COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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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)
4,107	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.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**

2. Commission identification number **21134**   3. BIR Tax Identification No. **000-234-398**

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

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

6. Industry Classification Code: [   ] (SEC Use Only)

7. Address of issuer's principal office   Postal Code

   MARILAO-SAN JOSE ROAD, STA. ROSA I, MARILAO, BULACAN   **3019**

8. Issuer's telephone number, including area code

   (+632) 8843-3033

9. Former name, former address and former fiscal year, if changed since last report

   N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
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 [√]

Annex A

SEC Number 21134
File Number ______

VITARICH CORPORATION AND SUBSIDIARIES

(Company's Full Name)

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

(Company's Address)

(+632) 8843-30-33

(Telephone Number)

Quarterly Consolidated
Unaudited Financial Statements

Form Type

Amendment Designation (If Applicable)

September 30, 2023

Period Ended Date

(Secondary License Type and File Number)

PART I – FINANCIAL INFORMATION

Item 1 - Financial Statements

The unaudited financial statements of Vitarich Corporation and its subsidiaries as at and for the period ended September 30, 2023 (with comparative figures as of December 31, 2022) and for the period ended September 30, 2022, and Selected Notes to Consolidated Financial Statements are filed as part of this form 17-Q as Annex "A".

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

Registrant – **VITARICH CORPORATION**

By:

STEPHANIE NICOLE S. GARCIA
EVP & Chief Sustainability Officer (CSO)/
Corporate Management Services
Director/Treasurer

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

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

Vitarich Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 31, 1962 to engage primarily in manufacturing and selling of feeds and livestock. Pursuant to the Revised Corporation Code of the Philippines, its corporate life is deemed to be perpetual. The Company's shares of stock were registered with the Philippine Stock Exchange on February 8, 1995.

The Company's authorized capital stock is ₱3.5 billion, divided into 3.5 billion shares with a par value of ₱0.38 per share. 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.

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

Subsidiaries:

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

Gromax, Inc. was a wholly owned subsidiary of the Company which started commercial operation in January 1996. Previously, Gromax was a division of the Company, which was spun off to a separate entity. Gromax was registered with SEC on November 10, 1995. Gromax Inc. had ceased operations in 2016 and its operations were reintegrated into the Company effective April 1, 2015. Specialty feeds supplement the product offering of animal feeds produced by the Company. Pursuant to the reintegration, Gromax transferred all its employees to the Company. Retirement benefits accruing to these employees were transferred accordingly.

On May 31, 2018, the SEC approved the shortening of the corporate life of Gromax until November 10, 2019. The Company recognized an impairment loss of ₱7.4 million which pertains to assets that are no longer recoverable. On February 16, 2021, Gromax filed with the SEC a Notice of Retention of Corporate Term (until November 10, 2019).

Philippine's Favorite Chicken Inc. (PFCI), one of the former subsidiaries of the Company, used to distribute supplies, equipment, and food products to the operator of Texas Chicken and Popeye's Chicken restaurants in the Philippines. PFCI had ceased operations in 2005. On July 26, 2017, the BOD and Stockholders of PFCI approved the shortening of the corporate life of PFCI until March 31, 2019. The Company deconsolidated PFCI and recognized a gain of ₱28.2 million on deconsolidation. On February 16, 2021, PFCI filed with the SEC a Notice of Retention of Corporate Term (until March 31, 2019).

Results of Operations

Vitarich Corporation revenues reached ₱9.6 billion for the nine months of 2023, an increase of 11% year-over-year, with the following highlights:

• Foods was the largest contributor to revenues at 55%, rising 14% to ₱5.3 billion primarily due to continued volume expansion, which was 9% higher than last year, driven by the demand across Luzon and Visayas. The average selling price recorded a modest improvement of 1% versus the 14% rise in cost which weighed on the gross margin.

• Feeds comprised 41% of revenues, growing 9% to ₱4.0 billion. Pricing increased 19% from the prior-year period while input costs climbed 10% resulting in better margins. Volume declined mostly for hog feeds due to the continued spread of African swine fever and was also affected by typhoons in the third quarter.

• Farms made up 4% of revenues, increasing 2% to ₱354.8 million. Fair value adjustment on biological assets amounting to (₱24.7) million was recognized as part of revenues based on the lower estimated selling price from the recent market prices in September.

Cost of goods sold rose 15% to ₱9.0 billion on higher sales volumes and input costs. Key raw materials including wheat, soybean, and corn, which comprise about 70% of feed costs, remained elevated with an average increase of 11% versus the same period last year. Additionally, the poultry industry experienced an oversupply of chicken resulting to depressed selling prices in the market.

Gross profit came in at ₱660.4 million, lower by 21% over the prior year, and gross margin decreased to 7% from 10%. Operating profit declined to ₱108.4 million following the decline in gross profit combined with a 2% increase in operating expenses such as labor cost, energy, and transportation and travel.

Net income was ₱40.0 million with earnings per share of ₱0.013 compared to ₱153.5 million with earnings per share of ₱0.05 in the comparable period last year.

Financial Condition

The Company's consolidated total assets as of September 30, 2023, was ₱5.3 billion higher by 1% from ₱ 5.2 billion as of December 31, 2022. Total current assets of ₱2.9 billion on September 30, 2023 was at par with as of December 31, 2022.

Cash of ₱536 million as of September 30, 2023, was significantly higher than the previous year as September payments to suppliers and business partners were credited and posted in the first week of October.

Inventories and Livestock amounting to ₱1.1 billion as of September 30, 2023, increased from ₱1.0 billion as at December 31, 2022. This was attributed to increased feeds volume requirements and higher chicken and day-old chick inventories.

Non-current assets of ₱2.4 billion as of September 30, 2023, was up by 1% over December 31, 2022, related to improvements in Marilao Dressing plant, warehouse in Davao and additional transportation equipment and machineries.

Current liabilities of ₱3.0 billion as of September 30, 2023, was up by 1% as compared to December 31, 2022 due to higher loan availments and extended payment to suppliers and business partners

Non-current liabilities decreased by 4% to ₱376.0 million as of September 30, 2023, from ₱389.6 million on December 31, 2022, because of partial payments of long-term debt and lower net deferred tax liabilities.

Stockholders' equity stood at ₱1.9 billion as of September 30, 2023, at par with as of December 31, 2022, with posted net income of ₱40.0 million for the nine-months period.

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

	Unaudited September 2023	Unaudited September 2022
Revenue (₱ million)		
Sale of goods	**₱9,654**	₱8,667
Fair value loss adjustment on biological assets	**(25)**	(16)
Cost Contribution (₱ million)		
Cost of goods sold	**8,969**	7,820
Gross Profit Rate (%)	**7%**	10%
Operating Income (₱ million)	**108**	277

1) Sales Volume, Price, and Revenue Growth

   Consolidated revenue composed of feeds, day-old chicks, chicken, and animal health products sales including fair value adjustment on biological assets, amounted to ₱9.6 billion, 11% higher than the previous year of ₱8.7 billion, driven by expanded sales volume and increase in feeds pricing.

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.

VITARICH CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited September 2023	Audited December 2022
ASSETS		
Current Assets		
Cash (Note 6)	**₱536,374,856**	₱369,416,726
Trade and other receivables (Note 7)	**876,348,218**	882,943,523
Inventories (Note 8)	**931,399,505**	863,367,449
Livestock (Note 8)	**154,749,315**	116,118,755
Other current assets (Note 9)	**406,579,716**	623,187,708
Total Current Assets	**2,905,451,610**	2,855,034,161
Noncurrent Assets		
Receivable from insurance (Note 10)	**70,203,810**	70,203,810
Property, plant and equipment - net (Note 11)		
At revalued amount	**1,001,749,971**	942,776,782
At cost	**44,023,584**	126,640,633
Investment properties (Note 12)	**1,192,466,649**	1,165,870,526
Right-of-use assets (Note 13)	**77,431,550**	55,529,616
Other noncurrent assets (Note 13)	**22,890,259**	32,115,321
Total Noncurrent Assets	**2,408,765,823**	2,393,136,688
TOTAL ASSETS	**₱5,314,217,433**	₱5,248,170,849
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱2,021,162,452**	₱2,001,706,561
Loans payable (Note 15)	**995,524,515**	985,478,495
Current portion of lease liabilities (Note 26)	**25,550,784**	15,413,841
Total Current Liabilities	**3,042,237,751**	3,002,598,897
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	**31,026,785**	49,642,856
Cash bond deposits (Note 16)	**58,128,126**	56,299,659
Lease liabilities - net of current portion (Note 26)	**52,956,908**	36,885,998
Net retirement liability (Note 21)	**148,017,114**	147,057,502
Deferred tax liabilities - net (Note 22)	**85,876,742**	99,758,010
Total Noncurrent Liabilities	**376,005,675**	389,644,025
Total Liabilities	**3,418,243,426**	3,392,242,922
Equity		
Capital stock (Note 24)	**1,160,646,925**	1,160,646,925
Additional paid-in capital (Note 1)	**1,470,859**	1,470,859
Retained earnings	**315,822,020**	275,775,940
Other comprehensive income (Notes 11, 22 and 24)	**418,034,203**	418,034,203
Total Equity	**1,895,974,007**	1,855,927,927
TOTAL LIABILITIES AND EQUITY	**₱5,314,217,433**	₱5,248,170,849

See accompanying Notes to Interim Consolidated Financial Statements.

