higher demand for VITA’s products and services, thus, necessitating additional manpower. It also contributes to the growth of its business partners.</td><td rowspan="5">VITA regularly engages with its customers. For feeds, VITA conducts annual or bi-annual customer satisfaction surveys to assess how VITA can improve its products, services, and processes.

For distributors, VITA conducts an annual trade partners’ night and quarterly business reviews, where they give feedback to VITA relative to the latter’s products and services. For key customers, VITA conducts bi-annual business reviews with them, where they also give feedback to VITA.

For end-users or consumers of VITA’s chicken products under the Cook’s brand, feedbacks may be given through VITA’s website, mobile and landline numbers, e-mail, and social media sites.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Poor customer satisfaction may result in shift to competitors and reputational risks, especially when unsatisfied customers would air their concerns via comments on VITA’s social media platforms.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>❖ There is still an opportunity to conduct customer satisfaction surveys to end-users of VITA’s foods products (chicken) under the “Cook’s” brand and institutional clients to continuously improve VITA’s products and services.
❖ The customer care process of VITA may still be continuously improved and enhanced to increase customer base and retention.</td></tr>
</table>

Health and Safety

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

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

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>For 2022, there was no substantiated complaint against the health and safety of VITA’s products. Thus, it was not exposed to legal, operational, and financial risks related to product health and safety.</td><td rowspan="5">VITA takes into consideration the health and safety of its feeds for consumption of poultry and livestock. It also requires its growers and breeders to follow the best practices in growing and raising poultry.

VITA has Quality Assurance personnel to ensure the health and safety of its products. Only those who passed VITA’s quality standards shall be supplied and distributed to the customers.

VITA has a Hazard Analysis Critical Control Points (HACCP) certification. This certification is a testament that VITA’s production process and food safety program are at par with internally recognized standards. Moreover, VITA’s Iloilo and Davao feed mill plants are FSMS ISO 22000:2018 certified, meaning that the food safety management systems in place in these plants passed internationally recognized standards. VITA’s chicken and value-added products under the Cook’s brand are likewise Halal certified, meaning that it is acceptable in accordance with Islamic law. There are also quarterly audits to ensure compliance with the quality standards. VITA continuously holds trainings related to product health and safety to comply with and maintain its ISO FSMS certification and continuously maintain the health and safety of its products.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>Failure to maintain the health and safety of its products exposes VITA to legal, operational, reputational and financial risks.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>Keeping and ensuring the products’ health and safety to avoid legal, operational, reputational and financial risks.</td></tr>
</table>

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	No specific number but there were complaints in Isabela and Bicol.	#
No. of complaints addressed	All	#

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

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>For 2022, there were complaints received in Bicol and Isabela regarding the packaging of VITA’s chicken products as the customers were unable to associate the packaging to the products. These complaints were immediately resolved.</td><td rowspan="5">To address the complaints on the packaging, VITA re-designed its packaging for its chicken products. In addition, VITA has Quality Assurance personnel to ensure not only the health and safety of its products but also to ensure that its products are properly labelled and that the customers can identify and associate the products immediately based on the packaging. Further, prior to launching and using a particular packaging for a product, internal surveys among the employees are conducted to test run the intended packaging. These surveys are signed-off by the marketing, sales, quality assurance and R&D departments.</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>Failure to properly pack and/or label the products may cause confusion, misinformation, and even contamination of products.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>The complaints received in 2022 provide an opportunity to be more intentional in designing the packaging of VITA’s products in the sense that the packaging shows and communicates what the product is even without reading the label, apart from the necessary contents of the products’ packaging. Proper packing and labelling avoid confusion, misinformation, contamination or food poisoning.</td></tr>
</table>

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		#
No. of customers, users and account holders whose information is used for secondary purposes		#