VITARICH CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

				For the Nine Months Ended
	Unaudited Jul-Sep 2023	**Unaudited Jan-Sep 2023**	Unaudited Jul-Sep 2022	Unaudited Jan-Sep 2022
REVENUE				
Sale of goods, net of discount (Notes 17)	**₱3,266,810,615**	**₱9,654,273,878**	₱3,214,728,513	₱8,667,240,376
Fair value adjustment on biological assets (Notes 4 and 18)	**40,506,202**	**(24,698,920)**	(34,224,331)	(15,757,633)
	3,307,316,817	**9,629,574,958**	3,180,504,182	8,651,482,743
COST OF GOODS SOLD				
Cost of goods sold (Note 18)	**(3,076,919,512)**	**(8,969,193,974)**	(2,940,467,263)	(7,819,582,906)
GROSS PROFIT	**230,397,305**	**660,380,984**	240,036,919	831,899,837
Operating expenses (Note 19)	**(201,611,518)**	**(597,703,851)**	(215,227,076)	(585,110,105)
Other operating income (Note 19)	**18,779,517**	**45,703,569**	9,944,818	29,839,102
	(182,832,001)	**(552,000,282)**	(205,282,258)	(555,271,003)
OPERATING PROFIT	**47,565,304**	**108,380,702**	34,754,661	276,628,834
OTHER INCOME (EXPENSES)				
Interest expense (Notes 15 and 27)	**(19,506,210)**	**(56,446,333)**	(8,649,452)	(31,668,284)
Interest income (Notes 6 and 7)	**196,869**	**1,089,773**	506,385	1,709,703
Other charges - net (Note 20)	**(5,597,596)**	**(3,754,866)**	(23,303,849)	(38,799,520)
	(24,906,937)	**(59,111,426)**	(31,446,916)	(68,758,101)
INCOME BEFORE INCOME TAX	**22,658,367**	**49,269,277**	3,307,745	207,870,733
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)				
Current	**3,626,673**	**23,104,465**	7,276,699	62,197,433
Deferred	**4,828,056**	**(13,881,268)**	(9,909,549)	(7,860,630)
	8,454,729	**9,223,197**	(2,632,850)	54,336,803
NET INCOME	**14,203,638**	**40,046,080**	5,940,595	153,533,930
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss:				
Actuarial gain (loss) - net of deferred income tax (Note 21)	**–**	**–**	–	–
Revaluation increase on property, plant and equipment - net of deferred income tax (Note 11)	**–**	**–**	–	–
	–	**–**	–	–
TOTAL COMPREHENSIVE INCOME	**₱14,203,638**	**₱40,046,080**	₱5,940,595	₱153,533,930
EARNINGS PER SHARE - BASIC AND DILUTED (Note 25)	**₱0.005**	**₱0.013**	₱0.002	₱0.050

See accompanying Notes to Interim Consolidated Financial Statements

VITARICH CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED SEPTEMBER 30, 2023, SEPTEMBER 30, 2022 AND DECEMBER 31, 2022

	Capital Stock (Note 24)	Additional Paid-in Capital (Note 1)	Retained Earnings	Other Comprehensive Income (Notes 11, 22 and 24)	Total
Balances at December 31, 2022	**₱1,160,646,925**	**₱1,470,859**	**₱275,775,940**	**₱418,034,203**	**₱1,855,927,927**
Net income	**–**	**–**	**40,046,080**	**–**	**40,046,080**
Other comprehensive income	**–**	**–**	–	**–**	**–**
Total comprehensive income	**–**	**–**	**40,046,080**	**–**	**40,046,080**
Balances at September 30, 2023	**₱1,160,646,925**	**₱1,470,859**	**₱315,822,020**	**₱418,034,203**	**₱1,895,974,007**

	Capital Stock (Note 24)	Additional Paid-in Capital (Note 1)	Retained Earnings	Other Comprehensive Income (Notes 11, 22 and 24)	Total
Balances at December 31, 2021	₱1,160,646,925	₱1,470,859	₱135,021,722	₱319,959,284	₱1,617,098,790
Net income	–	–	153,533,930	–	153,533,930
Other comprehensive income	–	–	–	–	–
Total comprehensive income		_--	--	--	--
Balances at September 30, 2022	–	–	153,533,930	–	153,533,930
	₱1,160,646,925	₱1,470,859	P288,555,652	₱319,959,284	1,770,632,720

	Capital Stock (Note 24)	Additional Paid-in Capital (Note 1)	Retained Earnings	Other Comprehensive Income (Notes 11, 22 and 24)	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 loss	–	–	–	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

See accompanying Notes to Interim Consolidated Financial Statements

VITARICH CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	Unaudited September 2023	Unaudited September 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱49,269,277**	₱207,870,733
Adjustments for:		
Depreciation and amortization (Note 19)	**86,163,789**	78,256,974
Interest expense (Note 28)	**56,446,333**	31,668,284
Loss on fair value of biological assets (Note 17)	**24,698,920**	15,757,633
Retirement benefit expense (Note 22)	**2,366,612**	6,114,750
Loss (gain) on disposal of property, plant, and equipment (Note 21)	**(143,857)**	848,745
Interest income (Notes 6 and 7)	**(1,089,773)**	(1,709,703)
Operating income before working capital changes	**217,711,301**	338,807,417
Decrease (increase) in:		
Trade and other receivables	**7,604,694**	41,466,498
Inventories and livestock	**(131,361,536)**	(588,509,355)
Other current assets	**216,607,997**	(260,938,481)
Other noncurrent assets related to operations	**23,673,864**	(14,032,415)
Increase (decrease) in:		
Trade and other payables	**19,455,891**	401,976,395
Cash bond deposits	**1,828,467**	6,033,877
Lease liability	**-**	–
Net cash generated from (used for) operations	**355,520,678**	(75,196,064)
Income tax paid	**(23,104,465)**	(62,197,433)
Retirement benefits paid (Note 22)	**(1,407,000)**	(7,476,180)
Interest received	**80,381**	72,239
Net cash provided by (used in) operating activities	**331,089,594**	(144,797,439)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment (Note 11)	**(98,973,493)**	(121,744,818)
Investment properties (Note 12)	**(28,461,908)**	(77,932,300)
Proceeds from sale of property, plant and equipment	**2,112,469**	200,000
Net cash used in investing activities	**(125,322,932)**	(199,477,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of loans (Note 15)	**1,391,119,703**	1,181,115,300
Payments of loans (Note 28)	**(1,360,519,410)**	(735,052,865)
Interest paid	**(52,661,654)**	(31,668,284)
Payments of principal lease liabilities (Note 27)	**(16,747,171)**	(19,937,979)
Net cash provided by (used in) financing activities	**(38,808,532)**	394,456,172
NET INCREASE IN CASH	**166,958,130**	50,181,615
CASH AT BEGINNING OF YEAR	**369,416,726**	230,015,919
CASH AT END OF YEAR	**₱536,374,856**	₱280,197,534

See accompanying Notes to Interim Consolidated Financial Statements

VITARICH CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

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

The subsidiaries of the Parent Company are as follows:

		Percentage	
	Line of Business	**2023**	2022
Barbatos Ventures Corporation*	Poultry dressing	**100%**	100%
Gromax, Inc. (Gromax)**	Manufacturing	**100%**	100%

**Acquired by the Parent Company effective January 1, 2022 (see Note 33).*
***Ceased operations in 2005*

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 September 30, 2023, the liquidation process of Gromax is ongoing. On February 16, 2021, Gromax filed with the SEC a Notice of Retention of its Corporate term (until November 10, 2019).

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 interim consolidated financial statements were authorized for issue by the Board of Directors (BOD) on November 9, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Basis of Consolidation

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

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

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

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

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

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

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

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

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

Business Combinations

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

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

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

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

If the acquisition of an asset or a group of assets does not constitute 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 interim consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at September 30, 2023 and December 31, 2022, the Company's cash, trade and other receivables, receivable from insurance and security deposits (presented under "Other noncurrent assets") are classified under this category.

The Company has no debt and equity instruments at FVOCI and at FVTPL as at September 30, 2023 and December 31, 2022.

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

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

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

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

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

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

For cash in banks, the Company assessed that placements are with reputable counterparty banks that possess good credit ratings. For receivable from insurance, the Company assessed the timing and amount of expected net recoveries in calculating the ECL. For other receivables and security deposits, the Company used external benchmarking which compares the internal credit risk rating of certain debtor with the external rating agencies and use the latter's estimate of probability of default (PD) for similar credit risk rating.

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

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

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

Derecognition of Financial Assets. A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:
- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) has neither

transferred nor retained substantially all the risks and rewards of ownership of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

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

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

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

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

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

  As at September 30, 2023 and December 31, 2022, the Company's trade and other payables (excluding statutory payables), loans payable, lease liabilities and cash bond deposits are classified under this category.

The Company has no financial liabilities at FVTPL and derivatives designated as hedging instruments in an effective hedge as at September 30, 2023 and December 31, 2022.

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

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

Inventories

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

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

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

Finished Goods and Factory Stocks and Supplies Inventories - Weighted Average Method. All costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities are included as part of costs of these inventories. Included also are the costs of direct materials, labor and manufacturing overhead.

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

Livestock

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

Day-old Chicks and Chicken Broilers. These are accounted for as biological assets in accordance with PAS 41, *Agriculture*. The Company recognized the amount of fair value adjustment on agricultural produce that are in the inventory and sold during the year. The valuation takes into consideration input based on hatchability rate of eggs, mortality of chicks being grown as chicken broilers and estimated future cash flows to be incurred in hatching the eggs and growing the chicks. The market prices are derived from unobservable market prices. The prices are reduced for costs incurred in dressing the chicken and freight costs to market, to arrive at a net fair value at farm gate. The fair value adjustments of livestock that are in inventory and sold during the year is presented as part of consolidated statement of comprehensive income.

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

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

<u>Other Current and Noncurrent Assets</u>

Other current assets consist of creditable withholding taxes (CWT), prepayments, input value-added taxes (VAT) and advances to suppliers, 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. These are classified as current assets and are expected to be applied against income tax in the succeeding year. CWT is stated at its estimated NRV.

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

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

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

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

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

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

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

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

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

All other development costs are expensed as incurred.

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

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

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

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

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

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

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

Annually, an amount from the "Revaluation reserve" account is transferred to "Retained earnings" under the "Equity" section in the interim consolidated statement of financial position for the depreciation relating to the revaluation reserve, net of related taxes. Upon disposal, any revaluation reserve relating to the particular asset sold is transferred to "Retained earnings." Revaluations are performed every three to five years ensuring that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets (except for land).

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

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

Investment Properties

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at September 30, 2023 and December 31, 2022, the Company does not have contract assets and contract liabilities.

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

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

As at September 30, 2023 and December 31, 2022, 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, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

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

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

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

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

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

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

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

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

Borrowing Costs

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

Interest expense are expensed as incurred.

Income Taxes

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

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

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

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

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

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

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

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

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

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

Related Party Transactions
Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

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

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

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

Contingent liabilities are not recognized in the 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 period events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the interim consolidated financial statements. Post period events that are non-adjusting events are disclosed in the notes to interim consolidated financial statements when material.

3. New and Amended Standards and Interpretations

Adoption of Amendments to Standards and Interpretation
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The adoption of these standards did not have significant impact on the Company's interim consolidated financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PAS 1, Presentation of Financial Statements, and PFRS Practice, Making Materiality Judgments - Disclosure Initiative - Accounting Policies
- Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

Amendments to PAS 12, Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction

Standards and Amendments to Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Company does not expect that the future adoption of the said pronouncements will have a significant impact on its interim consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

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

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*

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4. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

Receivable from insurance amounted to ₱70.2 million as at September 30, 2023 and December 31, 2022. Allowance for ECL related to receivable from insurance amounted to ₱71.5 million as at September 30, 2023 and December 31, 2022 (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).
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	Inclusive of: ▪ Estimated future sale price of breeder chicken (parent stock) ▪ Estimated	The estimated fair value would increase (decrease) if: ▪ the estimated sale price was higher (lower);

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
	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.	mortality rate ▪ Estimated volume of raised breeder chicken (parent stock) ▪ Estimated costs to be incurred in the growing process	▪ 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 loss on fair value changes of biological assets are recognized under sales amounting to ₱24.7 million and ₱15.8 million for the period ended September 30, 2023 and 2022, (see Note 17).

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

In determining the appraised values of the property, plant and equipment and investment properties, the Company hired independent firms of appraisers as at December 31, 2022 and 2020. In order to arrive at a reasonable valuation, the appraisers personally inspected the properties, requested information from reputable sources and considered the following: (a) utility and market value of the land; (b) cost of reproduction of the replaceable property; (c) current prices for similar-use property in the second-hand market; (d) age, condition, past maintenance, and present and prospective serviceability in comparison with new assets of similar kind; (e) accumulated depreciation; (f) lease rates and, (g) recent trends and development in the industry concerned.

The fair values of the land classified as part of investment properties and under property, plant and equipment were derived using the sales comparison approach. Under this approach, the value of the land is based on the sales and listings of comparable properties registered within the vicinity. This approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property to those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on factors such as location, size and shape of the land, and time element which are the most significant unobservable inputs on the valuation. Although this input is subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

The fair values of property, plant and equipment (except for land) and investment properties (except for land and the Bulacan and Davao dressing plants) were arrived at using the cost reproduction approach as there is a lack of comparable market data because of the nature of the properties. Under this approach, the most significant inputs are estimates of the current cost of reproduction of the replaceable property in accordance with the current market prices for materials, labor, manufactured equipment, contractor's overhead and profit and fees, but without prior provision for overtime or bonuses for labor and premiums for materials. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence to arrive at a reasonable valuation which is an unobservable input.

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

In 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 ₱1,001.7 million and ₱942.8 million as at September 30, 2023 and December 31, 2022, respectively. No revaluation was made in 2021 (see Note 11).

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. The carrying value of investment properties amounted to ₱1,192.5 million and ₱1,165.9 million as at September 30, 2023 and December 31, 2022, respectively (see Note 12).

Estimating ECL on Trade and Other Receivables. The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's receivables is disclosed in Notes 7 and 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 ₱1.3 million and ₱1.7 million for the nine months period ended September 30 ,2023 and year ended December 31, 2022, respectively (see Note 21).

The carrying value of trade and other receivables amounted to ₱876.3 million and ₱882.9 million as at September 30, 2023 and December 31, 2022, respectively. Allowance for ECL on trade and other receivables as at September 30, 2023 and December 31, 2022 amounted to ₱168.6 million and ₱171.4 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 21.

The Company's net retirement liability amounted to ₱148.0 million and P147.1 million as at September 30, 2023 and December 31, 2022, respectively (see Note 22).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following reporting period. This forecast is based on the Company's past results and future expectations on revenues and expenses as well as future tax planning strategies.

No deferred tax assets were recognized on certain deductible temporary differences and carryforward benefits of MCIT as at September 30, 2023 and December 31, 2022, respectively (see Note 23). Management has assessed that it may not be probable that future taxable profit will be available in the near future against which these deferred tax assets can be utilized.

Deferred tax assets recognized by the Company amounted to ₱99.0 million and ₱98.1 million as at September 30, 2023 and December 31, 2022, respectively (see Note 23).

5. Segment Reporting

Business Segments

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

The industry segments where the Company operates are as follows:

a. The Food segment is engaged in the growing, production and distribution of chicken broilers, either as live or dressed. Its products are distributed to wet markets and supermarkets.
b. The Feeds segment caters to the feed requirement of the poultry growers' industry. It is engaged in the manufacture and distribution of animal feeds, animal health and nutritional products, and feed supplements.
c. The Farms segment is involved in the production, 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):

	Unaudited September 30, 2023					
	Foods	**Feeds**	**Farms**	**Corporate & Others**	**Eliminations**	**Consolidated**
REVENUES						
Sale of goods, net of discount	**₱5,278,421**	**₱3,996,320**	**₱379,533**	**₱–**	**₱–**	**₱9,654,274**
Fair value adjustment on biological assets	**–**	**–**	**(24,699)**	**–**	**–**	**(24,699)**
	5,278,421	**3,996,320**	**354,834**	**–**	**–**	**9,629,575**
COST AND OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME						
Cost of goods sold excluding depreciation	**₱5,145,592**	**₱3,404,933**	**₱358,232**	**₱–**	**₱–**	**₱8,908,757**
Operating expenses excluding depreciation	**90,331**	**130,927**	**17,191**	**333,528**	**–**	**571,976**
Depreciation and amortization	**4,586**	**66,968**	**448**	**14,162**	**–**	**86,164**
Other operating income	**–**	**(41,793)**	**–**	**(3,910)**	**–**	**(45,703)**
	5,240,509	**3,561,035**	**375,871**	**343,780**	**–**	**9,521,194**
SEGMENT OPERATING PROFIT (LOSS)	**₱37,912**	**₱435,285**	**(₱21,037)**	**(₱343,780)**	**₱–**	**₱108,381**
Other charges -net						**(59,111)**
Income before income tax						**49,269**
Tax expense						**(9,223)**
Net income						**₱40,046**
ASSETS AND LIABILITIES						
Segment assets	**₱1,603,634**	**₱1,739,514**	**₱218,423**	**₱1,752,646**	**₱–**	**₱5,314,217**
Segment liabilities	**₱1,031,499**	**₱1,118,901**	**₱140,495**	**₱1,127,348**	**₱–**	**₱3,418,243**
OTHER INFORMATION						
Capital expenditures	**₱28,462**	**₱59,803**	**₱–**	**₱39,170**	**₱-**	**₱127,435**
Non-cash expenses other than depreciation and impairment losses	**₱–**	**₱–**	**₱–**	**₱2,367**	**₱–**	**₱2,367**

	Unaudited September 30, 2022					
	Foods	Feeds	Farms	Corporate & Others	Eliminations	Consolidated
REVENUES						
Sale of goods, net of discount	₱4,636,267	₱3,667,622	₱363,351	₱–	₱–	₱8,667,240
Fair value adjustment on biological assets	–	–	(15,758)	–	–	(15,758)
	4,636,267	3,667,622	347,593	–	–	8,651,482
COST AND OTHER OPERATING EXPENSES AND OTHER OPERATING INCOME						
Cost of goods sold excluding depreciation	₱4,093,724	₱3,350,171	₱326,521	₱–	₱–	₱7,770,416
Operating expenses excluding depreciation	82,326	128,378	9,122	336,193	–	556,019
Depreciation and amortization	4,920	55,261	–	18,076	–	78,257
Other operating income	–	(24,762)	–	(5,077)	–	(29,839)
	4,180,970	3,509,048	335,643	349,192	–	8,374,853
SEGMENT OPERATING PROFIT (LOSS)	₱455,297	₱158,573	₱11,950	(₱349,192)	₱–	₱276,629
Other charges -net						(68,758)
Income before income tax						207,871
Tax expense						(54,337)
Net income						₱153,534
ASSETS AND LIABILITIES						
Segment assets	₱1,913,472	₱1,434,473	₱186,435	₱1,579,364	₱–	₱5,113,744
Segment liabilities	₱1,251,116	₱937,925	₱121,899	₱1,032,171	₱–	₱3,343,111
OTHER INFORMATION						
Capital expenditures	₱77,932	₱112,651	₱–	₱9,094	₱–	₱199,677
Non-cash expenses other than depreciation and impairment losses	₱–	₱–	₱–	₱6,115	₱–	₱6,115

Currently, the Company's operation is only in the Philippines, hence it has no geographical segment. The Company, however, has manufacturing plants in different regions of the country.