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

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

Data Security

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

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
For 2022, VITA did not experience data breach, leak, theft or even loss. All data regarding its business operations, trade secrets, employees, suppliers, and customers are intact and secured. Since it was able to keep its data secured, its business operations and supply chain remained undisturbed and its business operations and supply chain were not exposed to legal, financial and operational risks.	VITA has an IT department in charge of maintaining the integrity and security of data stored electronically as well as the maintenance and security of all computers used by the employees. It has also developed a safe-keeping system of all its contracts, records, and important documents to protect the data in the said contracts, records or documents. Only those that have a "need" to access these documents may be allowed access to the said records, contracts, or documents and the information contained in those records, contracts or documents must be used only for a legitimate purpose. In 2022, the IT department developed an active directory in Luzon, which limits the non-business activities that can be done using VITA's computers, internet, and mobile phones within and outside company premises. The active directory will be completed in 2023.
What are the Risk/s Identified?	
Breach of data security exposes VITA, its directors, officers, and employees to legal, operational, financial and reputational risks.	
What are the Opportunity/ies Identified?	
The completion of the active directory in Luzon and its implementation in Luzon as well as its development and implementation in Visayas and Mindanao will help in avoiding breach of VITA's data security.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Animal Feeds	**SDG Goal 2: Zero Hunger**	1. Shortage of natural resources.	As disclosed in the previous topics, VITA continuously evaluates
Animal Health Care			

Chicken (Dressed and Value-Added Products under the flagship brand “Cook’s”)	1. Continuous provision of healthy and safe feeds for animals and foods for people. 2. Lifetime Profitable Partnerships with its business partners, suppliers, customers and employees. 3. Higher allocation of VITA’s procurement budget to local suppliers. 4. Continuation of the Green Sanctuary Program. **SDG Goal 8: Decent Work and Economic Growth** 1. Continued economic growth of VITA and contribution to its stakeholders’ economic growth. 2. Job creation, competitive compensation packages, and career growth opportunities. 3. Full, productive, efficient, healthy and safe workplace. 4. Continuation of the Green Sanctuary program. 5. Higher allocation of VITA’s procurement budget to local suppliers. **SDG Goal 12: Responsible Production and Consumption** 1. Efficient use and management of natural and non-natural resources. 2. Compliance with environmental laws and regulations, including compliance with EPR Act.	2. Waste generation. 3. Pollution contribution. 4. Contribution to Climate Change.	its strategies and modifies them as may be necessary to adapt to the changing landscapes, provide solutions to challenges encountered, and pioneer innovations. VITA operates within the parameters of law, regulations, its ECC and it shall continue to look for solutions to further mitigate, manage, and reduce its contributions to pollution and climate change as well as to further reduce the wastes it generates/produces from its operations. It shall continue to regularly maintain and upgrade its equipment and facilities. VITA is continuously improving and innovating its operations and processes to manage its negative impacts to the economy, environment, and society as well as to have continuous LPPs with its stakeholders.

	3. Completion of Solar Energy Project in Iloilo feed mill. 4. About 83.73% of procurement budget was spent on local suppliers. 5. Healthy and safe feeds and food.		

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

ANNEX "A"

BRAND PURPOSE	**FORGING LIVELIHOOD. NOURISHING LIVES**
VISION	Vitarich will continue being the pioneer, agribusiness partner, and innovator in the feeds industry and will be the backbone of every Filipino farmer's success by providing the best solutions through its product and services.

MISSION	Continuously adapt **new business development programs** and **technological advancements** to enhance product and service quality	Empower employees, trade partners, and customers through **knowledge sharing and innovations** in agribusiness	Provide comprehensive solutions to **raise the standards of the country's agribusiness industry** through products and services	Build partnerships with business partners and customers to achieve **long term profitability and sustainability** and increase shareholder value

Inputs	Business Activities / Processes	Outputs	Outcomes
Financial Capital	Manufacturing and distribution of various animal feeds	Several lines of hogs and poultry feeds for different customers Dressed chicken and value-added products under the flagship brand "Cook's" Valued relationships with institutional customers, distributors, and SMEs Animal health products for partner growers, broilers, hog raisers, and customers in the general public	**Sustainable business and partnerships** with growers, broilers, and hog raisers, as well as farmers and suppliers, and other stakeholders **where employees are engaged, product integrity is prioritized, productivity is improved, and negative impacts of our operations to the environment and social risks are reduced.** Continued contribution to the **country's economic development** through jobs, incomes, and improved competencies, as well as taxes paid to the government
Manufactured Capital	Integration of broiler chicken from contract growing		
Intellectual Capital	Production and distribution of dressed chicken		
Human Capital	Production and distribution of animal health products		
Natural Capital			
Social Capital	Relations with its different stakeholders		

CORE VALUES	**LEADERSHIP with INTEGRITY**	**EXCELLENCE**	**CARE FOR OTHERS**