6. Cash

	Unaudited September 2023	Audited December 2022
Cash on hand	**₱ 6,778,995**	₱4,752,268
Cash in banks	**529,595,861**	364,664,458
	₱536,374,856	₱369,416,726

Cash in banks earn interest at prevailing bank deposit interest rates of 0.1% to 1.3% in September 30, 2023 and December 31, 2022. Interest income on cash in banks amounted to ₱0.08 million and ₱0.1 million in September 30, 2023 and December 31, 2022, respectively.

7. Trade and Other Receivables

	Unaudited September 2023	Audited December 2022
Trade:		
Third parties	**₱644,219,048**	₱679,515,851
Related parties (Note 24)	**255,286,749**	218,397,603
Nontrade	**82,571,623**	109,099,431
Advances to officers and employees (Note 24)	**33,409,618**	19,003,504
Receivable from government	**2,827,542**	3,922,953
Others	**26,584,884**	24,359,432
	1,044,899,464	1,054,298,774
Allowance for ECL	**(168,551,246)**	(171,355,251)
	₱876,348,218	₱882,943,523

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 Note 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 ₱1.0 million, and ₱1.6 million in September 30, 2023 and 2022, respectively.

Movements in the allowance for ECL account as at September 30, 2023 and December 31, 2022 are shown below:

	Trade	Others	Total
Balance as at January 1, 2023	**₱66,028,152**	**₱105,327,099**	**₱171,355,251**
Provision (Note 21)	**1,294,850**	**–**	**1,294,850**
Reclassification	**–**	**(4,098,855)**	**(4,098,855)**
Balance as at September 30, 2023	**₱67,323,002**	**₱101,228,244**	**₱168,551,246**

	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

8. Inventories and Livestock

	Unaudited September 2023	Audited December 2022
Inventories:		
At net realizable value - Finished goods	**₱352,714,942**	₱265,341,476
At cost:		
Raw materials and feeds supplements	**307,529,190**	435,228,997
Supplies and animal health products	**120,517,490**	95,366,161
Finished goods	**68,508,024**	23,529,061
Hatching eggs	**82,129,859**	43,901,754
	931,399,505	863,367,449
Livestock:		
Day-old chicks and growing broilers	**125,466,241**	110,095,736
Parent stock	**29,283,074**	6,023,019
	154,749,315	116,118,755
	₱1,086,148,820	₱979,486,204

Inventories

Inventories are valued at lower of cost and NRV as at September 30, 2023 and December 2022. The cost of finished goods carried at NRV amounted to ₱353.6 million and ₱266.2 million as at September 30, 2023 and December 31, 2022, respectively. Inventories charged to cost of goods sold amounted to ₱7,811.2 million and ₱6,845.3 million in September 30, 2023 and 2022, 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	**Unaudited September 2023**	Audited December 2022
Opening balance	**₱116,118,755**	₱52,467,770
Increase due to production	**4,693,036,337**	5,183,298,174
Decrease due to sales, harvest and mortality	**(4,629,706,856)**	(5,130,583,627)
Fair value adjustment*	**(24,698,921)**	10,936,438
	₱154,749,315	₱116,118,755

**Presented under revenue in the statement of comprehensive income*

Allowance for inventory obsolescence amounted to P896,315 as at September 30, 2023 and December 31, 2022.

9. Other Current Assets

This account consists of:

	Unaudited September 2023	Audited December 2022
Advances to suppliers	**₱209,188,107**	₱466,876,004
Prepayments	**64,531,026**	49,606,422
CWT	**89,249,771**	80,816,559
Advances to contract growers	**55,786,467**	47,546,420
Input VAT	**28,737,958**	15,103,433
Advances to contract breeders	**9,933,824**	9,987,452
	457,427,153	669,936,290
Allowance for impairment losses	**(50,847,437)**	(46,748,582)
	₱406,579,716	₱623,187,708

Movements in the allowance for impairment losses as at September 30, 2023 and December 31, 2022 are shown below:

	September 2023	**December 2022**
Beginning Balance	**₱46,748,582**	**₱46,748,582**
Reclassification	**4,098,855**	**–**
Ending Balance	**₱50,847,437**	**₱46,748,582**

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

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

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

10. Receivable from Insurance

The Company has an outstanding claim for typhoon damages from Charter Ping An Insurance Corporation. Pursuant to the Insurance Code, the Company is entitled to interest on its claim at a rate twice the ceiling prescribed by the Monetary Board beginning March 12, 2010, 90 days from the date the Company has filed the claim. On August 17, 2016, the Company received ₱58.9 million as partial settlement. The Company continues to legally pursue the remaining outstanding balance of ₱141.6 million as at December 31, 2021. The court proceedings for the remaining claims were remanded to the Regional Trial Court of Malolos City in accordance with the resolution issued by the Court of Appeals on February 13, 2018. Management and its legal counsel believe that the ongoing litigation on the remaining claims will not result in any significant adverse impact on the Company's financial condition and results of operations.

The composition of receivable from insurance at at September 30, 2023 and December 31, 2022 are as follows:

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

No provisions for and write off of allowance for receivable from insurance were recognized in the statement of comprehensive income for the years ended September 30, 2023, and September 30, 2022

11. Property, Plant and Equipment

At Revalued Amount

The composition and movements of this account are presented below:

	Unaudited September 30, 2023					
	Land	**Machinery and Equipment**	**Buildings**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost						
Balance at beginning of year	**₱506,399,830**	**₱635,505,369**	**₱177,005,022**	**₱44,237,277**	**₱97,002,052**	**₱1,460,149,550**
Additions	**–**	**22,157,705**	**590,960**	**4,344,244**	**5,236,720**	**32,329,629**
Reclassification	**–**	**(9,639,900)**	**104,191,311**	**(3,532,332)**	**188,053**	**91,207,131**
Disposal					**(111,920)**	**(111,920)**
Balance at end of year	**506,399,830**	**648,023,174**	**281,787,293**	**45,049,189**	**102,314,905**	**1,583,574,391**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**335,837,762**	**78,684,026**	**18,969,425**	**83,881,556**	**517,372,768**
Depreciation and amortization (Notes 18 and 19)	**–**	**46,654,669**	**8,315,986**	**3,119,253**	**6,424,563**	**64,514,471**
Disposal					**(62,819)**	**(62,819)**
Balance at end of year	**–**	**382,492,430**	**87,000,012**	**22,088,677**	**90,243,300**	**581,824,420**
Net carrying amount	**₱506,399,830**	**₱265,530,744**	**₱194,787,281**	**₱22,960,512**	**₱12,071,605**	**₱1,001,749,971**

	Audited December 31, 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
Addition from acquisition of 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
Disposal	–	(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 and	–	–	–	–	(775,990)	(775,990)
Disposals	–	(3,915,577)	–	–	(32,208)	(3,947,785)

	Audited December 31, 2022					
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
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

Reclassification of CIP was done because construction has already been completed.

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

	Unaudited September 30, 2023					
	Land	**Machinery and Equipment**	**Buildings**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Total**
Cost	**₱14,159,490**	**₱523,146,266**	**₱300,595,000**	**₱39,317,476**	**₱99,108,114**	**₱976,326,346**
Accumulated depreciation and impairment	**–**	**(351,342,460)**	**(73,826,986)**	**(18,002,404)**	**(83,508,725)**	**(526,680,575)**
Net carrying amount	**₱14,159,490**	**₱171,803,806**	**₱226,768,014**	**₱21,315,072**	**₱15,599,389**	**₱449,645,771**

	Audited December 31,2022					
	Land	Machinery and Equipment	Buildings	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Total
Cost as at year end	₱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

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

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	**September 2023**	December 2022
Land	Sales Comparison Approach	Price per square meter	**₱1,500-₱6,000**	₱1,500-₱6,000
		Value adjustments	**5%-35%**	5%-35%

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

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

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

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

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

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

	Unaudited September 30, 2023		
	Transportation Equipment	**CIP**	**Total**
Cost			
Balance at beginning of year	**₱48,817,257**	**₱122,736,649**	**₱171,464,424**
Addition	**–**	**27,481,299**	**27,481,299**
Reclassification	**624,480**	**(108,619,021)**	**(107,994,541)**
Disposal	**(1,294,500)**	**–**	**(1,294,500)**
Balance at end of year	**₱48,147,237**	**₱41,598,927**	**₱89,656,682**
Accumulated Depreciation, and Amortization			
Balance at beginning of year	**44,913,273**	**–**	**44,823,791**
Depreciation and amortization (Notes 18 and 19)	**2,042,307**	**–**	**2,042,307**
Disposal	**(1,233,000)**	**–**	**(1,233,000)**
Balance at end of year	**45,722,580**	**–**	**45,633,098**
Net carrying amount	**₱2,424,657**	**₱41,598,927**	**₱44,023,584**

	Audited December 31, 2022		
	Transportation Equipment	CIP	Total
Cost			
Balance at beginning of year	₱48,160,960	₱38,699,957	₱86,860,917
Additions from acquisition			
Of 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

In September 30, 2023 and December 31, 2022, the Company sold property, plant and equipment for a cash consideration of 0.2 million and 0.2 million, resulting a gain (loss) on disposal amounting to ₱0.1 million and (₱1.0 million), respectively.

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

As at September 30, 2023 and December 31, 2022, there are no significant contractual commitments entered into by the Company.

Depreciation and amortization expense follow:

	Unaudited September 2023	Unaudited September 2022
Property, plant and equipment:		
At revalued amount	**₱64,514,471**	**₱58,473,432**
At cost	**2,042,307**	**3,086,390**
Right-of-use asset (Note 13)	**17,058,495**	**13,490,956**
Computer software (Note 13)	**2,548,516**	**3,206,196**
	₱86,163,789	**₱78,256,974**

12. **Investment Properties**

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

Movements in this account are summarized below:

	Unaudited September 30, 2023		
	Land	**Building**	**Total**
Balance at beginning of year	**₱579,638,285**	**₱586,232,241**	**₱1,165,870,526**
Additions	–	**28,461,908**	**28,461,908**
Disposal	**(1,865,785)**		**(1,865,785)**
Balance at end of year	**₱577,772,500**	**₱614,694,149**	**₱1,192,466,649**

	Audited December 31, 2022		
	Land	Building	Total
Balance at beginning of year	₱559,281,779	₱414,150,973	₱973,432,752
Gain (loss) 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)
Adjustment	(311)	–	(311)
Balance at end of year	₱579,638,285	₱586,232,241	₱1,165,870,526

The composition of investment properties as at September 30, 2023 and December 31, 2022 are as follows:

	Unaudited September 2023	Audited December 2022
Cost	**₱762,754,596**	₱736,158,474
Cumulative gain on fair value changes	**429,712,053**	429,712,052
	₱1,192,466,649	₱1,165,870,526

Rental income earned from the dressing plant in Bulacan amounted to ₱3.9 million and ₱4.1 million for the periods ended September 30, 2023 and 2022, respectively (see Note 20).

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, 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	**2023**	2022
Land	Sales Comparison Approach	Price per square meter	**₱40-₱14,200**	₱40-₱14,200
		Value adjustments	**5%-80%**	5%-80%

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

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

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

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

The significant unobservable inputs to fair valuation are as follows:

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

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

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

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

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

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

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

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

Right-of-use Assets

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

	Unaudited September 30, 2023		
	Building	**Transportation Equipment**	**Total**
Cost			
Balance at beginning of year	**₱12,065,912**	**₱128,919,298**	**₱140,985,210**
Reclassification	**–**	**(209,917)**	**(209,917)**
Additions	**9,772,245**	**29,398,100**	**39,170,345**
Balance at end of year	**21,838,157**	**158,107,481**	**179,945,638**
Accumulated Amortization			
Balance at beginning of year	**11,341,956**	**74,113,637**	**85,455,593**
Depreciation	**2,081,210**	**14,977,285**	**17,058,495**
Balance at end of year	**13,423,166**	**89,090,922**	**102,514,088**
Net carrying value	**₱8,414,991**	**₱69,016,559**	**₱77,431,550**

	Audited 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

Other Noncurrent Assets

	Unaudited September 2023	Audited December 2022
Project development costs	**₱31,368,395**	₱31,368,395
Security deposits	**11,552,778**	18,229,324
Computer software	**11,337,481**	13,885,997
	54,258,654	63,483,716
Allowance for impairment losses	**(31,368,395)**	(31,368,395)
	₱22,890,259	₱32,115,321

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 September 30, 2023 and December 2022.

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

Movements in computer software are as follows:

	Unaudited September 2023	Audited December 2022
Cost		
Balance at beginning of year	**₱43,365,131**	₱43,344,648
Additions	**–**	20,483
Balance at end of year	**43,365,131**	43,365,131
Accumulated Depreciation and Amortization		
Balance at beginning of year	**29,479,134**	23,683,621
Depreciation and amortization	**2,548,516**	5,795,513
Balance at end of year	**32,027,650**	29,479,134
Net Book Value	**₱11,337,481**	₱13,885,997

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

14. Trade and Other Payables

	Unaudited September 2023	Audited December 2022
Trade payables		
Third parties	**₱ 1,480,896,014**	₱1,627,742,437
Related parties (Note 24)	**13,799,269**	4,333,416
Accrued expenses		
Selling and administrative	**264,304,295**	175,537,109
Outside services	**44,029,371**	16,315,967
Others	**42,583,810**	49,318,293
Nontrade payables	**132,611,353**	62,588,749
Customers' deposits	**9,003,424**	45,629,029
Statutory liabilities	**33,934,916**	20,241,561
	₱ 2,021,162,452	₱2,001,706,561

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

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

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

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

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

15. **Loans Payable**

This account consists of the following:

	Unaudited September 2023	Audited December 2022
Short-term loans	**₱ 995,524,515**	₱960,657,066
Long-term loans	**31,026,785**	74,464,285
	₱ 1,026,551,300	₱1,035,121,351

	Unaudited September 2023	Audited December 2022
Short-term loans	**₱ 970,703,086**	₱960,657,066
Current portion of long-term loans	**24,821,429**	24,821,429
Current portion	**995,524,515**	985,478,495
Noncurrent portion of long-term loans	**31,026,785**	49,642,856
	₱ 1,026,551,300	₱1,035,121,351

Total availment of loans payable amounted to ₱1,351.9 million and ₱2,349.6 million in September 30, 2023 and December 31, 2022, respectively. Total payments of loans payable amounted to ₱1,360.5 million and ₱1,819.5 million in September 30, 2023 and December 31, 2022, respectively.

Interest expense on loans payable amounted to ₱52.7 million and ₱31.7 million in September 30, 2023 and September 30, 2022, respectively.

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

Short-Term Loans
In September 30, 2023 and December 31, 2022, 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 rates ranging from 6.50% to 7.50%.

Long-Term Loans
Long-term loans of the Company have remaining terms of five years. The Company's long-term loans have repriced interest rates ranging from 6.13% to 7.75%.

a. ₱86.9 million promissory note
   On October 31, 2018, the Parent Company entered into an aggregate of ₱86.9 million, eight-year loan with China Bank Savings, Inc. ("CBS") payable in 28 quarterly installments with an interest rate of 7.875% per annum, repriced annually. Debt issue cost related to the promissory note pertaining to documentary stamp tax of ₱0.7 million was capitalized as part of the carrying amount of the loan amortized over the loan term using the effective interest method.

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

16. Cash Bond Deposits

Cash bond deposits amounting to ₱58.1 million and ₱56.3 million as at September 30, 2023 and December 31, 2022, respectively, substantially consist of surety bond deposits obtained from contract growers, contract breeders, customers and salesmen. These will be refunded upon termination of the contract.

The carrying amounts of the cash bond deposits are at nominal values because the timing of the refund or settlement of the deposits could not be reasonably estimated.

17. Revenue

	Unaudited September 2023	Unaudited September 2022
Sales		
Foods	**₱4,073,592,488**	₱3,745,449,617
Feeds	**5,293,710,114**	4,652,251,097
Farms	**383,910,024**	367,439,223
Sales discount, returns and allowances	**(96,938,748)**	(97,899,561)
	9,654,273,878	8,667,240,376
Changes in fair values of biological assets	**(24,698,920)**	(15,757,633)
	₱9,629,574,958	₱8,651,482,743

18. Cost of Goods Sold

	Unaudited September 2023	Unaudited September 2022
Inventories used (Note 8)	**₱7,811,192,124**	₱6,845,351,382
Outside services	**767,717,267**	628,912,306
Contractual services	**276,466,234**	224,470,474
Depreciation	**60,436,694**	49,166,346
Salaries and employee benefits (Note 19)	**22,174,385**	32,561,388
Communication, light and water	**18,563,636**	28,927,926
Repairs and maintenance	**4,379,975**	10,193,084
Others	**8,263,659**	–
	₱8,969,193,974	₱7,819,582,906

19. Operating Expenses

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

	Unaudited September 2023	Unaudited September 2022
Administrative expenses	**₱347,689,841**	₱234,841,120
Selling and distribution expenses	**250,014,010**	350,268,985
	₱597,703,851	₱585,110,105

The details of operating expenses by nature are shown below:

	Unaudited September 2023	Unaudited September 2022
Salaries and employee benefits	**₱208,686,965**	₱174,025,199
Transportation, travel and freight and handling	**185,591,816**	183,762,132
Publications and subscriptions	**30,718,850**	27,704,008
Depreciation and amortization	**25,727,095**	29,090,628
Computerization project	**22,489,242**	31,218,942
Taxes and licenses	**20,682,831**	17,835,024
Professional fees	**18,968,879**	25,721,360
Advertising and promotions	**14,925,848**	16,867,847
Commissions	**13,991,745**	21,318,033
Communications, light and water	**11,380,079**	7,340,063
Representation and entertainment	**9,456,647**	5,618,775
Contractual services	**7,917,374**	18,866,213
Rentals (Note 27)	**7,241,221**	6,194,298
Supplies	**4,327,954**	4,297,486
Repairs and maintenance	**3,829,592**	3,447,127
Insurance	**3,358,210**	3,923,056
Bank charges	**85,216**	2,550,319
Others	**8,324,287**	5,329,595
	₱597,703,851	₱585,110,105

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

<u>Employee Benefits</u>
Breakdown of employee benefits is presented below:

	Unaudited September 2023	Unaudited September 2022
Salaries and wages	**₱217,744,380**	₱211,336,501
Commission	**13,991,745**	21,318,033
Retirement benefits (Note 22)	**2,366,612**	6,114,750
Other short-term benefits	**10,750,358**	5,740,294
	₱244,853,095	₱244,509,578

Salaries and employee benefits is allocated as follows:

	Unaudited September 2023	Unaudited September 2022
Cost of goods sold (see Note 18)	**₱22,174,385**	₱32,561,388
Operating expenses:		
Administrative expenses	**187,077,481**	162,974,989
Selling and distribution expenses	**35,601,229**	48,973,201
	222,678,710	174,025,199
	₱244,853,095	₱244,509,578

Depreciation and Amortization

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

	Unaudited September 2023	Unaudited September 2022
Cost of goods sold (Note 18)	**₱60,436,694**	₱49,166,346
Operating expenses:		
Administrative expenses	**6,890,380**	10,561,347
Selling and distribution expenses	**18,836,715**	18,529,281
	25,727,095	29,090,628
	₱86,163,789	₱78,256,974

20. Other Operating Income

	Unaudited September 2023	Unaudited September 2022
Miscellaneous sales	**₱41,793,318**	₱24,762,074
Rentals (Notes 24 and 27)	**3,910,251**	5,077,028
	₱45,703,569	₱29,839,102

21. Other Income (Charges)

	Unaudited September 2023	Unaudited September 2022
Impairment losses on:		
Foreign exchange gain (loss)	**₱2,546,657**	(14,434,015)
Receivables (Note 7)	**(1,294,850)**	(1,277,373)
Penalty charges		(6,543,500)
Gain (loss) on disposal of property, plant and equipment	**143,857**	(848,745)
Deficiency tax settlement	**(4,758,808)**	(7,500,000)
Others – net	**(391,721)**	(8,195,887)
	(₱3,754,865)	(₱38,799,520)

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 interim consolidated statements of comprehensive income is as follows:

	Unaudited September 2023	Unaudited September 2022	Audited December 2022
Current service costs	**₱2,366,612**	₱6,114,750	₱13,896,753
Interest expense	**–**	–	8,641,280
Interest income	**–**	–	(201,694)
	₱2,366,612	₱6,114,750	₱22,336,339

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

	Unaudited September 2023	Audited December 2022
Present value of obligation	**₱151,949,047**	₱150,989,435
FVPA	**(3,931,933)**	(3,931,933)
	₱148,017,114	₱147,057,502

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

	Unaudited September 2023	Audited December 2022
Balance at beginning of year	**₱150,989,435**	₱170,439,444
Remeasurement loss recognized in OCI	**–**	(32,261,732)
Current service costs	**2,366,612**	13,294,753
Interest expense	**–**	8,641,280
Benefits paid	**(1,407,000)**	(9,124,310)
Balance at end of year	**₱ 151,949,047**	₱150,989,435

Movements in the FVPA are presented below:

	Unaudited September 2023	Audited December 2022
Balance at beginning of year	**₱3,931,933**	₱3,978,184
Interest income	**–**	201,694
Remeasurement loss	**–**	(247,945)
	₱3,931,933	₱3,931,933

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:

	2023	2022
Cash and cash equivalents	**₱658,992**	₱658,992
Equity instruments	**548,505**	548,505
Debt instruments	**2,834,137**	2,834,137
Others	**(109,701)**	(109,701)
	₱3,931,933	₱3,931,933

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.

	2023	2022
Less than one year	**₱31,611,680**	₱31,611,680
Between one and five years	**42,714,397**	42,714,397
Over five years	**116,035,367**	116,035,367
	₱190,361,444	₱190,361,444

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

	2022	2021
Discount rate	**7.21%**	7.21%
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)**	(₱10,677)
	-100 bps	**12,215**	12,215
Salary rate	+100 bps	**12,365**	12,365
	-100 bps	**(10,984)**	(10,984)

23. Income Tax

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

	Unaudited September 2023	Unaudited September 2022
RCIT (25% in 2023 and 2022)	**₱23,104,465**	₱62,197,433
Deferred income tax expense (benefit)	**(13,881,268)**	(7,860,630)
	₱9,223,197	₱54,336,803

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

	Unaudited September 2023	Unaudited September 2022
Income tax expense at statutory tax rate	**₱16,437,075**	₱60,084,121
Tax effects of:		
Nondeductible expenses	**601,758**	138,138
Income already subjected to final tax	**(19,107)**	(18,060)
Depreciation on investment properties at cost	**(7,796,529)**	(5,867,396)
	₱9,223,197	₱54,336,803

The components of the recognized net deferred tax assets and liabilities as at September 30, 2023 and December 31, 2022 are as follows:

	Unaudited September 2023	Audited December 2022
Deferred tax assets:		
Allowance for impairment loss on:		
Trade and other receivables	**₱37,254,773**	₱36,931,060
Advances to contract grower and contract Breeder	**10,914,263**	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	**28,850,463**	28,258,810
Changes in fair value of biological assets	**3,329,333**	(2,845,398)
Excess of lease liability over right-of-use asset	**5,168,332**	-
NOLCO	**9,397,440**	9,397,440
	107,474,824	95,216,394

	Unaudited September 2023	Audited December 2022
Deferred tax liabilities:		
Changes in fair value of investment properties	**(66,032,543)**	(66,032,543)
Excess of right-of-use assets over lease liabilities	**-**	(807,444)
	(66,032,543)	(66,839,987)
Deferred income tax asset (liability) directly Recognized in other comprehensive income:		
Revaluation reserve on property, plant and equipment	**(₱134,977,038)**	(₱135,792,432)
Accumulated actuarial loss on defined benefit plan	**7,658,015**	7,658,015
	(₱127,319,023)	(128,134,417)
Net deferred tax liabilities	**(₱85,876,742)**	(₱99,758,010)

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	2027
2021	11,003,980	–	(505,094)	10,498,886	2026
	₱11,003,980	₱35,983,222	(₱505,094)	₱46,482,108	

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
	₱3,700,188	₱–	(₱3,700,188)	₱–	

The amount of MCIT and other deductible temporary differences as at September 30, 2023 and December 31, 2022 which the related deferred tax assets have not been recognized are shown below.

	Unaudited September 2023		Audited December 2022	
	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):

		Unaudited September 2023		Audited December 2022	
Related Parties	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables					
Entities under common control	Sales	**₱617,657,509**		₱509,194,217	
	Collections	**(580,768,362)**	**₱255,286,749**	(553,596,333)	₱218,397,603
Trade and other payables					
Entities under common control	Purchases	**₱1,190,602,628**		₱1,097,925,538	
	Payments	**(1,181,136,774))**	**₱13,799,269**	(1,183,299,952)	₱4,333,416
Operating lease					
Entities under common control	Rental income	**₱6,758,803**		₱19,877,100	
	Collection	**(3,644,781)**	**₱23,236,746**	(5,015,370)	20,122,723

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.

		Unaudited September 2023		Audited December 2022	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Advances to officers	Net transactions	**₱17,666,686**	**₱36,670,190**	₱6,589,468	₱19,003,504

Compensation of Key Management Personnel
The compensation includes the following:

	Unaudited September 2023	Audited December 2022
Short-term employee benefits	**₱44,452,324**	₱55,480,527
Retirement benefits	**4,026,494**	5,010,571
Others	**14,013,046**	17,133,565
	₱62,491,864	₱77,624,663

25. Equity

Capital Stock
As of September 30, 2023, the Company has authorized capital stock of 3.5 billion shares at ₱0.38 par value equivalent to ₱1.3 billion. Details of authorized and issued and outstanding shares are as follows:

	Unaudited September 2023	Audited December 2022
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 September 30, 2023 and December 31, 2022:

	Unaudited September 30, 2023		Audited December 31, 2022	
	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	**785,404,032**	**25.71%**	785,650,032	25.72%
Owned by directors and officers	**82,731,378**	**2.71%**	82,485,378	2.70%
Total	**3,054,334,014**	**100.00%**	3,054,334,014	100.00%

Of the total shares owned by the public, 99.4 million and 115.7 million shares are foreign owned as at September 30, 2023, and December 31, 2022.

The total number of shareholders of the Company is 4,107 and 4,113 as at September 30, 2023, and December 31, 2022.

Other Comprehensive Income

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

	Revaluation Reserve (Note 11)	Accumulated Actuarial Loss (Note 22)	Total
Balance as at Jan 1, 2023 and September 30, 2023	**₱409,685,325**	**₱8,348,878**	**₱418,034,203**
Balance as at January 1, 2022	₱343,451,476	(₱23,492,192)	₱319,959,284
Actuarial loss, 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 reserve realized through depreciation, net of tax	(11,767,279)	–	(11,767,279)
Balance as at September 30, 2022	₱409,685,325	₱8,348,878	₱418,034,203

As of September 30, 2023, there are no available amounts for dividend declaration based on Parent Company balances.

26. **Earnings Per Share**

Basic and diluted earnings per share were computed as follows:

	Unaudited September 2023	Unaudited September 2022	Audited December 2022
Net income for the period	**₱40,046,080**	₱153,533,930	₱128,986,939
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	**₱0.01**	₱0.05	₱0.04

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

27. **Significant Agreements**

Company as Lessor
The Company is a party under cancellable leases covering certain hatcheries and plants (i.e., dressing and rendering), which have remaining lease terms of between two to three years. All leases include a clause to enable upward revision of rental charges on an annual basis based on prevailing market conditions.

Total rent income from these operating leases amounted to ₱2.7 million and ₱4.1 million for the nine months period ended September 30, 2023, and 2022, respectively, and are shown as part of "Other operating income" account in the interim consolidated statements of comprehensive income (see Note 20).

Future minimum rentals receivable under non-cancellable operating leases as at September 30, 2023 and December 31, 2022 are as follows:

	Unaudited September 2023	Audited December 2022
Within one year	**₱5,833,929**	₱1,146,696
After one year but not more than five years	**19,446,428**	-
	₱25,280,357	₱1,146,696

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 contract do not exceed one year and renewable upon mutual agreement by the parties. Security deposits amounted to ₱11.6 million and ₱18.2 million as at September 30, 2023 and December 31, 2022, respectively. Rent expense amounted to ₱7.2 million and ₱2.0 million for nine months period ended September 30, 2023 and 2022 (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 9.3796% to 9.3809%.

Lease Liabilities

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

	Unaudited September 2023	Unaudited September 2022	Audited December 2022
Depreciation expense of right-of-use assets	**₱17,058,495**	₱13,490,956	₱17,723,732
Interest expense on lease liabilities	**3,784,679**	2,183,151	4,266,400
Expenses relating to short-term leases (see Note 19)	**7,241,223**	6,194,298	8,269,477
Total amount recognized in the consolidated statement of comprehensive income	**₱28,084,397**	₱21,868,405	₱30,259,609

The rollforward analysis of lease liabilities follows:

	Unaudited September 2023	Audited December 2022
As at January 1	**₱52,299,839**	₱42,005,270
Additions	**39,170,345**	34,331,713
Interest expense	**3,784,679**	4,266,400
Payments	**(16,747,171)**	(28,303,544)
Ending balance	**₱78,507,692**	₱52,299,839

As at September 30, 2023 and December 31, 2022, the details of the lease liabilities follow:

	Unaudited September 2023	Audited December 2022
Current	**₱25,550,784**	₱15,413,841
Noncurrent	**52,956,908**	36,885,998
	₱78,507,692	₱52,299,839

Future minimum lease payments under these lease agreements as of September 30, 2023 and December 31, 2022 are as follows:

	Unaudited September 2023	Audited December 2022
Within one year	**₱25,550,784**	₱15,413,841
More than one year but not more than five years	**52,956,908**	36,885,998
	₱78,507,692	₱52,299,839

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 ₱767.7 million and ₱858.8 million in September 30, 2023 and December 31, 2022, 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, 2023	**Proceeds/ Additions**	**Payments**	**Interest expense**	**September 30, 2023**
Loans payable	**₱1,035,121,351**	**₱1,351,949,359**	**(₱1,413,181,063)**	**52,661,654**	**₱1,026,551,300**
Lease liabilities	**52,299,839**	**39,170,345**	**(16,747,171)**	**3,784,679**	**78,507,692**
Total liabilities from financing activities	**₱1,087,421,190**	**₱1,391,119,704**	**(₱1,429,928,235)**	**₱56,446,333**	**₱1,105,058,992**

	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

The Company's additions to lease liabilities and right-of use assets amounted to ₱39.2 million and ₱34.3 million for the nine months ended September 30, 2023 and year ended December 31, 2022, respectively.

29. Contingencies

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

30. Fair Value Information

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

	September 2023 (Unaudited)		December 2022 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets at Amortized Cost				
Cash in banks	**₱529,595,861**	**₱529,595,861**	₱364,664,458	₱364,664,458
Trade and other receivables	**842,938,600**	**842,938,600**	882,943,523	882,943,523
Security deposits	**11,552,778**	**11,552,778**	18,229,324	18,229,324
Receivable from insurance	**70,203,810**	**70,203,810**	70,203,810	70,203,810
	₱1,454,291,049	**₱1,454,291,049**	₱1,336,041,115	₱1,336,041,115
Financial Liabilities at Amortized Cost				
Trade and other payables**	**₱1,987,227,536**	**₱1,987,227,536**	₱1,981,465,000	₱1,981,465,000
Loans payable	**1,026,551,300**	**1,042,822,458**	1,035,121,351	1,100,568,884
Cash bond deposits	**58,128,126**	**58,128,126**	56,102,619	56,102,619
	3,071,906,962	**3,088,178,120**	₱3,072,688,970	₱3,138,136,503

***Excluding statutory liabilities amounting to ₱33.9 million and ₱20.2 million as at September 30, 2023 and December 31,2022.*

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

Long-term Debt. The estimated fair value is based on the discounted value of the future cash flows using the prevailing interest rate. As at September 30, 2023, the discount rates used ranged from 3.8% to 4.2% while as at December 31, 2022, the fair value of long-term debt approximates its carrying value as they carry interest rates of comparable instruments in the market.

Cash Bond Deposits. Cash bond deposits are presented at nominal values because the timing of the refund or settlement of the deposits could not be reasonably estimated.

The carrying values of the following financial assets and financial liabilities approximate their values as at September 30, 2023 and December 31, 2022.

Cash in banks, trade and other receivables, security deposits, and trade and other payables. As at September 30, 2023 and December 31, 2022, the carrying amounts of these financial instruments approximate their fair values due to the short-term nature of these accounts.

As at September 30, 20223 and December 31, 2022, the Company's financial assets, liabilities, biological assets, property, plant and equipment and investment properties are categorized under Level 3 in the fair value hierarchy. There has been no transfer from Level 3 to other levels in September 30, 2023 and December 31, 2022.

31. **Financial Risk Management Objectives and Policies**

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

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

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

Interest Rate Risk
As at September 30, 2023 and December 31, 2022, the Company has no significant floating rate financial assets or liabilities. The Company's operating cash flows are substantially independent of changes in market interest rates.

The Company has no borrowings that carry variable interest rates, which released the Company from any cash flow interest rate risk.

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

Gross Maximum Exposure to Credit Risk
Generally, the maximum credit risk exposure of the financial assets is the carrying amount of the financial assets as shown in the interim consolidated statements of financial position (or in the detailed analysis provided in the notes to the interim consolidated financial statements) as summarized below.

	Unaudited September 2023	Audited December 2022
Cash in banks	**₱529,595,861**	₱364,664,458
Trade and other receivables	**842,938,600**	882,943,523
Security deposits	**11,552,778**	18,229,324
Receivable from insurance	**70,203,810**	70,203,810
	₱1,454,291,049	₱1,336,041,115

The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. When available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's trade and other receivables are not exposed to a concentration of credit risk as the Company deals with a number of customers. The trade and other receivables are actively monitored and assessed, and when necessary an adequate level of provision is maintained. In addition, to minimize credit risk, the Company requires collateral, generally land and real estate, from its customers.

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

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the Company's credit rating system as at September 30, 2023 and December 31, 2022:

	September 30, 2023				
	General Approach			**Simplified**	
	Stage 1	**Stage 2**	**Stage 3**	**Approach**	**Total**
Cash in banks	**₱529,595,861**	**₱–**	**₱–**	**₱–**	**₱529,595,861**
Trade and other receivables	**644,219,048**	**–**	**222,377,035**	**210,503,660**	**1,077,099,742**
Security deposits	**11,552,778**	**–**	**–**	**–**	**11,552,778**
Receivable from insurance	**–**	**141,664,583**	**–**	**–**	**141,664,583**
	₱1,185,367,687	**141,664,583**	**₱222,377,035**	**₱210,503,660**	**₱1,759,912,964**

	December 31, 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

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):

	September 30, 2023								
	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	**₱0.0**	**₱0.01**	**₱0.12**	**₱0.05**	**₱0.01**	**₱1.50**	**₱1.7**	**₱64.30**	**₱66.00**

	December 31, 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	₱0.0	₱0.01	₱0.12	₱0.05	₱0.01	₱1.50	₱1.7	₱64.30	₱66.00

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 September 30, 2023 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*	**₱1,987,227,536**	**₱–**	**₱–**	**₱–**
Loans payable	**945,881,657**	**24,821,429**	**55,848,215**	**–**
Lease liabilities	**16,932,238**	**8,618,547**	**52,956,908**	**–**
Cash bond deposits	**–**	**–**	**58,128,126**	**–**
Future interest on long term debt	**1,593,085**	**1,352,897**	**2,845,846**	**–**
	₱2,951,634,515	**₱34,792,872**	**₱169,779,095**	**₱–**

**Excluding statutory liabilities amounting to ₱33.9 million as at September 30, 2023*

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*	₱1,981,465,000	₱–	₱–	₱–
Loans payable	973,067,781	12,410,714	49,642,856	–
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	–
	₱2,966,629,039	₱23,138,420	₱160,165,484	₱–

**Excluding statutory liabilities amounting to ₱20.2 million as at December 31, 2022*

Price Risk

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

32. **Capital Management Objectives, Policies and Procedures**

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and significantly improve its operations.

On December 22, 2017, the SEC approved the Company's debt to equity conversion improving debt to equity ratio from 2.29 in 2016 to 1.26 in 2017. Moreover, the Company's stockholders approved a quasi-reorganization plan to eliminate Company deficit and generate retained earnings to provide returns to its stockholders and maximize shareholder value.

The Company's liabilities and equity are shown below:

	Unaudited September 2023	Audited December 2022
Total liabilities	**₱3,418,243,426**	₱3,392,242,922
Total equity	**1,895,974,007**	1,855,927,927

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 P1.00. 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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VITARICH CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

SEPTEMBER 30, 2023

		Amount
Retained earnings as at beginning of year		₱304,556,328
Adjustments in previous year's reconciliation		
Deferred tax assets as of January 1, 2023		(88,664,352)
Cumulative gain on fair value changes of investment properties		(429,712,053)
Cumulative gain on fair value changes of biological assets		(10,936,438)
Deficit, as adjusted, at beginning of year		(224,756,515)
Add net income actually earned/realized during the year		
Net income for the nine months period closed to retained earnings	₱40,046,080	
Realized fair value changes on biological assets	(13,317,332)	
Movement in deferred tax assets	(915,366)	25,813,382
Deficit as adjusted at end of the period		(₱198,943,133)

VITARICH CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

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

RATIO	FORMULA	**Unaudited September 2023**	Unaudited September 2022	Audited December 2022
Current Ratio				
	Current assets	**₱2,905,451,610**	₱2,943,667,872	₱2,855,034,161
	Divided by current liabilities	**3,042,237,751**	2,959,015,526	3,002,598,897
	Current ratio	**0.96**	0.99	0.95
Debt–to–equity Ratio				
	Total liabilities	**₱3,418,243,426**	₱3,343,111,052	₱3,392,242,922
	Divided by total equity	**1,895,974,007**	1,770,632,720	1,855,927,927
	Debt-to-equity ratio	**1.80**	1.89	1.83
Asset–to–equity Ratio				
	Total assets	**₱5,314,217,433**	₱5,113,743,772	₱5,248,170,849
	Divided by total equity	**1,895,974,007**	1,770,632,720	1,855,927,927
	Asset-to-equity ratio	**2.80**	2.89	2.83
Solvency Ratio				
	Net income before depreciation and amortization	**₱126,209,868**	₱231,790,904	₱234,662,688
	Divided by total liabilities	**3,418,243,426**	3,343,111,052	3,392,242,922
	Solvency ratio	**0.04**	0.07	0.07
Interest rate coverage Ratio				
	Pretax income before interest	**₱105,715,610**	₱239,539,017	₱236,588,551
	Divided by interest expense	**56,446,333**	31,668,284	40,001,976
	Interest rate coverage ratio	**1.87**	7.56	5.91
Profitability Ratio				
	Net income	**₱40,046,080**	₱153,533,930	₱128,986,939
	Divided by total equity	**1,895,974,007**	1,770,632,720	1,855,927,927
	Profitability ratio	**2%**	9%	7%

RATIO	FORMULA	**Unaudited September 2023**	Unaudited September 2022	Audited December 2022
Gross Profit Margin				
	Gross Profit	**₱660,380,984**	₱831,899,837	₱1,061,015,374
	Divided by Net Sales Revenue	**9,654,273,878**	8,667,240,376	11,957,515,851
	Gross Profit Margin	**7%**	10%	9%
Net Profit Margin				
	Net Income	**₱40,046,080**	₱153,533,930	₱128,986,939
	Divided by Net Sales Revenue	**9,654,273,878**	8,667,240,376	11,957,515,851
	Net Profit Margin	**0.4%**	1.8%	1.1%
Earnings before Interest, Tax, Depreciation & Amortization (EBITDA)				
	Net Income	**₱40,046,080**	₱153,533,930	₱128,986,939
	Add: Interest Expense	**56,446,333**	31,668,284	40,001,976
	Add: Taxes	**9,223,197**	54,336,803	67,599,636
	Add: Depreciation & amortization	**86,163,789**	78,256,974	105,675,749
	EBITDA	**₱191,879,399**	₱317,795,991	₱342,264,300
EBITDA Margin				
	EBITDA	**₱191,879,399**	₱317,795,991	₱342,264,300
	Net Sales Revenue	**9,654,273,878**	8,667,240,376	11,957,515,851
	EBITDA Margin	**2%**	4%	3%
Price Earnings Ratio				
	Market Value per share	**0.56**	0.54	0.60
	Divided by Earnings per share	**0.01**	0.05	0.04
	Price earnings ratio	**42.71**	10.74	15.00
Return on Average Equity				
	Net income	**₱40,046,080**	₱153,533,930	₱128,986,939
	Divided by average total equity	**1,875,950,967**	1,693,865,755	1,736,513,358
	Return on Average Equity	**2%**	9%	7%

RATIO	FORMULA	**Unaudited September 2023**	Unaudited September 2022	Audited December 2022
Quick Ratio				
	Quick assets	**₱1,412,723,074**	₱1,142,759,155	₱1,252,360,249
	Divided by current liabilities	**3,042,237,751**	2,959,015,526	3,002,598,897
	Quick ratio	**0.46**	0.39	0.42
Debt to EBITDA				
	Total liabilities	**₱3,418,243,426**	₱3,343,111,052	₱3,392,242,922
	Divided by EBITDA	**191,879,399**	317,795,992	342,264,300
	Debt-to-EBITDA	**17.81**	10.52	9.91
Receivable Days Turnover				
	Average accounts receivable	**₱821,820,799**	₱698,602,078	₱819,942,880
	Multiply by Number of Days	**273**	273	365
	Divided by Net sales	**₱9,654,273,878**	₱8,667,240,376	₱11,957,515,851
	Receivable Days Turnover	**23**	22	25
Inventory Days Turnover				
	Average inventory	**₱955,442,855**	₱961,861,928	₱827,486,136
	Multiply by Number of Days	**273**	273	365
	Divided by Cost of goods sold	**₱8,969,193,974**	₱7,819,582,906	₱10,907,436,915
	Inventory Days Turnover	**29**	34	28
Accounts Payable Days				
	Average accounts payable	**₱1,571,559,880**	₱1,447,634,562	₱1,446,214,805
	Multiply by Number of Days	**273**	273	365
	Divided by Credit Purchases	**₱8,921,107,275**	₱8,392,334,628	₱11,211,437,052
	Accounts Payable Days	**48**	47	47
Cash Conversion Cycle				
	Days inventory outstanding	**29**	34	28
	Add: Days sales outstanding	**23**	22	25
	Less: Days payable outstanding	**48**	47	47
	Cash Conversion Cycle	**4**	8	6

VITARICH CORPORATION AND SUBSIDIARIES

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

Audited

September 30, 2023

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VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
SEPTEMBER 30, 2023
(In Thousands)

			Deductions		Ending Balance		
Name and Designation of Debtor	**Balance at beginning of Year**	**Additions**	**Collected**	**Written Off**	**Current**	**Noncurrent**	**Balance as at September 30, 2023**
Advances to Officers and Employees:							
Rey D. Ortega, Senior Vice-President and General Manager	47	147	186	–	8	–	8
Peter Andrew Dompor, Sales Manager	29	–	–	–	29	–	29
Adriano Barrameda, Sales Manager	63	8	34	–	37	–	37
Oliver Lupiba, Sales Manager	377	–	340	–	37	–	37
Cruz, Aaron, Sales Manager	116	156	260	–	12	–	12
Others*	18,371	41,098	22,922	–	36,547	–	36,547
	₱19,003	₱41,409	₱23,742	₱–	₱36,670	₱–	₱36,670

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

Note: All of the above receivables are current.

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
SEPTEMBER 30, 2023
(In Thousands)

			Deductions			Ending Balance		
Related Party	**Balance at beginning of year**	**Additions**	**Collections**	**Write Off**	**Amounts written off**	**Current**	**Noncurrent**	**Balance as at September 30, 2023**
Amounts Due from Related Parties								
Gromax, Inc.	₱41,598	₱–	₱–	₱–	₱–	₱41,598	₱–	₱41,598

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS – OTHER ASSETS
SEPTEMBER 30, 2023
(In Thousands)

Description	Beginning balance	Additions	Charged to cost and expense	Charged to other accounts	Other changes additions (deductions)	Balance as at September 30, 2023
Computer software	₱13,886	₱–	₱2,548	₱–	₱–	₱11,337

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
SEPTEMBER 30, 2023
(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	₱40,335	₱24,821	₱15,514	7.75%	28 quarterly payments	Monthly	October 30, 2026
Fixed	Chinabank Savings	40,335	24,822	15,513	7.75%	28 quarterly payments	Monthly	November 30, 2026
		₱80,670	₱49,643	₱31,027				

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE F - RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES
September 30, 2023
(In Thousands)

			Deductions			Ending Balance		
Related Parties	**Balance at beginning of year**	**Additions**	**Collections (Payments)**	**Discounting**	**Write Off**	**Current**	**Noncurrent**	**Balance as at September 30, 2023**
Trade and other receivables								
Entities under common control	₱218,398	₱617,658	(₱580,768)	₱–	₱–	₱255,287	₱–	₱255,287
Trade and other payables								
Entities under common control	₱4,333	₱1,190,603	(₱1,181,137)	₱–	₱–	₱13,799	₱–	₱13,799

VITARICH CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCKHOLDER
September 30, 2023
(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	82,731	785,404

VITARICH CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE GROUP

September 30, 2023